

**Avicanna Inc.**  
**Condensed Consolidated Interim Financial Statements**  
**Unaudited**  
**For the Three and Nine Months Ended September 30, 2024, and 2023**  
(Expressed in Canadian dollars, unless otherwise noted)

**Avicanna Inc.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**Unaudited**  
(Expressed in Canadian Dollars, unless otherwise noted)

	Note	September 30, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$	812,068	\$ 477,198
Amounts receivable	5	2,769,503	2,968,241
Prepaid assets		544,870	470,679
Biological assets	6	39,963	83,179
Inventory	7	3,872,152	4,461,059
<b>Total current assets</b>		<b>8,038,556</b>	<b>8,460,356</b>
Right of use asset	10	134,449	235,378
Property and equipment	8	11,029,768	11,754,922
Intangible assets	9	936,184	1,186,452
Goodwill	4	334,000	334,000
<b>Total assets</b>	<b>\$</b>	<b>20,472,957</b>	<b>\$ 21,971,108</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	\$	7,569,111	\$ 8,870,149
Customer deposits		143,164	-
Lease liability – current portion	12	144,289	150,248
Loan payable	14	84,915	1,557,787
Royalty Liability	16	1,070,000	1,070,000
Non-controlling interest contribution liability	17	645,511	317,487
<b>Total current liabilities</b>		<b>9,656,990</b>	<b>11,965,671</b>
Lease liability	12	-	95,362
Deferred revenue	11	1,626,014	1,937,964
<b>Total liabilities</b>		<b>11,283,004</b>	<b>13,998,997</b>
<b>Shareholders' Equity</b>			
Share capital	18	86,085,125	81,025,495
Warrant reserve	18	12,442,149	12,118,194
Share-based payment reserve	19	7,016,311	6,890,762
Accumulated other comprehensive loss		(1,688,363)	(1,432,197)
Deficit		(102,139,062)	(98,714,758)
Equity attributable to shareholders of the Company		1,716,160	(112,504)
Non-controlling interest	20	7,473,793	8,084,615
<b>Total shareholders' equity</b>		<b>9,189,953</b>	<b>7,972,111</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$</b>	<b>20,472,957</b>	<b>\$ 21,971,108</b>

Nature of operations and going concern uncertainty – Note 1  
Subsequent events – Note 25

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

Approved by the Board

/s/ Eileen McCormack, Director

/s/ John McVicar, Audit Committee Chair, Director

**Avicanna Inc.**  
**Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**  
**For the Three and Nine Months Ended September 30, 2024, and 2023**  
**Unaudited**  
(Expressed in Canadian Dollars, unless otherwise noted)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
<b>Revenue</b>					
Service Revenue		\$ 694,952	\$ 1,772	\$ 934,860	\$ 46,805
License Revenue	11	103,983	106,688	663,500	386,272
Product Sales		5,475,014	6,144,490	17,244,000	10,304,963
<b>Total revenue</b>		<b>6,273,949</b>	<b>6,252,950</b>	<b>18,842,360</b>	<b>10,738,040</b>
Cost of goods sold		(2,755,827)	(3,324,453)	(8,940,045)	(5,908,526)
<b>Gross margin before the undernoted</b>		<b>3,518,122</b>	<b>2,928,497</b>	<b>9,902,315</b>	<b>4,829,514</b>
Inventory impairment		89,123	354,232	(99,034)	197,389
Fair value changes in biological assets included in inventory sold		(67,069)	(72,220)	(384,958)	(74,638)
Unrealized gain (loss) on changes in fair value of biological assets		29,800	(347,261)	29,800	(13,046)
<b>Gross margin</b>		<b>3,569,976</b>	<b>2,863,248</b>	<b>9,448,123</b>	<b>4,939,219</b>
<b>Expenses</b>					
General and administrative	22	3,812,053	3,402,147	10,620,783	7,866,875
Share-based compensation	19	225,222	506,499	1,358,145	2,004,996
Depreciation and amortization	8,9,10	215,871	233,839	662,378	551,464
Expected credit loss	5	92,830	66,979	266,186	83,433
<b>Total expenses</b>		<b>(4,345,976)</b>	<b>(4,209,464)</b>	<b>(12,907,492)</b>	<b>(10,506,768)</b>
<b>Other income (expenses)</b>					
Foreign exchange loss		(13,455)	(990)	(49,288)	(25,461)
Gain (loss) on disposal of capital assets	8	(879)	82	(879)	2,153
Gain on fair value of derivative liability		-	-	-	56,785
Other income		58,208	58,450	71,998	299,520
Interest expense		(29,246)	(85,064)	(176,067)	(208,856)
Accretion expense		(25,016)	(50,341)	(135,594)	(248,272)
<b>Net loss</b>		<b>\$ (786,388)</b>	<b>\$ (1,424,079)</b>	<b>\$ (3,749,199)</b>	<b>\$ (5,691,680)</b>
Exchange differences on translation of foreign operations		(135,619)	398,474	(542,093)	1,450,763
<b>Net comprehensive loss</b>		<b>\$ (922,007)</b>	<b>\$ (1,025,605)</b>	<b>\$ (4,291,292)</b>	<b>\$ (4,240,917)</b>
Net comprehensive loss attributable to non – controlling interest	20	113,350	(6,662)	(610,822)	74,156
Net comprehensive loss attributable to Shareholders of the Company	20	(1,035,537)	(1,018,943)	(3,680,470)	(4,315,073)
		\$ (922,007)	\$ (1,025,605)	\$ (4,291,292)	\$ (4,240,917)
Weighted average number of common shares – basic and diluted		100,824,201	87,142,161	95,454,856	81,306,837
Net loss per share – basic and diluted		\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.05)

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

**Avicanna Inc.**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
**For the Nine Months Ended September 30, 2024, and 2023**  
**Unaudited**  
(Expressed in Canadian Dollars, unless otherwise noted)

		Common shares		Warrants	Share-based payment reserve	Deficit	Accumulated other comprehensive loss	Non-controlling interest	Total
	Note	#	\$	\$	\$	\$	\$	\$	\$
<b>Balance at December 31, 2023</b>		<b>90,676,969</b>	<b>81,025,495</b>	<b>12,118,194</b>	<b>6,890,762</b>	<b>(98,714,758)</b>	<b>(1,432,197)</b>	<b>8,084,615</b>	<b>7,972,111</b>
Share based compensation	19	-	-	-	1,358,145	-	-	-	1,358,145
Settlement of RSUs	19	3,982,074	1,232,596	-	(1,232,596)	-	-	-	-
Issuance of shares	18	11,934,651	3,653,337	372,852	-	-	-	-	4,026,189
Exercise of warrants	18	312,000	173,697	(48,897)	-	-	-	-	124,800
Foreign exchange translation		-	-	-	-	-	(256,166)	(285,927)	(542,093)
Net loss		-	-	-	-	(3,424,304)	-	(324,895)	(3,749,199)
<b>Balance at September 30, 2024</b>		<b>106,905,694</b>	<b>86,085,125</b>	<b>12,442,149</b>	<b>7,016,311</b>	<b>(102,139,062)</b>	<b>(1,688,363)</b>	<b>7,473,793</b>	<b>9,189,953</b>
<b>Balance at December 31, 2022</b>		<b>74,952,800</b>	<b>74,894,122</b>	<b>11,714,410</b>	<b>6,808,009</b>	<b>(90,829,237)</b>	<b>(2,970,864)</b>	<b>3,842,211</b>	<b>3,458,651</b>
Share based compensation	19	-	-	-	2,004,996	-	-	-	2,004,996
Settlement of RSUs	19	4,373,373	1,995,007	-	(1,705,948)	-	-	-	289,059
Issuance of units	18	3,096,230	1,019,089	207,303	-	-	-	-	1,226,392
Conversion debentures	13,15	2,190,000	876,000	-	-	-	-	-	876,000
Exercise of warrants	18	2,885,754	1,396,428	(242,107)	-	-	-	-	1,154,321
Warrants issued with debentures	14,19	-	-	173,036	-	-	-	-	173,036
Foreign exchange translation		-	-	-	-	-	993,460	457,303	1,450,763
Net loss		-	-	-	-	(5,308,553)	-	(383,147)	(5,691,680)
<b>Balance at September 30, 2023</b>		<b>87,498,157</b>	<b>80,180,646</b>	<b>11,852,642</b>	<b>7,107,057</b>	<b>(96,137,770)</b>	<b>(1,977,404)</b>	<b>3,916,367</b>	<b>4,941,538</b>

