AVICANNA

RHO PHYTO

MyMedi.ca
MEDICAL CANNABIS CARE

AUREUS
SANTA MARTA

# AVICANNA INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31ST, 2025 AND 2024

*March 31st, 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 year ended December 31, 2025, 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 March 31, 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 year ended December 31, 2025, and 2024.

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

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

## PART I – BUSINESS OVERVIEW

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

Avicanna is 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.

## Q4 AND SELECT FULL YEAR 2025 HIGHLIGHTS

- **Financial Highlights:**
  - **Revenue and Gross Profit:** Revenue totaled $6.6 million in Q4 2025 and $25.48 million for the year ended December 31, 2025, consistent with $6.6 million and $25.46 million, respectively, in the prior year. Gross margin expanded to 53% in 2025 from 48% in 2024, driving gross profit to $13.5 million, compared to $12.2 million in the prior year. Margin expansion reflects continued optimization of product mix and cost efficiencies.
  - **Adjusted EBITDA:** The Company improved financial performance, generating positive adjusted EBITDA of $0.31 million in Q4 2025, compared to $(0.79) million in Q3 2025. For the year ended December 31, 2025, the Company achieved near break-even adjusted EBITDA with $(0.29) million, representing a 71% improvement compared to $(1.01) million in 2024. The year-over-year improvement was primarily attributable to higher gross margins and a 9% reduction in operating expenses.

- **Canadian Commercial Advancements:** During 2025 the Company further advanced its Canadian commercial platform across new SKUs, channels and listings. Additionally, the Company's MyMedi.ca platform recovered from a modest Q1 performance of decreased sales, with three consecutive quarters of growth, combined with consistent increases in the proportion of sales attributed to Avicanna's proprietary products. This resulted in 211,090 units of proprietary products sold during 2025, an increase of approximately 5% from 2024. At the end of the fourth quarter, the Company had 52 commercial SKU's and 174 commercial listings across medical and adult use channels, representing 27% growth in proprietary commercial SKUs and a 32% growth in total listings from Q4 2024.

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

- **Promising Pre-Clinical Data Supporting Enhanced Absorption and Patent Filing for Novel Oral Delivery Platform:** The PwdRx technology was designed to address key formulation challenges associated with highly lipophilic cannabinoids, which often exhibit poor water solubility, low and variable bioavailability, and delayed onset of action. The technology demonstrated positive results in recent in-vitro study including 74% higher bioavailability (AUC), 63% faster peak plasma levels (TMAX) and a 134% higher peak plasma concentration (CMAX) when compared to an MCT oil formulation. The Company also filed a provisional patent application on the novel drug delivery platform which can be incorporated into products such as tablets, capsules, sachets and pouches.

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

- **Successful Symposium on Cannabinoid-Based Medicine (June 2025):** The Company hosted its fifth annual symposium at the MaRS Discovery District in Toronto during the year. The symposium brought together healthcare professionals, researchers, and key opinion leaders to discuss advancements in cannabinoid-based research, medical applications, and clinical adoption. The event was attended exclusively by healthcare practitioners and researchers and included presentations and discussions focused on emerging scientific evidence and the practical clinical application of cannabinoid-based therapies. The program featured contributions from clinicians, scientists, and industry experts representing a range of academic, clinical, and research institutions.

- **Issuance of New USPTO Patent Covering Topical Cannabinoid Compositions for Clear Skin:** The United States Patent & Trademark Office issued patent No. US 12,343,315 B2, covering a topical gel formulation comprised of cannabinoids in combination with antioxidants, anti-microbial agents, and anti-inflammatory agents, with potential applications in treating and preventing skin diseases and conditions including, but not limited to, acne, wrinkles, rosacea and erythema.

- **First Commercial Export Premium and Organic Cannabis Flower:** The Company's first export of organic certified flower was completed during Q3 2025 and its first commercial export of organic flower to Australia in Q1 2026. The accumulated exports represent the 22$^{nd}$ international market for Santa Marta Golden Hemp, and 24$^{th}$ market for Avicanna. These new commercial opportunities are the result of improvements to the SMGH infrastructure and expansion of the Aureus portfolio to meet the growing demand of medical cannabis flower in Europe and Australia.

