AVICANNA

RHO PHYTO

MyMedi.ca
MEDICAL CANNABIS CARE

AVICANNA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30th 2023 AND 2022

November 14th, 2023

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 in nature and, as a result, 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 November 14, 2023, and is supplemental to and should be read in conjunction with the Company's condensed consolidated interim financial statements (the "Financial Statements") for the three and nine months ended September 30, 2023, and the accompanying notes thereto. The information contained in this MD&A is presented as of the date of the MD&A and is current to that date unless otherwise stated. The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors on November 13, 2023.

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 1 – 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 2 – Results of Operations. This section provides an analysis of operations for the three and nine months ended September 30, 2023.

Part 3 – 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.

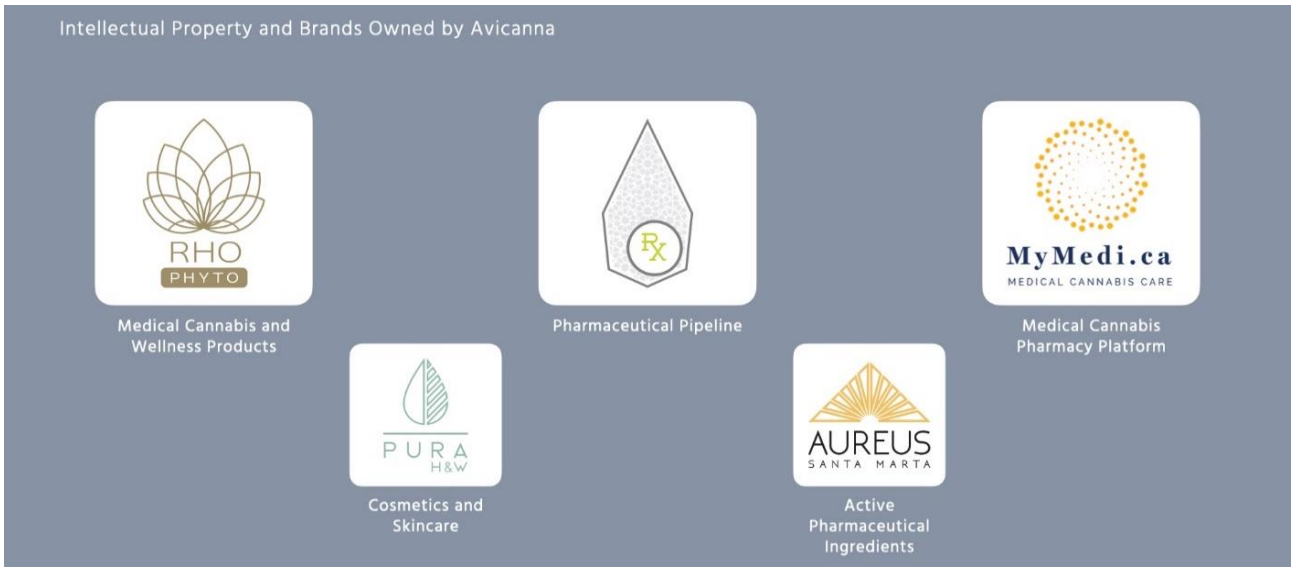
Part 4 – Critical Accounting Policies and Estimates. This section identifies those accounting policies that are considered important to our results of operations and financial condition and require significant management estimates.

We prepare and report our Financial Statements in accordance with IFRS, and the financial information contained herein are reported in Canadian Dollars.

Part 1 – Business Overview

Part 1 – Business Overview is presented and current as at the date of this MD&A.

Avicanna is a Canadian commercial-stage biopharmaceutical company focused on research, development, and commercialization of evidence-based cannabinoid products for the global consumer, as well as medical and pharmaceutical market segments. Avicanna has an established scientific platform and intellectual property portfolio that has contributed to the international commercialization of over thirty products across five main market segments:



1. Medical Cannabis Products:

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 products including oral, sublingual, topical, and transdermal deliveries with varying ratios of cannabinoids. The product range is supported by ongoing offerings of a variety of consumer, patient, and medical community education and training. RHO Phyto™ products are established as a recognized medical brand in Canada and are available nationwide across several medical cannabis channels including the Company's medical cannabis care platform, MyMedi.ca, as well channels and Canadian clinical institutions and hospitals. In addition, The RHO Phyto™ brand proprietary products are also available through certain provincial retailers in six provinces including Ontario, Alberta, New Brunswick, Manitoba, and Saskatchewan.