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

**Avicanna Inc.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2024, and 2023**  
**Unaudited**  
(Expressed in Canadian Dollars)

	Note	For the Nine Months Ended September 30,	
		2024	2023
<b>Cash flows from operating activities</b>			
Net loss		\$ (3,749,199)	\$ (5,691,680)
Depreciation and amortization	8,9,10	662,378	551,464
Accretion of loans and convertible debentures	14,15	135,594	197,931
Share-based compensation	19	1,358,145	2,004,996
Gain on fair value of derivative liability	15	-	(56,785)
Deferred revenue incurred, net of recognized revenue	11	(311,950)	(311,950)
Expected credit losses	5	266,186	83,433
Gain on sale of capital assets		-	(2,153)
Changes in non-cash operating elements of working capital	23	(667,389)	2,628,844
<b>Cash used in operating activities</b>		<b>(2,306,235)</b>	<b>(543,964)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	9	-	(474,728)
Purchase of capital assets	8	(95,438)	(44,533)
Acquisition of Medical Cannabis by Shoppers Drug Mart	4	-	(2,552,669)
Proceeds from disposal of capital assets		-	31,260
<b>Cash used in investing activities</b>		<b>(95,438)</b>	<b>(3,040,670)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liability	12	(112,686)	(112,687)
Issuance of loan payable, net of costs	14	-	1,431,000
Proceeds from issuance of common shares, net of costs	19	4,026,189	1,226,392
Increase in balance due to related party	17	357,244	571,676
Repayment of convertible debentures	13	-	(762,000)
Repayment of loan payable	14	(1,584,445)	(861,601)
Proceeds from exercise of warrants	19	124,800	1,154,321
<b>Cash provided by financing activities</b>		<b>2,811,102</b>	<b>2,687,101</b>
<b>Net increase (decrease) in cash</b>		<b>409,429</b>	<b>(897,553)</b>
Effect of foreign exchange differences		(74,559)	421,780
Cash, beginning of period		477,198	1,194,040
<b>Cash, end of period</b>		<b>\$ 812,068</b>	<b>\$ (718,287)</b>

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

**Avicanna Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

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

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

## **Avicanna Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### **1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY**

Avicanna Inc. (“Avicanna” or the “Company”) was incorporated in Ontario, Canada. The Company is a commercial-stage international biopharmaceutical company focused on the advancement and commercialization of evidence-based cannabinoid-based products and formulations for the global medical and pharmaceutical market segments. Avicanna has an established scientific platform including R&D and clinical development that has led to the commercialization of more than thirty proprietary finished products.

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

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

As of September 30, 2024, the Company has an accumulated deficit of \$102,139,062 (December 31, 2023 - \$98,714,758), cash of \$812,068 (December 31, 2023 – \$447,198), and a working capital deficit of \$1,618,434 (December 31, 2023 – \$3,505,315). Additionally, the Company incurred a net loss after taxes of \$786,388 and \$3,749,199 for the three and nine months ended September 30, 2024, respectively and used \$2,306,235 of cash from operating activities during the period ended on September 30, 2024. In the prior period, the Company incurred a net loss of \$1,424,079 and \$5,691,680, for the three and nine months ended September 30, 2023, respectively, and used \$543,964 of cash from operating activities. The Company will need to raise additional financing to continue operations, product development and clinical research. Although the Company has been successful in the past in obtaining financing and it believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company’s ability to continue as a going concern.

#### **2. BASIS OF PRESENTATION**

##### **Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2023.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Company’s Board of Directors on November 14, 2024.

##### **Basis of presentation**

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

##### **Functional and presentation currency**

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

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

## 2. BASIS OF PRESENTATION (CONTINUED)

### Basis of consolidation

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

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

\*On December 20, 2023, the Company's ownership in SMGH decreased to 51% from 60% (note 17)

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

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

### Foreign currency transactions

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

### Foreign currency translation

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

### Use of judgments, estimates and assumptions

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

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

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



## **Avicanna Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

## **2. BASIS OF PRESENTATION (CONTINUED)**

### *Business combinations*

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

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

### *Biological assets and inventory*

In calculating the fair value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. Inventories of harvested cannabis are valued at the lower of cost or net realizable value. The Company estimates the net realizable value of inventories, considering the most reliable evidence available at the reporting date. The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and gross profit.

### *Estimated useful life of long-lived assets*

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

### *Impairment of long-lived assets*

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

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

### *Fair value measurements*

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

## **Avicanna Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

## **2. BASIS OF PRESENTATION (CONTINUED)**

### *Functional currency*

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

### *Provisions*

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

### *Leases*

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

### *Income tax provisions*

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

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

### *Determination of share-based payments*

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

## **3. MATERIAL ACCOUNTING POLICY INFORMATION**

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent audited consolidated financial statements for the year ended December 31, 2023.

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 4. ACQUISITION OF MEDICAL CANNABIS BY SHOPPERS DRUG MART INC.

On May 25, 2023 (the “Inventory Purchase Closing Date”), the Company entered into an Asset Purchase Agreement (“Agreement”) to acquire the assets of Medical Cannabis by Shoppers Drug Mart Inc. (the “Vendor”).

On the Inventory Purchase Closing Date, the Company acquired all of the Vendor’s inventory for cash consideration of \$2,507,619, \$2,230,983 to be paid in five equal monthly payments beginning one month after the Final Closing Date and \$276,636 representing the value of open inventory purchase orders, payable 55 days after the inventory was received. The rights to all inventory, and as such all sales revenue, were therefore granted to the Company as of the Inventory Purchase Closing Date. Under the Agreement, the Vendor was obligated to complete the sale of the of the remaining purchased assets on the Final Closing Date once the Company satisfied defined conditions set out in the Agreement. The remaining purchased assets included, but were not limited to, the patient list and capital assets related to the business. The Final Closing Date was July 31, 2023, and could be extended to a maximum of two additional months if conditions had not been met. Prior to the Final Closing Date, the Company satisfied all conditions required and successfully closed the transaction on July 31, 2023. On August 2, 2023, the Company relaunched this online e-commerce platform, rebranded as MyMedi.ca.