- **Launch re+PLAY™ CBD Wellness Brand Topicals in the United States:** As a part of the Company's strategic roadmap into the United States, Avicanna expanded its partnership with re+PLAY™ , which is a CBD wellness brand founded by NBA veteran Al Harrington that feature Avicanna's patented and proprietary CBD formulations. Initial product offerings include a 3% CBD localized cream and the 2% CBD and 1% CBG transdermal gel employing Avicanna's patented deep tissue technology. The CBD and CBG used in the formulations are derived from USDA organic certified hemp cultivated in Avicanna's subsidiary Santa Marta Golden Hemp SAS and manufactured by Avicanna LATAM SAS's team in Colombia.

## SUBSEQUENT EVENTS & HIGHLIGHTS

- **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.

## 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 December 31, 2025, Avicanna maintains 174 commercial listings, including 103 on medical platforms and 71 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.

During 2025, Avicanna continued 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 the first quarter of 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

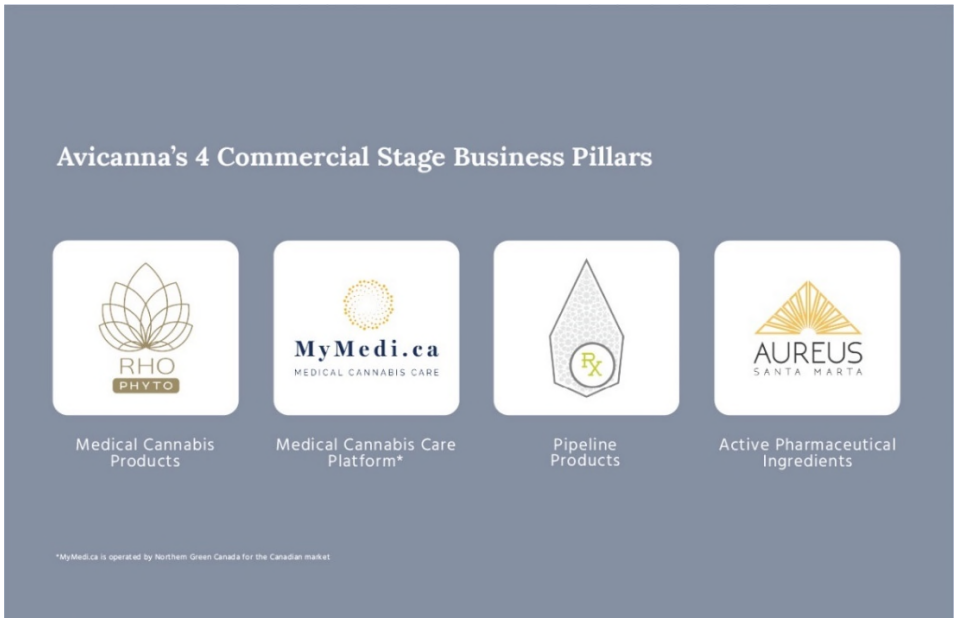
Internationally, the Company is developing and advancing commercial pathways to respond to the evolving medical cannabis space. The Company's expertise in navigating complex regulatory processes for its commercialization efforts internationally has resulted in commercial exports to 24 countries and all 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 22 international markets and has been the API of record for three pharmaceutical marketing authorizations including Trunerox™. During 2024

and 2025 the Company substantially improved its agronomy and post-harvest capabilities in Colombia resulting in the expansion of the Aureus™ products to include premium organic flower for potential exports to developed medical markets in Europe and Australia**.**