2. MyMedi.ca Medical Cannabis Care Platform:

MyMedi.ca is Avicanna's new medical cannabis care platform that features a diverse and scientifically curated portfolio of products from Avicanna's and Canadian licensed producers in addition to pharmacist led patient support programs and educational resources to facilitate the incorporation of medical cannabis into health care regimens. MyMedi.ca also provides specialty services to distinct patient groups such as veterans and collaborating with public and private providers for adjudication and reimbursement. Launched on August 2nd, 2023, MyMedi.ca was established with the Company's acquisition of the Medical Cannabis by Shoppers business, a subsidiary of Shoppers Drug Mart. Through MyMedi.ca, the company is now providing medical cannabis access and support nationwide in Canada to tens of thousands of patients who have obtained medical cannabis authorization from a healthcare provider.

3. Pharmaceutical Preparations and Pipeline

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

4. CBD Consumer and Derma-Cosmetic

Pura H&W™ and Pura Earth™ brands are clinically tested, derma-cosmetic functional CBD topical products designed for retail consumer sales where CBD cosmetics are permitted. Pura H&W™ and Pura Earth™ brands are available in Canada across medical and adult-use channels through retailers in four provinces The Pura H&W™ and Pura Earth™ brands products are also in early stages of commercialization where CBD is permitted under cosmetics designations internationally.

5. Cannabinoid Active Pharmaceutical Ingredients

The Aureus™ brand is the Company line of active pharmaceutical ingredient ("API") products, including CBD, CBG and THC API products in addition to standardized seeds through the Company's majority owned subsidiary based in Colombia, Santa Marta Golden Hemp S.A.S. ("SMGH"). The cannabis raw materials supplied by SMGH, forms part of the Company's supply chain and source of reliable input products for its consumer retail, medical cannabis, and pharmaceutical preparation and pipeline products for global markets. SMGH is also dedicated to providing consistent, high-quality sources of input materials for the Company's global partners for use in the development and production of food, cosmetic, medical, and pharmaceutical products. SMGH received Good Agricultural, and Collection Practices certification under the United States Department of Agriculture National Organic Program for its hemp cultivar and has exported Aureus™ branded products have been exported to Colombia into 17 countries for research and manufacturing purposes.

Quarterly Highlights

- **Financial highlights:** Record revenue of $6.25 million, representing an increase of 90% over the previous quarter and 713% over the same period last year. Nine-month revenue of $10.7 million, representing a major milestone in the Company's history and a 269% increase from the same period last year. During the nine-months ending September 30, 2023, the Company experienced an increase of only 23% in SG&A compared to 2022. This, combined with a significant revenue increase, demonstrated scalability of the business model, and resulted in the best financial performance in the Company's history with an adjusted EBITDA loss of $473,650 for the three-month period.

- **Launch of MyMedi.ca medical cannabis care platform:** Over 96% of active patients from Medical Cannabis by Shoppers transitioned to the Company's new medical cannabis care platform, MyMedi.ca, which has since seen an increase of its new medical patient base by approximately 10%. The Company developed infrastructure to offer insurance reimbursement services for patients through several private insurance providers and public institutions including eight provincial worker safety boards which combined account for over 60% of the platform's revenue.

- **Integration of RHO Phyto and MyMedi.ca:** The successful launch and integration of the MyMedi.ca medical cannabis care platform has solidified the Company's position as a leader in the medical cannabis category in Canada and demonstrated capabilities to deliver a comprehensive medical cannabis care platform. The integration of MyMedi.ca's platform and patient support programs, improved access and enhanced education have resulted an 40% increase of the Company's product sales on the platform when compared to the previous quarter.

- **Enhanced consolidated gross margins and developments in operational efficiencies:** Scaling of production and sales in Canada demonstrated with an increase 95% in finished product sales during the first 9 months 2023 when compared to the same period in 2022. Optimization of the asset-light manufacturing model, in addition to integration of MyMedi.ca have combined resulted in further improvements to the Company's consolidated gross margins of approximately 46% for the third quarter.