The purchase price of the assets was (i) cash consideration of \$2,507,619, as disclosed above and (ii) an Earn-Out payment of 15% of net revenue from the acquired customers, for a period of one year following the closing date and 10% of net revenue for a period of one year following the first anniversary of the closing date. Net revenue is defined in the acquisition agreement as revenue less discounts, cost of goods sold, shipping and clinic education fees. The transaction constitutes a business acquisition in accordance with the definition under IFRS 3 and has accounted for it in accordance with this standard.

The following table sets forth the preliminary allocation of the purchase price to the net identifiable assets acquired, based on estimates of fair value:

<b>Consideration</b>	
Cash	\$ 2,507,619
Contingent consideration – Royalty liability (Note 16)	1,070,000
	<hr/>
	\$ 3,577,619
<b>Net Assets Acquired</b>	
Inventory	2,507,619
Property and equipment	36,490
Intangible assets – Tradenames	79,510
Intangible assets – Customer list	620,000
Goodwill	334,000
	<hr/>
	\$ 3,577,619

The fair value of the intangible assets acquired was determined using valuation models that require estimation of future earnings, future net cash flows, and discount rates. These were calculated using a discounted cash flow model which estimates approximately 2% to 3% annual sales growth, a customer attrition rate of 30% annually and a discount rate of 30%. The discount rate was determined based on the Company’s capital structure and by assessing comparable peers within the Company’s industry.

Changes in estimates and assumptions used could have a material impact on the value of this asset and the amount of amortization expense recognized in future periods.

#### 5. AMOUNTS RECEIVABLE

	<b>September 30, 2024</b>		<b>December 31, 2023</b>	
Trade and other receivables	\$	3,605,095	\$	2,936,925
Sales tax receivable		82,364		690,777
Expected credit loss provision		(917,956)		(659,461)
<b>Total amounts receivable</b>	<b>\$</b>	<b>2,769,503</b>	<b>\$</b>	<b>2,968,241</b>

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 6. BIOLOGICAL ASSETS

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

	September 30, 2024		December 31, 2023	
Opening balance	\$	83,179	\$	129,824
Production costs capitalized		132,549		560,369
Changes in fair value less costs to sell due to biological transformation		28,520		-
Transferred to inventory upon harvest		(200,601)		(635,040)
Foreign exchange translation		(3,684)		28,026
<b>Ending balance</b>	<b>\$</b>	<b>39,963</b>	<b>\$</b>	<b>83,179</b>

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

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

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

Assumptions: CBD Isolate	As of September 30, 2024		As of December 31, 2023	
	Input	Effect on Fair Value	Input	Effect on Fair Value
CBD Isolate Yield	4.5%	(\$6,279)	4.5%	(\$18,970)
CBD Isolate Price (USD/KG)	\$1,887	(\$6,315)	\$1,200	(\$19,064)
Weighted average of expected loss of plants until harvest [i]	6.3%	\$87	7.0%	\$204
Expected yields for cannabis plants (average grams per plant)	150	\$1,304	178	\$2,633
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	40%	\$1,304	90%	\$2,633
Estimated fair value less costs to complete and sell (per gram) [ii]	(\$0.09)	\$807	(\$0.10)	\$2,363
After harvest cost to complete and sell (per gram)	\$0.05	\$807	\$0.01	\$271

Assumptions: THC Resin	As of September 30, 2024		As of December 31, 2023	
	Input	Effect on Fair Value	Input	Effect on Fair Value
THC Resin Yield	12.8%	\$41,645	12.8%	\$29,584
THC Resin Price (USD/KG)	\$3,095	\$41,511	\$4,000	\$29,453
Weighted average of expected loss of plants until harvest [i]	26.6%	\$1,193	1.0%	\$67
Expected yields for cannabis plants (average grams per plant)	150	\$3,296	\$178	\$4,722
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	38%	\$3,296	87%	\$4,722
Estimated fair value less costs to complete and sell (per gram) [ii]	\$0.35	\$3,912	\$0.44	\$4,847
After harvest cost to complete and sell (per gram)	\$0.05	\$616	\$0.01	\$125

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

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

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 6. BIOLOGICAL ASSETS (CONTINUED)

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

The Company estimates the harvest yields for cannabis at various stages of growth. As of September 30, 2024, it is expected that the Company's cannabis plants biological assets will yield approximately 246,156 grams of dry cannabis (December 31, 2023 – 350,568 grams).

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

An unrealized loss on biological assets of \$29,800 and \$29,800 was included in costs of goods sold for the three months and nine months ended September 30, 2024, respectively (September 30, 2023 – \$347,261 and \$13,046, respectively).

#### 7. INVENTORY

	Capitalized Cost	Biological assets fair value adjustment	Impairment	Carrying Value
<b>Harvested Cannabis</b>				
Seeds	\$ 74,966	\$ -	\$ (74,966)	\$ -
Wet Flower	64,427	(23,190)	-	36,237
Dried Flower	458,521	1,947,650	(1,922,328)	483,843
	<b>597,914</b>	<b>1,919,460</b>	<b>(1,997,294)</b>	<b>520,080</b>
<b>Active Pharmaceutical Ingredients</b>				
Work in process	578,562	886,452	(1,128,408)	336,606
Finished goods	6,734	241	(6,867)	108
	<b>585,296</b>	<b>886,693</b>	<b>(1,135,275)</b>	<b>336,714</b>
<b>Supplies and consumables</b>	664,078	-	(6,627)	657,451
<b>Finished goods</b>	2,379,674	-	(21,767)	2,357,907
<b>September 30, 2024</b>	<b>\$ 4,226,962</b>	<b>\$ 2,806,153</b>	<b>\$ (3,160,963)</b>	<b>\$ 3,872,152</b>

	Capitalized Cost	Biological assets fair value adjustment	Impairment	Carrying Value
<b>Harvested Cannabis</b>				
Seeds	\$ 387,563	\$ -	\$ (387,563)	\$ -
Wet Flower	120,080	(117,098)	-	2,982
Dried Flower	397,016	2,354,634	(2,241,999)	509,651
	<b>904,659</b>	<b>2,237,536</b>	<b>(2,629,562)</b>	<b>512,633</b>
<b>Active Pharmaceutical Ingredients</b>				
Work in process	648,906	1,084,086	(931,965)	801,027
Finished goods	13,631	54	(54)	13,631
	<b>662,537</b>	<b>1,084,140</b>	<b>(932,019)</b>	<b>814,658</b>
<b>Supplies and consumables</b>	1,119,849	-	(429,081)	690,768
<b>Finished goods</b>	2,460,511	-	(17,511)	2,443,000
<b>December 31, 2023</b>	<b>\$ 5,147,556</b>	<b>\$ 3,321,676</b>	<b>\$ (4,008,173)</b>	<b>\$ 4,461,059</b>

The value of inventory transferred to cost of goods sold during the three and nine months ended September 30, 2024, was \$2,755,827 and \$8,940,045, respectively (September 30, 2023 - \$3,324,453 and \$5,908,526, respectively).