### *Overview of the Four Commercial Business Pillars*




### *Medical Cannabis Products and RHO Phyto™:*

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:*

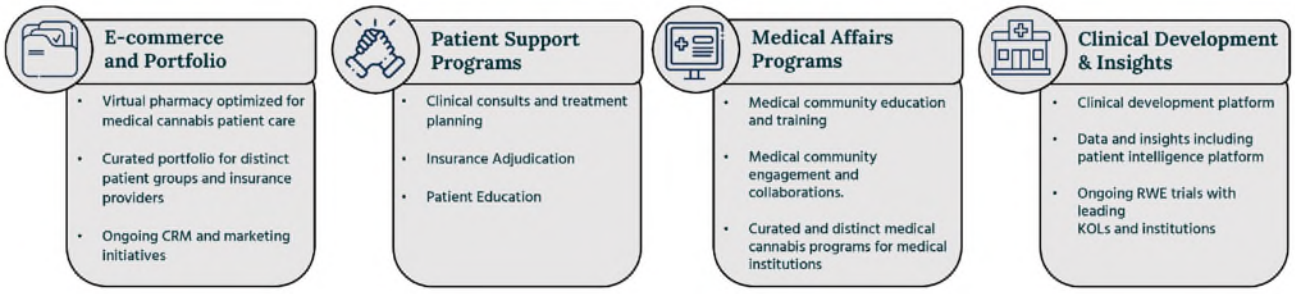
MyMedi.ca is the Company's online medical cannabis care platform that is operated by Northern Green Canada Inc. and features a diverse portfolio of products from select Canadian licensed producers. The platform's offerings include bilingual, pharmacist-led patient support programs and educational resources.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

### MyMedi.ca's Unique Features:

- **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.

**MyMedi's Educational Webinar Series:**

During Q2 2025, MyMedi.ca launched a new national educational webinar series featuring key opinion leaders across diverse therapeutic areas identified through patient surveys and stakeholder feedback. The live sessions aimed to enhance the understanding of medical cannabis in clinical practice covering evidence-based applications across various conditions, real-world case examples, and responsible use considerations, including the potential risks and harms of improper use. Each webinar also includes interactive segments with MyMedi.ca pharmacists, providing patients and healthcare professionals with the opportunity to engage directly with experts on topics such as dosing, titration, and product selection. The series has received strong engagement from existing patients and prescribers, while also attracting significant interest from new healthcare providers and potential collaborators within the medical community. The speakers included Canadian and international key opinion leaders, clinicians, and scientists from leading academic, research, and clinical organizations.

| Month | Webinar Title / Theme | Speaker(s) & Affiliations |
|---|---|---|
| **April 2025** | Medical Cannabis in the Management of Chronic Pain | **Dr. Blake Pearson** (MD)<br>*Greenly Health; Clinical Associate, Bluewater Health* |
| **May 2025** | Cannabis and Mental Health: Insights from Clinical and Preclinical Research | **Dr. Matthew Hill** (PhD)<br>*Professor, Department of Cell Biology & Anatomy, University of Calgary; Hotchkiss Brain Institute* |
| **September 2025** | Cannabis Use in Older Adults: Opportunities and Risks | **Dr. Daniel Bear** (PHD)<br>*Professor, Humber College; Researcher Drug Policy & Public Health* |
| **October 2025** | Practical Approaches to Patient Care and Medical Cannabis Integration | **NP Erin O'Shaughnessy** (NP)<br>*ReLEAF Health Clinic; Clinical Educator* |

| | | |
|---|---|---|
| **December 2025** | Driving After Cannabis Use: What the Research Says | **Dr. Bernard Le Foll** *(MD, PhD)*<br>*Chair, Addiction Psychiatry, University of Toronto; Centre for Addiction and Mental Health (CAMH)*<br>**Dr. Christine Wickens** (PhD)<br>*Scientist, Institute for Mental Health Policy Research, CAMH*<br>**Dr. Patricia DiCiano** (PhD)<br>*Scientist, Institute for Mental Health Policy Research, CAMH* |

## *Pharmaceutical Products 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.

### Potential Marketing Authorization and Commercial Pathways:

- **Near term:** Pharmaceutical approvals (South and Central America) including RDC 327 in Brazil and INVIMA in Colombia.

- **Long term:** North American and European pharmaceutical approvals including FDA, EMA and Health Canada.