- **Canadian commercial advancements:** The introduction of new proprietary formulations reached a total of 27 commercially active SKUs in Canada across 131 listings in medical and adult use channels. Access to the Company's proprietary medical products improved for patients with availability on new medical platforms such as Canna Farms and Spectrum Therapeutics.

- **Acquisition of Medical Cannabis by Shoppers Drug Mart ("Business")**: On July 31st, Avicanna acquired specific assets of the Business, including inventory and equipment, for approximately $2.6 million and an earnout, based on net revenues, for a period of two years. First launched in Ontario in January 2019, the Business provided patients access to medical cannabis products from more than 30 cannabis brands. Over the past four years, the Business supported tens of thousands of patients and worked with patient groups to facilitate access to medical cannabis.

STRATEGY AND OUTLOOK

Summary of commercial activities

Canada

The Canadian market continues to be the core of the Company's operations and most significant revenue driver where the Company has now established the infrastructure and proof of concept for its intellectual property and business units which can then be expanded internationally. The Company has established its commercial platform and operates an asset-light model where its 27 proprietary products are manufactured through 6 specialized licensed producers. The Company continues to demonstrate growth in products sales, active SKUs, and commercial listings that now total 131 listings with a predominant focus on medical of access that includes 7 different medical platforms including MyMedi.ca, Spectrum and Canna Farms, where combined the Company has 79 commercial listings channels combined. Across adult use channels the Company also has continued to progress its commercial efforts and have established listings in Ontario, Alberta, Saskatchewan, Manitoba, and New Brunswick. Total units of finished goods sold were 126,973 for the nine-month period ending September 30, 2023, an increase of 95% over the same period in the prior year.

The launch and integration of the MyMedi.ca medical cannabis care platform solidified the Company's position as a leader in the medical cannabis category in Canada, with the goal to offer to patients and the medical community a comprehensive medical cannabis care platform that includes proprietary products and patient support programs. The Company generated $5.8 million of predictable revenue from MyMedi.ca during the third quarter of 2023. The integration also resulted in increased awareness of Company and its products in addition to improving access to the Company's products for patients which resulted in an increase in the Company's product sales by 40% when compared to the previous quarter of sales on medical cannabis by Shopper's. This is credited to new listings, improved access, increased education, and inventory management efficiencies with the Company's SKUs representing approximately 17% of all sales.

International

At an international level, the Company has prioritized and optimized its operations to focus on the Company's long term pharmaceutical pipeline and the expanding medical cannabis segment. The Company's international operations are focused on the production and manufacturing of the Company's Aureus™ branded products and proprietary finished products across cosmetics and pharmaceuticals designations and supporting the Company's Canadian operations. The Company continues to expand its international footprint through strategic agreements and has completed commercial transactions in 20 countries.

RHO Phyto™ Overview

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 products including oral, sublingual, topical, and transdermal deliveries with varying ratios of cannabinoids including:

- **Micro Drops:** The Micro Drops are blood-orange flavoured and utilize Avicanna's inverted emulsion technology to provide absorption and shelf-life stability. The product is administered with metered dosing using an oral syringe that allows for accurate titration.

- **Rapid Act Sprays:** Lemon-mint flavoured oral sprays utilize Avicanna's sublingual delivery technology to provide a rapid acting effect. The product is administered discreetly, designed for ease of use, and designed to deliver accurate, consistent dosing in every spray.

- **Deep Tissue Gel:** The water-based gels utilize Avicanna's deep tissue technology and combine cannabinoids with synergistic terpenes and natural excipients including menthol and beta-caryophyllene in a pharmaceutical-grade, airless pump.

- **Ultra CBD local Cream:** The high CBD topical cream is designed for application on sensitive skin and free from THC and allergens including terpenes, perfumes, and vitamins. Ultra CBD Topical Cream is, unscented, and oil based.

- **Nano Drops:** Utilizing the company's *In-fluid* Self-Emulsifying Drug Delivery System ("SEDDS") technology, the water-soluble infusers are designed to deliver cannabinoids into any cold or warm beverage and have been commercialized in Canada since early 2023.