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 8. PROPERTY AND EQUIPMENT

	Equipment \$	Land \$	Construction in Progress \$	Infrastructure and Buildings \$	Total \$
<b>Cost</b>					
December 31, 2023	5,188,584	6,919,647	219,678	1,597,974	13,925,883
Additions	51,206	-	44,232	-	95,438
Disposals	(2,154)	-	-	-	(2,154)
Foreign exchange translation	(194,753)	(306,454)	(9,729)	(66,418)	(577,354)
<b>September 30, 2024</b>	<b>5,042,883</b>	<b>6,613,193</b>	<b>254,181</b>	<b>1,531,556</b>	<b>13,441,813</b>
<b>Accumulated Depreciation</b>					
December 31, 2023	1,851,093	-	-	319,868	2,170,961
Depreciation	244,779	-	-	66,404	311,183
Disposals	(2,154)	-	-	-	(2,154)
Foreign exchange translation	(55,870)	-	-	(12,075)	(67,945)
<b>September 30, 2024</b>	<b>2,037,848</b>	<b>-</b>	<b>-</b>	<b>374,197</b>	<b>2,412,045</b>
<b>Net Book Value</b>					
December 31, 2023	3,337,491	6,919,647	219,678	1,278,106	11,754,922
<b>September 30, 2024</b>	<b>3,005,035</b>	<b>6,613,193</b>	<b>254,181</b>	<b>1,157,359</b>	<b>11,029,768</b>

During the three months and nine months ended September 30, 2024, the Company recognized depreciation expense on its property and equipment of \$98,560 and \$311,183, respectively (September 30, 2023 - \$113,947 and \$318,932, respectively).

#### 9. INTANGIBLE ASSETS

	Customer Relationships \$	Ecommerce Platform \$	Licenses and Permits \$	Software Licenses \$	Intellectual Property \$	Total \$
<b>Cost</b>						
December 31, 2023	761,327	968,932	47,156	113,943	176,763	2,068,121
Additions	-	-	-	-	-	-
Foreign exchange translation	-	-	(2,088)	(5,091)	(4,263)	(11,442)
<b>September 30, 2024</b>	<b>761,327</b>	<b>968,932</b>	<b>45,068</b>	<b>108,852</b>	<b>172,500</b>	<b>2,056,679</b>
<b>Accumulated Amortization</b>						
December 31, 2023	192,994	422,311	47,156	113,943	105,265	881,669
Amortization	93,000	145,341	-	-	11,925	250,266
Foreign exchange translation	-	-	(2,088)	(5,091)	(4,261)	(11,440)
<b>September 30, 2024</b>	<b>285,994</b>	<b>567,652</b>	<b>45,068</b>	<b>108,852</b>	<b>112,929</b>	<b>1,120,495</b>
<b>Net Book Value</b>						
December 31, 2023	568,333	546,621	-	-	71,498	1,186,452
<b>September 30, 2024</b>	<b>475,333</b>	<b>401,280</b>	<b>-</b>	<b>-</b>	<b>59,571</b>	<b>936,184</b>

During the three and nine months ended September 30, 2024, the Company recognized amortization on its intangible assets of \$83,422 and \$250,266, respectively (September 30, 2023 - \$86,003 and \$131,603, respectively).

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 10. RIGHT OF USE ASSETS

As of September 30, 2024, and December 31, 2023, the Company's right of use assets consisted of the following:

	September 30, 2024		December 31, 2023	
<b>Cost</b>				
Opening balance	\$	392,297	\$	392,297
Additions		-		-
Ending balance	\$	392,297	\$	392,297
<b>Accumulated Amortization</b>				
Opening balance	\$	156,919	\$	22,470
Depreciation		100,929		134,449
Ending balance	\$	257,848	\$	156,919
<b>Net Book Value</b>	\$	<b>134,449</b>	\$	<b>235,378</b>

#### 11. DEFERRED REVENUE

	September 30, 2024		December 31, 2023	
Opening balance	\$	1,937,964	\$	2,353,897
Revenue recognized		(311,950)		(415,933)
Ending Balance	\$	<b>1,626,014</b>	\$	<b>1,937,964</b>

[i] On November 26, 2019, the Company entered into a license agreement (the "License Agreement") with LC2019, Inc. ("LC2019") pursuant to which the Company has agreed to license certain proprietary formulations and brand elements to LC2019 for commercialization in the United States and the Company transfers brand/trademark as well as intellectual property related to product development. As ongoing activities are required to maintain the brand, the license to the brand/ trademark would be considered a right to access and therefore would be recognized over time. In addition, given the license is for cannabis related to product development, the Company meets the criteria for right of use of intellectual property and recognize at a point time. However, IFRS 15 states that revenue cannot be recognized for a license that provides a right to use intellectual property before the period during which the customer is able to use and benefit from the license. As cannabis remains federally illegal in the US, there exists restrictions in the benefits that the Company can derive from this license. Consequently, the revenue derived from the above license has been recorded as deferred revenue to be recognized into revenue evenly over a period of ten years. In relation to this contract, the Company recognized \$94,500 and \$283,500 as license revenue for the three and nine months ended September 30, 2024, respectively (September 30, 2023 - \$94,500 and \$283,500, respectively).

[ii] On April 10, 2022, the Company entered into an exclusive license and supply agreement with a South American pharmaceutical company (the "Licensee"). The agreement provides the Licensee with the right to use the Company's intellectual property ("IP") to promote, market and sell the Company's products within Licensee's designated territory for an initial period of five years, commencing on the date of execution. As consideration for the licensing agreement, the Company is to receive a fee of USD\$1,000,000 (\$1,291,255), paid in five tranches; a USD\$100,000 (\$125,955) fee paid on signing of the agreement and the remainder paid in four tranches as the Company meets specific milestones in the transfer of IP. The Company determined that the fee paid upon signing contains a performance obligation which occurs over a period of time and therefore, revenue is to be recognized straight-line over a five-year period based on the term of the contract. In relation to this contract, the Company recognized \$6,298 and \$18,893 into license revenue for the three and nine months ended September 30, 2024, respectively (September 30, 2023 - \$6,298 and \$18,893, respectively). Subsequent payments are to be recognized into revenue as each milestone has been met. During the nine months ended September 30, 2024, and 2023, the Company has not met any additional milestones and therefore \$nil was recognized as revenue.

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 11. DEFERRED REVENUE (CONTINUED)

[iii] On April 22, 2022, the Company entered into an exclusive license and supply agreement with a Brazilian pharmaceutical company (the "Licensee"). The agreement provides the Licensee with the right to use the Company's IP to promote, market and sell the Company's products within the Licensee's designated territory for an initial period of 5 years, commencing on the date of execution. As consideration for the licensing agreement, the Company is to receive a fee of USD\$250,000 (\$322,814), paid in three tranches; a USD\$50,000 (\$63,713) fee paid on signing of the agreement and two USD\$100,000 (\$129,125) as the Licensee meets specific milestones. The Company determined that the fee paid upon signing contains a performance obligation which occurs over a period of time and therefore, revenue is to be recognized straight-line over a five-year period based on the term of the contract. In relation to this contract, the Company recognized \$3,186 and \$9,557 into license revenue for the three and nine months ended September 30, 2024, respectively (September 30, 2023 - \$3,186 and \$9,557, respectively). Subsequent fees are to be recognized into revenue as each milestone is met. During the nine months ended September 30, 2024, and 2023, the Company has not met any additional milestones and therefore \$nil was recognized as revenue.

#### 12. LEASE LIABILITY

As of September 30, 2024, and December 31, 2023, the lease liability consisted of the following:

	September 30, 2024		December 31, 2023	
<b>Opening balance</b>	\$	245,610	\$	372,122
Interest incurred on lease liability		11,365		23,737
Lease payments		(112,686)		(150,249)
<b>Ending balance</b>	\$	<b>144,289</b>	\$	<b>245,610</b>
Lease liability – current portion		144,289		150,248
Lease liability – noncurrent portion		-		95,362

The Company has lease liabilities related to the lease of its corporate offices which began on November 1, 2022. The weighted average discount rate for the three and nine months ended September 30, 2024, was 8% percent (December 31, 2023 – 8%).