### Selected Candidates and Programs:

| Drug Candidate | Delivery | Target | Status | Next Steps |
|---|---|---|---|---|
| Trunerox™ | Oral | (LGS) and (DS) Childhood Catastrophic Epileptic Syndromes | Approved INVIMA, Colombia | Claim Expansion and Registration in LATAM |
| AVCN583601 | Topical | Wound Healing, Pain and Itch associated with Epidermolysis Bullosa | Observational Clinical Trials Completed | Phase II Planning Stage |
| AVCN467504 | Topical | MSK Pain and Inflammation | Observational Clinical Trials Completed | Phase II Planning Stage |
| AVCN319301a & AVCN319301b | Oral | Pain associated with Osteoarthritis | GMP Pilot Completed | Phase II Approval Stage |

***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 December 2025 by Avicanna LATAM. Avicanna LATAM also anticipates Trunerox commercialization in other countries in Central America, South America and the Carribean.

## *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 (RWEs) 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.

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

**Randomized Controlled Trials (RCTs)**

- **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 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 ("GACP") and Organic certifications under the United States Department of Agriculture National Organic Program ("USDA") for its hemp cultivars. SMGH has exported Aureus™ branded products into 19 different countries for research and manufacturing purposes. The SMGH facility contains approximately 300,000 Square feet of cultivation space with an extraction capacity of 300kg. The current annual yield is approximately 26,400 kg.

During 2024 and 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.

## RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL INFORMATION

In connection with the preparation of the Company's consolidated financial statements for the year ended December 31, 2025, management identified certain errors in previously issued financial information relating to the year ended December 31, 2024. For the full impact see Note 24 of the consolidated financial statements.

Management evaluated these errors, both individually and in the aggregate, and concluded that they resulted in a material misstatement of the Company's previously issued consolidated financial statements for the year ended December 31, 2024. Accordingly, the Company has restated its comparative financial information for the year ended December 31, 2024 in both the consolidated financial statements for the year ended December 31, 2025 and in this MD&A.

**Nature of the Restatement**

(i) **Derecognition of extinguished liability -** the company identified certain liabilities at SMGH totaling $315,195 that were extinguished prior to 2024 but not removed from the balance sheet. The Company confirmed with the vendor that the liabilities were no longer outstanding as of December 31, 2023 and has derecognized the balance in the comparative period;

(ii) **Share-based compensation and warrant valuation inputs -** an error was identified in the valuation inputs, specifically the expected annualized volatility, used in the historical measurement of certain equity warrants and stock-based compensation awards. This resulted in an understatement of $609,453 in share-based compensation expense and in the share-based payment reserve within equity in the comparative period, as well as an understatement of warrant equity of $621,734 and an overstatement of share capital for that same amount;

(iii) **HST payable -** the company identified an error in the reconciliation of the balance of HST payable, which resulted in an overstatement of the liability of $350,804 in the comparative period;

(iv) **Inventory valuation -** the Company did not fully recognize losses associated with certain biological assets in the comparative period. Specifically, certain harvested products were transferred to inventory at amounts that overstated fair value less costs to sell because the valuation did not appropriately reflect market restrictions applicable to those products. Because the harvest-date amount became the cost basis of inventory, inventory was overstated and unrealized losses were understated in the comparative period by $703,445. In certain cases, a further write-down to net realizable value was also required after transfer.

## PART II – RESULTS OF OPERATIONS

The following table contains selected consolidated financial information as of, and for the year ended, December 31, 2025, and the two prior comparable periods:

| *Selected Consolidated Financial Information* | | | |
|---|---|---|---|
| ***Statement of Financial Position*** *(Canadian Dollars)* | **December 31, 2025** | **December 31, 2024** | **December 31, 2023** |
| Current assets | $ 7,897,442 | $ 6,937,727 | $ 8,460,356 |
| Non-current assets | 13,345,680 | 12,475,760 | 13,510,752 |
| Current liabilities | 9,179,298 | 8,603,223 | 12,381,604 |
| Non-current liabilities | $ 677,519 | $ 1,106,096 | $ 1,617,393 |