- **Rapid Act Capsules:** Utilizing the Company's SEDDS technology, the rapid act capsules are designed to improve the solubility and bioavailability of poorly water-soluble drugs. SEDDS formulations typically enhance the drug's solubility, making it easier for the body to absorb and utilize the drug effectively.

Expansion and growth strategy:

- **Expansion through medical cannabis and adult use channels, including MyMedi.ca.** The Company plans to continue to leverage its new medical cannabis care platform MyMedi.ca in Canada to increase RHO Phyto™ product offering and provide education to health care practitioners and the medical community about the MyMedi.ca's features and offerings in addition to expanding its commercial listings to other medical cannabis platforms and new provincial channels.

- **Pipeline developments.** The Company continues to invest in its in-house R&D and further develop its various proprietary drug delivery systems. The pipeline developments are expected to result in minimum 10 new SKUs during 2023 including the company's SEDDs technology capsules, Nano Drops, and Daily Dose Gummies.

- **International expansion.** The RHO Phyto™ branded products have been successfully commercialized in Canada, Barbados and Cayman Islands establishing the basis for a "proof of concept" for North America and the Caribbean where there has been initial patient, consumer, and medical community adoption. The Company will look to further expand its portfolio in Canada and other potential markets in late 2023 and 2024 and the coming years, as the Company hopes to see international regulations continue evolve towards further medical cannabis acceptance.

MyMedi.ca Overview

MyMedi.ca is Avicanna's medical cannabis care platform that features a diverse and scientifically curated portfolio of products from Avicanna's and Canadian licensed producers in addition to pharmacist led patient support programs and educational resources to facilitate the incorporation of medical cannabis into health care regimens. MyMedi.ca also provides specialty services to distinct patient groups such as veterans and collaborating with public and private providers for adjudication and reimbursement. Launched August 2, 2023, MyMedi.ca was established with the closing of the Company's successful acquisition of the Medical Cannabis by Shoppers business, a subsidiary of Shoppers Drug Mart. Through the platform, the company is now providing medical cannabis access and support nationwide in Canada to tens of thousands of patients who have obtained medical cannabis authorization from a healthcare provider.

MyMedi.ca's Unique features include:

- Offers and emphasizes a multi-brand platform with 200+ SKUs from over 40 leading medical cannabis brands – in contrast with the approach of most other medical cannabis platforms that predominantly emphasize and predominantly limited offerings to their own products.

- Offers training, medical education, products and services, and resources to facilitate the incorporation of medical cannabis into health care regimens including the Company's own Avicenna Academy and the Canadian Consortium for the Investigation of Cannabinoid Syllabus.

- Offers pharmacist led and bi-lingual patient support programs and specialty care services for distinct patient groups.

- Offers services to Canada's veterans with dedicated programs including adjudication services and good faith coverage for pre-approved patients.

- Offers a developed infrastructure that includes insurance reimbursement services for patients through over 15 private insurance providers and public institutions including eight provincial worker safety boards.

MyMedi.ca progress since its launch:

- Transition of over 96% of active patients from Medical Cannabis by Shoppers to MyMedi.ca and an increase of approximately 10% of net new medical patients since launch.
- Over 60% of the current patient's products are covered by private or public insurance providers.
- A network of over 50 specialized clinics and medical institutions representing more than 1,500 healthcare providers.
- Increase of 40% in Avicanna's product sales on the platform from the previous quarter, realized through improved access, and inventory management efficiencies.
- Advancement of the Company's previously announced real world evidence clinical studies, including the epidermolysis bullosa study in collaboration with the Hospital for Sick Children and musculoskeletal pain and inflammation study with Sante Cannabis through the MyMedi.ca platform.

Pharmaceutical Pipeline and Products Overview

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

Potential marketing authorization and commercial pathways:

- Generic pharmaceutical
- Natural drug or Phyto-therapeutic designations
- Sanitary authorization RDC327 (Brazil)

Scientific Platform Overview

With 6+ years of R&D, preclinical and clinical development on cannabinoids, Avicanna has established a cannabinoid-based scientific platform and continues 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 has successfully developed and delivered 31+ commercial products from its scientific platform where it owns all related intellectual property. Key attributes of Avicanna's platform include:

Pre-Clinical and Clinical Development

Avicanna's preclinical and clinical development is conducted in collaboration with leading university and hospital partners. In collaboration with researchers, we have successfully obtained seven peer-reviewed government grants supporting our research projects over the past two years. All formulations developed and data generated in collaboration with researchers are Avicanna's intellectual property. Avicanna continues to work with various academic institutions on the completion of various projects including Dr. Mac Burnham (University of Toronto), Dr. Kingsley Donkar (Thompson Rivers University), Dr. Jibran Khokhar (University of Guelph), Dr. Peter Carlen (University of Toronto/ University Health Network) and Dr. Jessica Kalra (Langara College). Some of the Company's current ongoing research projects include:

- **University of Guelph – Dr. Jibran Khokhar.** Avicanna's RHO Phyto products are undergoing pharmacokinetic, electrophysiological, and behavioral evaluation with comparison to basic Medium Chain Triglycerides (MCT) oil products. Additionally, various cannabinoid ratios and terpenes are being evaluated with Avicanna's formulations in

animal models of addiction and withdrawal from alcohol and nicotine, and neuropathic pain for potential pharmaceutical development.

- **University Health Network & University of Toronto – Dr. Peter Carlen.** The collaboration with the University Health Network and Dr. Peter Carlen is focused on evaluating Avicanna's formulations with various cannabinoid and terpenes ratios for reduction of seizure frequency and severity in various preclinical models related to epilepsy as a part of the Company's pharmaceutical pipeline.

- **Langara College.** Dr. Jessica Kalra's group at the Applied Research Centre at Langara College will be collaborating with Avicanna's R&D team to perform expand in vitro and in vivo research of the Company's drug delivery systems and commercial formulations including under the RHO Phyto™ brand. The outcomes of the research collaboration would look to gaining a better understanding of the absorption, pharmacokinetic and pharmacodynamic properties of the formulations, which may contribute towards product pipeline developments.

The Real-World Evidence Studies on RHO Phyto formulations:

The commercial availability of RHO Phyto products in Canada has led to the inclusion of these medial cannabis products in several real-world evidence ("RWE") trials on specific therapeutic indications and patient populations. Data derived from RWE trials in Canada is expected to be a component of an overarching imperative of minimizing risk and maximizing efficacy from research and development, optimization of formulations, enhancement of clinical protocols, prioritization of pharmaceutical trials, and educational materials for the medical community.

- **University Health Network's Medical Cannabis Real-World Evidence (MC-RWE)** The prospective, non-interventional, observational study will examine the efficacy of a select group of medical cannabis products including the entire RHO Phyto portfolio on patient reported outcomes of pain, sleep, depression, and anxiety clinical study led by Dr. Hance Clarke.

- **Hospital for Sick Children - epidermolysis bullosa:** Avicanna's dermatology drug candidate has been commercialized under medical cannabis legislation in Canada and the RHO Phyto brand. This product has been included in RWE studies focused on specific endpoints related to the dermatological conditions and assessed by Dr. Elena Pope as a part of a long-term collaboration with the Hospital for Sick Children.

- **Santé Cannabis - Musculoskeletal pain and inflammation:** The real-world evidence focused on the RHO Phyto CBG Transdermal gel in patients with arthritis including osteoarthritis, rheumatoid arthritis, fibromyalgia, muscle an/or joint pain, localised pain, post-surgical pain, muscular and/or structural injuries. The study aims to complete enrollment of 100 patients by the end of 2023.

Raw Material Segment - Cannabis Raw Materials, Seeds, and Bulk Formulations

The Aureus™ brand is the Company line of active pharmaceutical ingredient ("API") products, including CBD, CBG and THC API products in addition to standardized seeds through the Company's majority owned subsidiary based in Colombia, Santa Marta Golden Hemp S.A.S. ("SMGH"). The cannabis raw materials supplied by SMGH, forms part of the Company's supply chain and source of reliable input products for its consumer retail, medical cannabis, and pharmaceutical preparation and pipeline products for global markets. SMGH is also dedicated to providing consistent, high-quality sources of input materials for the Company's global partners for use in the development and production of food, cosmetic, medical, and pharmaceutical products. SMGH received Good Agricultural, and Collection Practices certification under the United States Department of Agriculture National Organic Program for its hemp cultivar and has exported Aureus™ branded products have been exported to Colombia into 17 countries for research and manufacturing purposes.