The total future minimum rent payable under the Company's lease on September 30, 2024, was as follows:

Due in less than 1 year	\$	150,248
Due between 1 and 2 years		-
Total lease payments		150,248
Amounts representing interest over the term of the lease		(5,929)
<b>Present value of minimum lease payments</b>	\$	<b>144,289</b>



## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 13. CONVERTIBLE DEBENTURES

The following table is a break down of the convertible debenture balance on initial recognition and subsequent accretion:

	September 30, 2024	December 31, 2023
Opening balance	\$ -	\$ 1,861,201
January 28, 2023 amendment - derivative liability allocation	-	(55,814)
July 28, 2023 amendment - extension fee	-	(15,000)
Accretion	-	147,613
Converted to debt	-	(762,000)
Converted to common shares	-	(876,000)
Payments	-	(300,000)
<b>Ending Balance</b>	<b>\$ -</b>	<b>\$ -</b>

On January 28, 2022, the Company completed a convertible debenture offering through the issuance of 1,938 convertible debenture units, issued at a price of \$800 per unit for gross proceeds of \$1,550,400. Each debenture unit consisted of an aggregate of \$1,000 principal of secured subordinated convertible debentures of 545 common share purchase warrants.

The debentures matured one year following the closing date. Each debenture was convertible at any time following the date that is one year from the closing date, at the option of the holder, into common shares at a price of: (A) \$1.20 per share, if converted between the period commencing year from the closing date and ending on the second business day prior to the maturity date; or (B) \$0.85 per share, if converted anytime after the second business day prior to the maturity date. The debentures did not bear interest prior to the Maturity Date, after which they bore interest at a rate of 15%.

Each common share purchase warrant is exercisable into one common share at a price of \$1.10 per share for a period of three years from the closing date.

A portion of the proceeds was allocated to the warrants and the conversion option, which was accounted for as a derivative liability. The fair value assigned to the warrants was \$206,255 and was determined using the Black-Scholes Option Pricing Model using the following variables: risk-free rate of 1.4%, volatility of 95.3%, expected life of 3 years, dividend yield 0% and share price of \$0.47. Refer to note 15 for details on the fair value of the conversion option.

As a result, the Company recognized the following:

Convertible debenture	\$	1,199,085
Issuance Costs		77,163
Warrants (note 18)		206,255
Derivative liability (note 15)		67,897
	<b>\$</b>	<b>1,550,400</b>

On January 28, 2023, the Company entered into agreements with the holders of these debentures to amend the terms of the debentures and warrants issued with the debentures. Debentures bearing an aggregate amount of \$876,000 had their conversion price amended from \$0.85 to \$0.40 per Common Share (the “repriced debentures”) while the remaining debentures bearing an aggregate amount of \$1,062,000 had their maturity date extended from January 28, 2023, to July 28, 2023 (the “extended debentures”) and together with the repriced debentures, the “amended debentures”). A total of 3,439,409 common shares were issuable upon conversion of the amended debentures.

On the agreement date, the repriced debentures, with a value of \$876,000, were converted into an aggregate of 2,190,000 common shares. Debentures with a face value of \$1,062,000 were extinguished, given the extension was granted on the maturity date. A new convertible debenture was recorded accruing interest at 15% per annum. The portion of the face value allocated to the conversion option, which was accounted for as a derivative liability.

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 13. CONVERTIBLE DEBENTURES (CONTINUED)

As a result, the Company recognized the following:

Convertible debenture	\$	1,006,186
Derivative liability (note 15)		55,814
	\$	<b>1,062,000</b>

In conjunction with these amendments, the exercise price of the common share purchase warrants issued with the loan agreement was amended from \$1.10 per common share to \$0.55 per common share.

On July 28, 2023, Debenture Holders representing \$762,000 of the outstanding principal transferred the balance into a non-convertible term loan (note 14). The Company entered into an agreement with remaining debenture holders, representing \$300,000 of the outstanding principal, to further amend the original terms of the debentures. The maturity date was amended to October 31, 2023, the interest rate was amended to 20% and an extension fee of 5% (\$15,000) of the outstanding principal was added. On October 31, 2023, the remaining extended balance of \$300,000 was paid in full.

During the three and nine months ended September 30, 2024, the Company recognized accretion expense of \$nil (September 30, 2023 - \$28,128 and \$123,887, respectively) and interest expense of \$nil (September 30, 2023 - \$41,245 and \$68,491, respectively) in relation to these convertible debentures.

#### 14. LOANS PAYABLE

	September 30, 2024		December 31, 2023	
Opening balance	\$	1,557,787	\$	976,397
Additions:		-		1,257,964
Repayments		(1,584,445)		(771,671)
Accretion		124,229		133,795
Foreign exchange translation		(12,656)		(\$38,698)
<b>Ending Balance</b>	<b>\$</b>	<b>84,915</b>	<b>\$</b>	<b>1,557,787</b>
Current	\$	84,915	\$	1,557,787
Non-current	\$	-	\$	-

##### *Term loan*

On August 18, 2021, the Company entered into a term loan agreement for principal of \$2,118,000, incurring 5% interest for a term of 13 months. The loan principal was to be repaid in 12 equal monthly payments, beginning 2 months after the issuance date. The balance was recognized net of the following discounts and issuance costs:

Principal	\$	2,118,000
Discount		(318,000)
Issuance Costs		(100,000)
Warrants (note 18)		(577,060)
	\$	<b>1,122,940</b>

As part of the term loan agreement, the Company issued 1,636,364 common share purchase warrants to the lender, exercisable into common shares of the Company for 3 years from the date of issuance at a price of \$1.10 per common share. The fair value of the warrants was determined using the Black-Scholes pricing model with the following assumptions: risk-free rate of 0.55%, volatility of 98%, expected life of 1.5 years, dividend yield 0% and share price of \$1.08.

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 14. LOANS PAYABLE (CONTINUED)

On October 31, 2022, the Company entered into an extension agreement in connection with this term loan. Under the terms of the extension, the maturity date was extended by 5 months to March 19, 2023, accruing interest at the original rate of 5%. The Company agreed to make monthly payments of \$50,000 plus any accrued interest, with the balance paid in a lump sum on the maturity date. In addition, the Company agreed to pay a fee equal to 15% of the amount extended. The fee is payable on the maturity date and does not accrue interest. In conjunction with the extension, the exercise price of the common share purchase warrants issued with the loan agreement was amended from \$1.10 per common share to \$0.55 per common share.

On March 20, 2023, the balance of the term loan was repaid in full.

During the three and nine months ended September 30, 2024, the Company incurred accretion expense of \$nil (September 30, 2023 - \$nil and \$60,987, respectively) and interest expense of \$nil (September 30, 2023 - \$nil and \$5,434, respectively) in relation to this loan.

##### *Bank loan*

On October 28, 2021, the Company's majority owned subsidiary, SMGH, received a bank loan from a financial institution in Colombia. SMGH borrowed principal of \$659,086 (COL\$2,000,000,000), incurring interest at 8.3% over a term of 3 years. The loan is to be repaid in 12 quarterly payments over the life of the loan.

During the three and nine months ended September 30, 2024, the Company incurred interest expense of \$1,347 and \$7,626, respectively (September 30, 2023 - \$5,656 and \$20,047, respectively) in relation to this loan.