| ***Statement of Operations and Comprehensive loss for the year ended*** *(Canadian Dollars)* | **December 31, 2025** | **December 31, 2024** | **December 31, 2023** |
|---|---|---|---|
| Net revenue | $ 25,478,695 | $ 25,459,215 | $ 16,791,483 |
| Gross margin | 13,519,859 | 12,194,867 | 6,658,692 |
| Operating expenses | (16,302,219) | (17,837,103) | (15,038,327) |
| Operating loss | (2,782,360) | (5,642,236) | (8,379,635) |
| Net comprehensive loss | (1,193,074) | (5,693,480) | (6,629,861) |
| Loss per share – basic and diluted | $ (0.02) | $ (0.04) | $ (0.07) |

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.

| ***Revenue by Segment*** *(Canadian Dollars)* | **Twelve Months ended December 31, 2025** | **2024** | **Change $** | **Change %** |
|---|---|---|---|---|
| Canada | $ 23,591,538 | $ 23,536,568 | $ 54,970 | 0% |
| International | 1,887,157 | 1,922,647 | (35,490) | -2% |
| **Net Revenue** | **$** 25,478,695 | **$** 25,459,215 | **$** 19,480 | 0% |

Canadian net revenue totaled $23,591,538 for the year ended December 31, 2025, compared to $23,536,568 for the year ended December 31, 2024. MyMedi revenue decreased slightly year over year as a result of a modest Q1 and pricing compression, which was offset by increased high margin license revenue. Revenues from international sources was $1,887,156 for the year ended December 31, 2025, compared to $1,922,647, for the year ended December 31, 2024. Although revenue was consistent year over year, sales mix shifted from product to higher margin service. International revenue continues to be driven by API and finished product sales in addition to licensing and service agreements.

***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 when comparing the three and twelve months ended December 31, 2025, to the same period in 2024.

| *Key Revenue Metrics* | Year Ending December 31, 2025 | 2024 | Change (#) | Change (%) |
|---|---|---|---|---|
| **Canadian Revenue Channels** | | | | |
| Medical* (Listings) | 103 | 94 | 9 | 9.5% |
| Adult use** (Listings) | 71 | 42 | 29 | 69.0% |
| Canadian finished goods sold (units) | 211,090 | 200,685 | 10,405 | 5.2% |
| **International Revenue Channels** | | | | |
| Finished products sold (units) | 8,220 | 33,050 | (24,830) | (75.1%) |
| Sale of API (kg) | 108 | 109 | (1) | (0.9%) |
| Sale of Flower (KG) | 246 | 55 | 191 | 347.3% |

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

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

For the year ending December 31, 2025, the Company sold 211,090 units in Canadian channels, compared to 200,685 units for the comparable periods of 2024. This represents a 5% increase. Finished product sales in the international segment were 8,220 units for the year ending December 31, 2025. This is in comparison to 33,050 units in 2024, representing a significant decrease in the period. API sales in international channels were 108 kg for the year ending December 31, 2025, compared to 109 kg for the year ending December 31, 2024. Regarding flower sales, 246 kg were sold during 2025 compared to 55 kg in 2024.

## Gross Margin

The following outlines the gross margin by segment for the year ended December 31, 2025, and 2024:

| ***Gross Margin by Segment*** *(Canadian Dollars)* | **Year ended December 31, 2025** | **2024** | **Change ($)** | **Change %** |
|---|---|---|---|---|
| Canada | $ 11,901,303 | $ 11,624,823 | $ 276,481 | 2% |
| *Gross margin %* | *50%* | *49%* | | |
| International | $ 1,618,556 | $ 570,044 | $ 1,048,512 | 184% |
| *Gross margin %* | *86%* | *30%* | | |
| Total Gross Profit | **$ 13,519,859** | **$ 12,194,867** | **$ 1,324,992** | **11%** |
| *Gross margin %* | ***53%*** | ***48%*** | | ***5%*** |

Gross profit in the Canadian market for the year ended December 31, 2025, was $11,901,303, representing 50%, compared to $11,624,823 and 49% for the same period in 2024. Gross margins in Canada were positively impacted by an increase in the proportion of Avicanna's proprietary product sold through MyMedi. Gross margin for the international markets totaled $1,618,556 for the year ended December 31, 2025, compared to $570,044 for the year ended December 31, 2024. The strengthened International margins are a result of a sales mix shift from product to service revenue.