Cultivation and Extraction Capacity *Santa Marta Golden Hemp S.A.S. (SMGH)*	September 30, 2023	December 31, 2022
Total square feet	300,000	300,000
Annual yield (kg)	26,400	26,400
Cost per gram - dried flower	$0.05	$0.09
Extraction capacity - dried flower per day (kg)	300	300

Part 2 – Results of Operations

The following table contains selected consolidated financial information for the as of, and for the three and nine months ended, September 30, 2023, and the two prior comparable periods:

Selected Consolidated Financial Information						
Statement of Financial Position *(Canadian Dollars)*		**September 30, 2023**		**December 31, 2022**		**December 31, 2021**
Current assets	$	11,200,469	$	7,064,418	$	7,353,630
Non-current assets		13,506,829		10,554,813		14,947,984
Current liabilities		(17,552,656)		(11,405,259)		(12,195,665)
Non-current liabilities	$	(2,213,104)	$	(2,755,321)	$	(3,197,927)

Statement of Operations and Comprehensive loss for the three months ended *(Canadian Dollars)*		**September 30, 2023**		**September 30,2022**		**September 30, 2021**
Net revenue	$	6,252,950	$	771,263	$	987,967
Gross margin		2,863,248		526,576		507,170
Operating expenses		(4,209,464)		(2,922,743)		(3,081,665)
Operating loss		(1,346,216)		(2,396,167)		(2,574,495)
Net comprehensive loss		(1,025,605)		(3,059,127)		(2,944,747)
Loss per share – basic and diluted	$	(0.01)	$	(0.05)	$	(0.07)

Statement of Operations and Comprehensive loss for the nine months ended *(Canadian Dollars)*		**September 30, 2023**		**September 30, 2022**		**September 30, 2021**
Net revenue	$	10,738,040	$	2,911,781	$	2,051,095
Gross margin		4,939,219		3,039,978		1,143,884
Operating expenses		(10,506,768)		(8,524,730)		(9,338,917)
Operating loss		(5,567,549)		(5,484,752)		(8,195,033)
Net comprehensive loss		(4,240,917)		(6,640,787)		(11,158,952)
Loss per share – basic and diluted	$	(0.05)	$	(0.13)	$	(0.29)

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

Revenues

We report revenues in three key segments: North American, South America, and the rest of world. North America includes sales arising out of the medical cannabis sales of the Company's medical and health products, 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, and revenue from sales through MyMedi.ca. South America includes sales of the Company's pharmaceutical and health products and sales of APIs to customers worldwide, all grown and developed in Colombia and revenue generated from the licensing of intellectual property and research and development services, all developed in Colombia and serving customers outside of North America. The rest of the world includes sales of products to customers in Europe and Central America.

Revenue by Segment *(Canadian Dollars)*	Three Months ended September 30, 2023	Three Months ended September 30, 2022	Nine Months ended September 30, 2023	Nine Months ended September 30, 2022
North America	$ 6,147,337	$ 599,779	$ 10,422,634	$ 1,748,716
South America	105,613	171,900	315,406	1,127,684
Rest of world	-	(416)	-	35,381
Net Revenue	**$** 6,252,950	**$** 771,263	**$** 10,738,040	**$** 2,911,781

North American net revenue totaled $6,147,337 and $10,422,634 for the three and nine months ended September 30, 2023, compared to $599,779 and $1,748,716 for the three and nine months ended September 30, 2022. The substantial increase is a direct result of the acquisition of Medical Cannabis by Shoppers Drug Mart, and the introduction of the Company's e-commerce platform MyMedi.ca. The platform has been very successful since the Company took it over with year-to-date sales totaling approx. $8.5 million. The Company has invested in brand awareness, customer and patient education and expansion into new retail locations in order to increase sales across these channels. Revenues from South American sources were $105,613 and $315,406 for the three and nine months ended September 30, 2023, compared to $171,900 and $1,127,684 for the three and nine months ended September 30, 2022. In 2022, revenue in South America was predominantly lump sum fees from new license agreements.

Revenue from Rest of World sources was $nil for both the three and nine months ended September 30, 2023, compared to ($416) and $35,381 for the three and nine months ended September 30, 2022. These are comprised of smaller product sales to companies outside of our primary markets of South and North America. There were no such sales in the current quarter.