##### *Non-Convertible Debentures*

On August 2, 2023, the Company issued non-convertible debentures for principal of \$1,455,000, incurring 18% interest for a term of 12 months, with the principal and interest due at the maturity date. The balance was recognized net of the following issuance costs:

Principal	\$	1,455,000
Issuance Costs		(24,000)
Warrants (note 18)		(173,036)
	\$	<b>1,257,964</b>

As part of the term loan agreement, the Company issued 1,455,000 common share purchase warrants to the lender, exercisable into common shares of the Company for 3 years from the date of issuance at a price of \$0.35 per common share. The fair value of the warrants was determined using the Black-Scholes pricing model with the following assumptions: risk-free rate of 4.06%, volatility of 86%, expected life of 1.5 years, dividend yield 0% and share price of \$0.31.

On April 17, 2024, the Company partially repaid principal of \$155,000.

On September 2, 2024, the remaining principal of \$1,300,000, and accrued interest of \$24,750, was paid in full.

During the three and nine months ended September 30, 2024, the Company incurred accretion expense of \$21,864 and \$124,228, respectively, (September 30, 2023 - \$26,251 and \$26,251, respectively) and interest expense of \$19,500 and \$145,800, respectively, (September 30, 2023 - \$43,650 and \$43,650, respectively) in relation to this loan.

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 15. DERIVATIVE LIABILITIES

	September 30, 2024		December 31, 2023	
Opening balance	\$	-	\$	972
Additions		-		55,813
Gain on change in fair value		-		(56,785)
<b>Ending Balance</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

On January 28, 2022, the Company completed a convertible debenture offering (note 13). As there was more than one conversion price that investors could exercise at, the conversion option did not meet the fixed-for-fixed criteria under IFRS 9, and therefore was accounted for as a derivative liability at fair value through profit or loss. On the date of issuance, the conversion option had a fair value of \$67,897 which was determined using the Black-Scholes option pricing model with the following variables: risk-free rate of 0.98%, volatility of 63.2%, expected life of 1 year, dividend yield 0%, share price of \$0.47 and exercise price of \$0.85 - \$1.20.

On January 28, 2023, the derivative liability was extinguished on the amendment of the debenture agreements (note 13) and replaced with a derivative liability consistent with the amended terms of the unconverted debentures. On the date of amendment, the derivative liability had a fair value of \$55,813 which was determined using a Black-Scholes option pricing model with the following variables: risk-free rate of 3.85%, volatility of 112.53%, expected life of 0.5 years, dividend yield 0%, share price of \$0.41 and exercise price of \$0.85. For the three and nine months ended September 30, 2024, there was no change in the fair value (September 30, 2023 – gain of \$17,551 and \$56,785, respectively).

#### 16. ROYALTY LIABILITY

	September 30, 2024		December 31, 2023	
Opening balance	\$	1,070,000	\$	-
Additions		-		1,070,000
<b>Ending Balance</b>	<b>\$</b>	<b>1,070,000</b>	<b>\$</b>	<b>1,070,000</b>

On July 31, 2023, the Company closed the acquisition of Medical Cannabis by Shoppers Drug Mart (Note 4). As partial consideration for the acquisition, the Company entered into a Royalty Agreement whereby, Shoppers Drug Mart Inc. (the “Vendor”) receives an earn-out payment of 15% of net revenue from the acquired customers, for a period of one year following the closing date and 10% of net revenue for a period of one year following the first anniversary of the closing date. Net revenue is defined in the acquisition agreement as revenue less discounts, cost of goods sold, shipping and clinic education fees. The Company has not made a royalty payment as of September 30, 2024.

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

Changes in estimates and assumptions used could have a material impact on the value of this liability in future periods.

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 17. RELATED PARTY TRANSACTIONS

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

	For the three months ended September 30,			For the nine months ended September 30,				
	2024		2023	2024		2023		
Salaries	\$	215,075	\$	157,826	\$	513,060	\$	417,732
Stock-based compensation		22,639		119,536		320,624		678,750
	\$	237,714	\$	277,362	\$	833,684	\$	1,096,482

#### *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 \$645,511 (December 31, 2023 - \$317,487). The advances relate to minority partners contributions towards the expansion and operation of the cultivation facilities. The balance owed to this related party is interest free. As these amounts become due, the outstanding balances are converted into common shares of SMGH.

On December 20, 2023, the Company, and the minority shareholder of SMGH, completed capitalization on \$12,362,456 (COP\$36,435,608,891) in shareholder contributions in SMGH, including \$4,525,411 in contributions from the minority shareholder. The Company and the minority shareholder received an additional 13,611,027 and 13,094,457 shares in SMGH, respectively. As a condition of the capitalization, the shares were issued to the Company at a premium resulting in a decrease in the Company's ownership share in SMGH to 51% from 60%, SMGH remains a majority owned subsidiary of the Company. During the nine months ended September 30, 2024, no further capitalizations were made.

Changes in the balances are disclosed in the following table:

	September 30, 2024		December 31, 2023	
Opening Balance	\$	317,487	\$	3,843,196
Additions		357,244		770,395
Capitalized		-		(4,525,411)
Foreign exchange		(29,220)		229,307
<b>Ending Balance</b>	<b>\$</b>	<b>645,511</b>	<b>\$</b>	<b>317,487</b>

#### 18. SHARE CAPITAL

##### **Authorized and outstanding share capital:**

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares with no par value. As of September 30, 2024, the Company had 106,905,694 common shares issued and outstanding (December 31, 2023 – 90,676,969).

- [i] On March 20, 2023, the Company issued an aggregate of 3,096,230 Units (the "Units") at a price of \$0.40 per Unit for net proceeds of \$1,226,492, comprised of gross proceeds of \$1,238,492 less issuance costs of \$12,000. 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 \$0.50 until March 20, 2026.

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

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 18. SHARE CAPITAL (CONTINUED)

Common shares	\$	1,019,089
Warrants		204,822
Broker warrants		2,481
	\$	<b>1,226,392</b>

The fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of \$0.37, a risk-free interest rate of 3.48%, an expected annualized volatility of 92.28% and expected dividend yield of 0%.

- [ii] On May 26, 2023, the Company issued 2,883,879 common shares on the exercise of an equivalent number of warrants as part of a Warrant Incentive Program (the “Program”). Under the terms of the Program, subscribers holding warrants exercisable at \$0.40 per common share, who choose to exercise their warrants received one-half of a warrant (each whole warrant an “Incentive Warrant”), exercisable at \$0.50 per share until May 26, 2026. As part of the Program, the Company issued 1,441,940 Incentive Warrants with a calculated fair value of \$196,230. The fair value of the Incentive Warrants was determined using the Black-Scholes option pricing model with a market price per common share of \$0.385, a risk-free interest rate of 3.94%, an expected annualized volatility of 88.50% and expected dividend yield of 0%.
- [iii] On September 5, 2023, 1,875 common shares were issued on the exercise of 1,875 common share purchase warrants with an exercise price of \$0.41 per share for gross proceeds of \$769. The fair value of the warrants exercised of \$289 was moved to share capital.
- [iv] On October 20, 2023, 252,143 common shares were issued on the exercise of 252,143 common share purchase warrants with an exercise price of \$0.40 per share for gross proceeds of \$100,858. The fair value of the warrants exercise of \$36,222 was moved to share capital.
- [v] On December 4, 2023, the Company issued an aggregate of 2,537,508 Units (the “Units”) at a price of \$0.35 per Unit for net cash proceeds of \$857,426, comprised of gross proceeds of \$888,128 less issuance costs of \$30,702. 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 \$0.41 until December 4, 2026.