## Operating Expenses

The following table presents operating expenses for the year ended December 31, 2025, and 2024:

| *Operating Expenses* *(Canadian Dollars)* | Year ended December 31, 2025 | 2024 | Change $ | Change % |
|---|---|---|---|---|
| **General and administrative expenses** | | | | |
| Office and general | $ 3,461,514 | $ 3,459,186 | $ 2,328 | 0% |
| Selling, marketing and promotion | 3,382,375 | 3,188,840 | 193,535 | 6% |
| Consulting fees | 366,318 | 944,891 | (578,573) | -61% |
| Professional fees | 951,439 | 790,898 | 160,541 | 20% |
| Salaries and wages | 5,786,763 | 5,757,672 | 29,091 | 1% |
| Research and Development | 256,422 | 178,157 | 78,265 | 44% |
| Share based compensation | 1,171,055 | 2,181,843 | (1,010,788) | -46% |
| Depreciation and amortization | 743,055 | 853,737 | (110,682) | -13% |
| Expected credit loss | 183,278 | 481,879 | (298,601) | -62% |
| **Total Operating Expenses** | **$ 16,302,219** | **$ 17,837,103** | **$ (1,534,884)** | **-9%** |

***Office and general expenses***

For the year ended December 31, 2025, the Company incurred office and general expenses totaling $3,461,514 compared to $3,459,186 for the year ended December 31, 2024.

***Selling, marketing and promotion***

Selling, marketing and promotion expenses totaled $3,382,375 year ending December 31, 2025, compared to $3,188,840 for the year ending December 31, 2024. The increase was a result of increased MyMedi clinic costs as well as expansion of Adult Use relationships.

***Consulting fees***

For the year ended December 31, 2025, the Company incurred consulting expenses totaling $366,318, compared to $944,891 for the year ended December 31, 2024. Consulting expenses were comprised of third-party consultants, service providers, and investor relation services. As part of the Company's continued cost-saving efforts, many of these services were shifted in-house resulting in lower overall costs. Additionally, capital markets expenses decreased significantly as only one capital raise occurred in the year ending December 31, 2025.

***Professional fees***

For the year ended December 31, 2025, the Company incurred professional fees of $951,439, compared to $790,898 for the year ended December 31, 2024. The increase is most notably due to increased legal and accounting fees.

***Salaries and wages***

For the year ended December 31, 2025, the Company incurred salaries and wages of $5,786,763, compared to $5,757,672 for the year ended December 31, 2024. Salaries and wages slightly increased for the year, with headcount in Canada increasing due to new medical affairs initiatives and a ramp up in operations at SMGH. Headcount increases were partially offset by efficiencies realized at Northern Green Canada Inc.

***Research and development***

For the year ending December 31, 2025, the Company incurred research and development expenses of $256,422, compared to $178,157 in the same period of the prior year. The higher costs in 2025 compared to 2024 were tied directly to expansion of collaboration efforts with medical researchers.

***Share-based compensation***

For the year ended December 31, 2025, the Company incurred share-based compensation expenses of $1,171,055, compared to $2,181,843 in the prior year. The decrease is due primarily to the issuance of options and RSU's in 2024 to executives and directors in lieu of salaries, fees and cash bonuses.

***Depreciation and amortization***

Depreciation and amortization for the year ended December 31, 2025, was $743,055, compared to $853,737 for the year ended December 31, 2024. Depreciation has decreased as assets become fully amortized without significant new asset purchases, therefore diminishing the total expense over time.

***Expected credit loss***

For the year ending December 31, 2025, the Company recognized an expected credit loss of $183,278, compared with $481,879 in the prior year. The significant decrease is a result of a large specific customer credit loss that occurred in 2024.

## Other Income (Expenses)

The following table presents other income and (expense) for the year ended December 31, 2025, and 2024:

| | Year ended December 31, | | | |
|---|---|---|---|---|
| ***Other Income (Expenses)*** *(Canadian Dollars)* | **2025** | **2024** | **Change $** | **Change %** |
| Foreign exchange gain (loss) | $ (35,446) | $ 472,007 | $ (507,453) | $ -108% |
| Gain on disposal of capital assets | - | (665) | (665) | -100% |
| Gain on FV of royalty liability | - | 769,868 | (769,868) | -100% |
| Other income | 110,446 | 154,898 | (44,452) | -29% |
| Interest expense | (48,378) | (195,554) | 147,176 | -75% |
| Accretion | (3,459) | (138,093) | 134,634 | -97% |
| | **$ 23,163** | **$ 1,062,461** | **$ (1,039,298)** | **-98%** |

Other income and expenses was $23,163 for the year ended December 31, 2025, compared to $1,062,461 for the year ended December 31, 2024. Other income decreased significantly as a result of the recognition of the gain on the royalty agreement with Medical Cannabis by Shoppers Drug Mart in 2024.

## Adjusted EBITDA

The following table presents Adjusted EBITDA for the Year ended December 31, 2025, and 2024:

| | Year ended December 31, | | | |
|---|---|---|---|---|
| ***Adjusted EBITDA*** *(Canadian Dollars)* | **2025** | **2024** | **Change $** | **Change %** |
| Net comprehensive loss | $ (1,193,074) | (5,693,480) | $ 4,500,405 | $ 79% |
| Exchange differences on translation | (1,566,123) | 1,113,705 | (2,679,827) | -241% |
| Share-based compensation | 1,171,055 | 2,181,843 | (1,010,788) | -46% |
| Depreciation and Amortization | 743,055 | 853,737 | (110,682) | -13% |
| Estimated credit loss | 183,278 | 481,879 | (298,601) | -62% |
| Interest expense | 48,378 | 195,554 | (147,176) | -75% |
| Transaction costs and one-time settlements | 176,418 | - | 176,418 | 100% |
| Foreign exchange loss | 35,446 | (472,007) | 507,453 | 108% |
| Other income, net | (110,446) | (154,898) | 44,452 | 29% |
| Accretion expense | 3,459 | 138,093 | (134,634) | -97% |
| Gain in fair value of royalty liability | - | (769,868) | 769,868 | 100% |
| Unrealized changes in biological assets | 66,365 | 1,421,275 | (1,354,910) | -95% |
| Inventory impairment | 149,629 | (310,643) | 460,272 | 148% |
| **Adjusted EBITDA** | **$ (292,560)** | **(1,014,810)** | **$ 722,250** | **$ 71%** |

*[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, M&A 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 year ended December 31, 2025, was ($292,560), as compared to the loss of ($1,014,810) for the year ended December 31, 2024. The improvement in adjusted EBITDA is largely a result of the improvement in gross margin driven by sales mix shift to service and licensing as well as a significant reduction in operating expenses, most notably within consulting fees.

## Summary of Quarterly Results

The following tables present our quarterly results of operations for the eight consecutive three-month periods up to December 31, 2025. 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 | | | |
|---|---|---|---|---|
| ***2025 Quarterly Results*** *(Canadian Dollars)* | **December 31, 2025** | **September 30, 2025** | **June 30, 2025** | **March 31, 2025** |
| Net revenues | $ 6,600,363 | $ 6,396,822 | $ 6,157,309 | $ 6,324,201 |
| Net comprehensive gain (loss) | (636,034) | (582,380) | (850,991) | 876,331 |
| Net comprehensive gain (loss) per share | $ (0.01) | $ (0.01) | $ (0.01) | $ 0.01 |

| 2024 Quarterly Results (Canadian Dollars) | Quarter Ended December 31, 2024 | September 30, 2024 | June 30, 2024 | March 31, 2024 |
|---|---|---|---|---|
| Net revenues | $ 6,616,855 | $ 6,273,949 | $ 6,122,751 | $ 6,445,660 |
| Net comprehensive gain (loss) | (1,402,189) | (922,007) | (2,871,046) | (498,238) |
| Net comprehensive gain (loss) per share | $ (0.01) | $ (0.01) | $ (0.03) | $ (0.00) |