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

Common shares	\$	857,426
Warrants		282,687
Broker warrants		19,087
	\$	<b>555,652</b>

The fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of \$0.46, a risk-free interest rate of 3.95%, an expected annualized volatility of 94.01% and expected dividend yield of 0%.

- [vi] During the period ended June 30, 2024, the Company issued 312,000 common shares on the exercise of 312,000 common share purchase warrants with an exercise price of \$0.40 per share for gross proceeds of \$124,800. The fair value of the warrants exercise of \$48,897 was moved to share capital.

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 18. SHARE CAPITAL (CONTINUED)

[vii] On April 18, 2024, the Company issued an aggregate of 5,313,959 Units (the “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.

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

Common shares	\$	2,098,584
Warrants		45,513
Broker warrants		1,349
	\$	<b>2,051,722</b>

The fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of \$0.30, a risk-free interest rate of 4.38%, an expected annualized volatility of 43.81% and expected dividend yield of 0%.

[viii] On August 28, 2024, the Company issued an aggregate of 6,620,692 Units (the “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.

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

Common shares	\$	1,601,615
Cash commissions		58,603
Warrants		307,855
Broker warrants		18,135
	\$	<b>1,986,208</b>

The fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of \$0.39, a risk-free interest rate of 2.96%, an expected annualized volatility of 48% and expected dividend yield of 0%.

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

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

**18. SHARE CAPITAL (CONTINUED)****Warrant Reserve**

As of September 30, 2024, the following warrants were outstanding and exercisable:

	Warrants #	Weighted average exercise price \$
<b>Outstanding as of December 31, 2022</b>	<b>26,548,199</b>	<b>0.90</b>
Warrants issued	5,815,463	0.10
Warrants exercised	(3,132,897)	0.05
Warrants expired	(3,842,327)	0.21
<b>Outstanding as of December 31, 2023</b>	<b>25,388,938</b>	<b>0.73</b>
Warrants issued	6,241,085	0.12
Warrants exercised	(312,000)	0.00
Warrants expired	(6,116,364)	0.35
<b>Outstanding as of September 30, 2024</b>	<b>25,201,659</b>	<b>0.50</b>

The following table is a summary of the Company's warrants outstanding and exercisable as of September 30, 2024:

Exercise price range \$	Number outstanding #	Weighted average remaining life (years)	Weighted average exercise price \$
1.10	2,293,511	0.16	0.10
0.55	3,791,939	0.55	0.08
0.50	2,988,055	0.39	0.06
0.41	1,371,033	0.21	0.02
0.40	13,302,121	1.64	0.21
0.35	1,455,000	0.21	0.02
	<b>25,201,659</b>	<b>2.83</b>	<b>0.50</b>



## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 19. SHARE BASED PAYMENT RESERVE AND COMPENSATION

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

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

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

Share-based compensation is comprised of the following:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Stock options	\$ 68,154	\$ 115,854	\$ 213,017	\$ 185,641
Restricted Stock Units	157,068	390,645	1,145,128	1,819,355
	<b>\$ 225,222</b>	<b>\$ 506,499</b>	<b>\$ 1,358,145</b>	<b>\$ 2,004,996</b>

#### Employee and non-employee options

##### *[i] Measurement of fair values*

The fair value of share options granted during the period ended September 30, 2024, and the year ended December 31, 2023, was estimated at the date of grant using the Black Scholes option pricing model using the following range of inputs:

	2024	2023
Grant date share price	\$0.27 - \$0.49	\$0.30 - \$0.48
Exercise price	\$0.33 - \$0.39	\$0.35 - \$0.60
Expected dividend yield	0%	0%
Risk-free interest rate	3.37% - 3.43%	3.24% - 4.83%
Expected option life	5 years	5 years
Expected volatility	20.04% - 20.06%	19.66% - 22.36%

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

**Avicanna Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

**19. SHARE BASED PAYMENT RESERVE AND COMPENSATION (CONTINUED)**

*[ii] Options Issued and Outstanding*

	Options #	Weighted average exercise price \$
<b>Outstanding on December 31, 2022</b>	<b>1,532,797</b>	<b>2.39</b>
Options issued	2,210,000	0.22
Options cancelled and forfeited	(642,439)	2.24
<b>Outstanding on December 31, 2023</b>	<b>3,100,358</b>	<b>2.29</b>
Options issued	5,087,500	0.36
Options cancelled and forfeited	(37,500)	0.40
Options expired	(60,000)	0.75
<b>Outstanding on September 30, 2024</b>	<b>8,090,358</b>	<b>0.59</b>

The following table is a summary of the Company's share options outstanding as of September 30, 2024:

Options Outstanding			Options Exercisable		
Exercise price range \$	Number outstanding #	Weighted average remaining life (years)	Weighted average exercise price \$	Number exercisable #	
0.33	2,637,500	1.54	0.11	2,633,750	
0.35	350,000	0.21	0.02	350,000	
0.37	40,000	0.02	0.00	20,000	
0.38	500,000	0.22	0.02	25,000	
0.39	2,000,000	1.09	0.10	-	
0.40	337,500	0.09	0.02	300,000	
0.45	400,000	0.21	0.02	400,000	
0.47	410,000	0.20	0.02	410,000	
0.60	475,000	0.19	0.04	237,500	
1.00	415,000	0.12	0.05	415,000	
1.24	2,500	0.00	0.00	2,500	
1.39	8,000	0.00	0.00	8,000	
2.00	230,000	0.01	0.06	230,000	
2.50	67,608	0.04	0.02	67,608	
2.75	153,700	0.03	0.05	153,700	
5.00	1,550	0.00	0.00	1,550	
7.30	2,000	0.00	0.00	2,000	
8.00	60,000	0.01	0.06	60,000	
	<b>8,090,358</b>	<b>3.98</b>	<b>0.59</b>	<b>5,316,608</b>	

During the three and nine months ended September 30, 2024, the Company recognized a total share-based compensation expense relating to options of \$68,154 and \$213,017, respectively (September 30, 2023 – \$115,854 and \$185,641, respectively).

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

## 19. SHARE BASED PAYMENT RESERVE AND COMPENSATION (CONTINUED)

### Restricted Stock Units

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

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

	Restricted stock units #	Weighted average issue price \$
<b>Outstanding on December 31, 2022</b>	<b>1,093,881</b>	<b>0.59</b>
RSUs issued	5,842,732	0.38
RSUs vested	(4,767,533)	0.32
RSUs forfeited and cancelled	(400,178)	0.38
<b>Outstanding on December 31, 2023</b>	<b>1,768,902</b>	<b>0.32</b>
RSUs vested [i]	(3,982,074)	0.31
RSUs issued [ii]	3,988,561	0.28
RSUs forfeited	(45,000)	0.31
<b>Outstanding on September 30, 2024</b>	<b>1,730,389</b>	<b>0.32</b>

[i] During the nine months ended September 30, 2024, 3,982,074 common shares were issued on the vesting of restricted stock units. The grant price of the exercised units ranged from \$0.26 to \$0.48.