## 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 $280,630 on December 31, 2025. 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 year ended December 31, 2025, and 2024:

| Statement of cash flow (Canadian Dollars) | Year ended December 31, 2025 | 2024 | Change | Change (%) |
|---|---|---|---|---|
| Net cash (used in) provided by: | | | | |
| Operating activities | $ (1,181,237) | $ (2,547,108) | $ 1,365,871 | 54% |
| Investing activities | (255,843) | (402,574) | 146,731 | 36% |
| Financing activities | 963,174 | 3,422,404 | (2,459,230) | -72% |
| Net increase (decrease) in cash and cash equivalents | (473,906) | 472,722 | (946,628) | -200% |
| Effect of exchange rate changes on cash | 306,508 | (501,892) | 808,400 | 161% |
| Cash, beginning of year | 448,028 | 477,198 | (29,170) | -6% |
| **Cash, at year end** | **$ 280,630** | **$ 448,028** | **$ (167,398)** | **-37%** |

Cash used in operations during the year ended December 31, 2025, was ($1,181,237), a substantial improvement from the year ended December 31, 2024, in which cash used was ($2,547,108). The significant improvement is a result of net loss decreasing by 25%, going from ($4,579,775) in 2024 to ($2,759,197) in 2025. Other factors include share-based compensation decreasing from $2,181,843 in 2024 to $1,171,055 in 2025 and a decrease in non-cash operating elements of working capital, which went from ($437,750) in 2024 to ($56,376) in 2025.

Net cash used in investing activities totaled ($255,842) for the year ended December 31, 2025, compared to ($402,574) for the year ended December 31, 2024. Capital expenditure continues to be light. Purchases in 2025 consisted of production equipment and construction at the Company's SMGH facility in Colombia. Improvements to the facility relate to creating increased capacity required for licensing and supply agreements.

Net cash provided by financing activities totaled $963,174 for the year ended December 31, 2025, down from $3,422,404 for the year ended December 31, 2024. Proceeds from the issuance of common shares during 2025 totaled $1,000,000, as compared to $4,803,699 raised in the prior year.

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

| Date | Type | Gross Proceeds | Initially Intended Use of Proceeds | Actual Use of Proceeds |
|---|---|---|---|---|
| April 18, 2024 | Private Placement Offering | $2,125,584 (Net proceeds of $2,098,584) | The Company's stated intended use of the net proceeds was for general working capital and buildout of MyMedi.ca platform. | As of the date of this MD&A, all funds have been fully deployed in their originally intended use. |
| August 28, 2024 | Private Placement Offering | $1,986,208 (Net proceeds of $1,927,605) | The Company's stated intended use of the net proceeds was for buildout of MyMedi.ca platform and repayment of matured convertible debentures. | As of the date of this MD&A, all funds have been fully deployed in their originally intended use. |
| November 4, 2024 | Private Placement Offering | $800,010 (Net proceeds of $777,510) | The Company's stated intended use of the net proceeds was for general working capital related to MyMedi.ca platform | As of the date of this MD&A, all funds have been fully deployed in their originally intended use. |
| 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. |

***April 2024, Private Placement***

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

***August 2024, Private Placement***

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

***November 2024, Private Placement***

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

***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 year ended December 31, 2025, and 2024 are as follows:

| | Year ended December 31, | | | |
|---|---|---|---|---|
| ***Related Party Compensation*** *(Canadian Dollars)* | **2025** | **2024** | **Change $** | **Change %** |
| Salaries and benefits | $ 628,933 | $ 670,766 | $ (41,833) | -6% |
| Share-based compensation | 651,932 | 664,273 | (12,341) | -2% |
| | **$** 1,280,865 | $ 1,335,039 | **$** (54,174) | -4% |

***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 $141,526 as of December 31, 2025 (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.

***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, 19,338,524 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 for the year ended December 31, 2025. 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 December 31, 2025.

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. The Company expects to begin implementing remediation measures during the current fiscal year.

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 year ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.