[ii] During the nine months ended September 30, 2024, 3,988,561 restricted stock units were issued with a fair value range of \$0.26 to \$0.30 per unit. Of the units issued, 2,843,093 vested immediately and the remainder vest over two years.

During the three and nine months ended September 30, 2024, the Company recognized a total share-based compensation expense relating to restricted stock units of \$157,068 and \$1,145,129, respectively (September 30, 2023 - \$390,645 and \$1,819,355, respectively).

## 20. NON-CONTROLLING INTEREST

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

	September 30, 2024		December 31, 2023	
Opening Balance	\$	8,084,615	\$	3,842,211
Capitalization of non-controlling interest contributions (note 17)		-		4,525,411
Foreign translation		(285,927)		574,475
Net loss attributed to non-controlling interest		(324,895)		(857,482)
<b>Ending Balance</b>	<b>\$</b>	<b>7,473,793</b>	<b>\$</b>	<b>8,084,615</b>

## 21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### Credit risk

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

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

As of September 30, 2024, \$3,605,095 in trade and other receivables remained outstanding (December 31, 2023 – \$2,936,925). The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate.

During the three and nine months ended September 30, 2024, the Company has recognized an estimated credit losses of \$92,830 and \$266,186, respectively (September 30, 2023 - \$66,979 and \$83,433, respectively).

#### Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3 +
Trade payables and accrued liabilities	\$ 7,569,111	\$ 7,569,111	\$ 7,569,111	\$ -	\$ -
Lease liability	144,289	150,248	150,248	-	-
Royalty liability	1,070,000	1,301,000	984,000	317,000	-
Loan payable	84,915	102,193	102,193	-	-
	<b>\$ 8,868,315</b>	<b>\$ 9,122,552</b>	<b>\$ 8,805,552</b>	<b>\$ 317,000</b>	<b>\$ -</b>

The due to related party balance of \$645,511 is not intended to be repaid. As these amounts become due, the outstanding balances can be converted into common shares of SMGH, consistent with current ownership splits.

#### Market risk

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

#### Currency risk

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

#### Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as all borrowing have fixed rates of interest which are not affected by these fluctuations. Loan payable, convertible debentures and lease liability are recorded at amortized cost using fixed interest rates.

#### Other price risk

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

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

## 21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

### Fair values

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

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

The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The Company categorizes its fair value measurements according to a three-level hierarchy as disclosed in Note 23 to the Consolidated Financial Statements for the year ended December 31, 2023. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety.

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. Warrant reserve and Share-based payment reserve are classified as a level 2 financial instrument. As at September 30, 2024, and December 31, 2023, there were no level 3 financial instruments.

As at September 30, 2024 and December 31, 2023, there were no financial instruments recognized at fair value through profit and loss.

## 22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Office & General	\$ 971,591	\$ 1,312,465	\$ 2,573,199	\$ 2,434,864
Selling marketing & promotion	956,359	625,720	2,474,915	1,095,697
Consulting fees	291,962	184,775	728,317	669,564
Professional fees	33,495	264,606	257,319	806,712
Salaries & wages	1,491,412	950,624	4,414,819	2,652,346
Research & development	67,234	63,957	172,214	207,692
	<b>\$ 3,812,053</b>	<b>\$ 3,402,147</b>	<b>\$ 10,620,783</b>	<b>\$ 7,866,875</b>

During the three and nine months ended September 30, 2024, as part of its inventory costing process, the Company capitalized \$87,368 and \$197,743, respectively, of salaries to inventory and biological assets (September 30, 2023 - \$50,937 and \$168,780, respectively).

## Avicanna Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

#### 23. CHANGES IN NON-CASH OPERATING ELEMENTS OF WORKING CAPITAL

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Amounts receivable	\$ (672,664)	\$ 126,882	\$ (67,448)	\$ (2,123,798)
Biological assets	(1,315)	29,623	43,216	107,558
Inventory	(417,448)	2,042,183	588,907	10,707
Prepaid assets	(61,393)	47,629	(74,191)	(137,035)
Accounts payable	1,120,950	1,101,808	(1,301,036)	4,771,412
Customer deposits	143,164	-	143,614	-
	<b>\$ 111,294</b>	<b>\$ 3,348,125</b>	<b>\$ (667,389)</b>	<b>\$ 2,628,844</b>

#### 24. SEGMENT REPORTING

Operating segments are determined based on internal reporting that is regularly reviewed by the chief operating decision maker (“CODM”) for the purpose of allocating resources to the segment and for assessing its performance. The Company determined that it has four operating segments, three organized by geographical area: North America, South America, and rest of world, and Corporate, comprised of costs which serve the Company’s global administrative responsibilities.

North America includes sales of the Company’s pharmaceutical and health products as well as revenue generated from the licensing of intellectual property and research and development services, all developed in North America and serving customers within Canada and the United States. South America includes sales of the Company’s pharmaceutical and health products and sales of API to customers worldwide, all grown and developed in Colombia. Rest of world includes sales of products to customers in Europe and Central America. Corporate includes overhead and financing costs incurred by the Company to support its public company infrastructure and operating segments.

	North America	South America	Rest of World	Corporate	Total
<b>Statement of Financial Position</b>					
<b>As at September 30, 2024</b>					
Current assets	\$ 4,644,802	\$ 3,308,656	\$ 85,098	\$ -	\$ 8,038,556
Non-current assets	1,479,314	10,955,087	-	-	12,434,401
Current liabilities	7,851,672	1,797,808	7,510	-	9,656,990
Non-current liabilities	1,626,014	-	-	-	1,626,014
<b>As at December 31, 2023</b>					
Current assets	\$ 5,283,415	\$ 3,104,174	\$ 72,767	\$ -	\$ 8,460,356
Non-current assets	1,881,131	11,629,621	-	-	13,510,752
Current liabilities	10,277,340	1,681,339	6,992	-	11,965,671
Non-current liabilities	2,033,326	-	-	-	2,033,326

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

For the Three and Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars, unless otherwise noted)

**24. SEGMENT REPORTING (CONTINUED)**

	North America	South America	Rest of World	Corporate	Total
<b>Statement of Operations and Comprehensive Loss</b>					
<b>Nine Months Ended September 30, 2024</b>					
Revenue	\$ 17,515,240	\$ 1,327,120	\$ -	\$ -	\$ 18,842,360
Gross margin	8,664,425	783,698	-	-	9,448,123
Operating expenses	(8,763,259)	(1,679,648)	-	(2,464,585)	(12,907,492)
Net loss before tax	(390,286)	(894,549)	221	(2,464,585)	(3,749,199)
<b>Nine Months Ended September 30, 2023</b>					
Revenue	\$ 10,422,634	\$ 315,406	\$ -	\$ -	\$ 10,738,040
Gross margin	4,835,102	104,117	-	-	4,939,219
Operating expenses	(5,521,571)	(1,881,684)	(69,742)	(3,033,771)	(10,506,768)
Net loss before tax	(971,287)	(1,617,529)	(69,093)	(3,033,771)	(5,691,680)

**24. SUBSEQUENT EVENTS**

On November 4, 2024, the Company announced that it closed a non-brokered private placement offering of 2,666,701 units of the Company at a price of \$0.30 per Unit for aggregate gross proceeds of \$800,010. Each Unit is comprised of one common share in the capital of the Company and one-half of one (0.5) common share purchase warrant of the Company. Each whole warrant shall entitle the holder thereof to acquire one common share in the capital of the Company at an exercise price of \$0.40 per share, until November 4, 2027.