Key Revenue Metrics

The following table summarizes the number of SKUs of the Company's products listed for sale (the "Listings") in the Canadian markets, the total units sold in the Canadian market, and provides a summary of the international revenue streams for the nine months ended September 30, 2023, and 2022.

	Nine Months Ended September 30			
Key Revenue Metrics	**2023**	**2022**	**Change (#)**	**Change (%)**
Canadian Revenue Channels				
Medical (Listings)	79	25	54	216%
Adult use (Listings)	52	42	10	24%
Canadian finished goods sold (units)	118,265	64,472	53,793	83%
International Revenue Channels				
Finished products sold (units)	3,529	4,346	(817)	(19%)
Sale of API (kg)	58	176	(118)	(67%)
Sale of Seeds (units)	-	15,000	(15,000)	-

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

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

For the nine months ended September 30, 2023, the Company sold 118,265 units in the Canadian channels, compared to 64,472 units in the comparable period in 2022, an 83% increase. API sales in the international channels were 58.3kg for the nine months ended September 30, 2023, compared to 175.3kg for the nine months ended September 30, 2022.

Gross Margins

The following outlines the gross margin by segment for the three and nine months ended September 30, 2023, and 2022.

Gross Margin by Segment *(Canadian Dollars)*	Three Months ended September 30, 2023	2022	Nine Months ended September 30, 2023	2022
North America	$ 2,994,040	$ 417,050	$ 4,835,102	$ 787,847
Gross margin %	49%	70%	46%	45%
South America	$ (130,792)	$ 109,942	$ 104,117	$ 2,227,320
Gross margin %	(124%)	64%	33%	198%
Rest of World	$ -	$ (416)	$ -	$ 24,811
Gross margin %	0%	100%	0%	70%
Total Gross Margin	**$ 2,863,248**	**$ 526,576**	**$ 4,939,219**	$ 3,039,978

Gross margins in the North American segment for the nine months ended September 30, 2023, were $4,835,102, compared to $787,847 for the nine months ended September 30, 2022. Margins in North America remained consistent as a percentage of revenue, despite the substantial increase in volume experienced in the current period. Gross margins for the South American segment totaled $104,117 for the nine months ended September 30, 2023, compared to $2,227,320 in the same quarter of the prior year. 2022 margins are supported largely by license fee revenue which has little to no cost of sales directly attributed.

Operating Expenses

The following table presents operating expenses for the three and nine months ended September 30, 2023, and 2022:

Operating Expenses *(Canadian Dollars)*	Three Months ended September 30, 2023	2022	Nine Months ended September 30, 2023	2022
General and administrative expenses				
Office and general	$ 1,312,465	$ 538,158	$ 2,434,864	$ 1,520,712
Selling, marketing and promotion	625,720	110,692	1,095,697	325,662
Consulting fees	184,775	414,281	669,564	1,121,645
Professional fees	264,606	223,083	806,712	691,402
Salaries and wages	950,624	1,030,452	2,652,346	2,950,186
Research and Development	63,957	86,221	207,692	184,339
Share based compensation	506,499	158,241	2,004,996	807,484
Depreciation and amortization	233,839	217,693	551,464	720,149
Expected credit loss	66,979	143,922	83,433	203,151
Total Operating Expenses	**$ 4,209,464**	**$ 2,922,743**	**$ 10,506,768**	**$ 8,524,730**

Office and General expenses

For the three and nine months ended September 30, 2023, the Company incurred office and general expenses totaling $1,312,465 and $2,434,864, compared to $538,158 and $1,520,712 in the same periods of the prior year. The Company experienced a significant increase in these expenses due to additional costs related to the MyMedi.ca platform. These increases primarily included additional IT costs to support the back end of the platform.

Selling, Marketing and Promotion

For the three and nine months ended September 30, 2023, the Company incurred selling, marketing and promotion expenses totaling $625,720 and $1,095,697, compared to $110,692 and $325,662 in the same periods of the prior year. Marketing costs have increased in the current period due to fees paid to physicians and clinics for patient education and referral to MyMedi.ca. These fees are substantial but are a primary resource for patient outreach and growth.

Consulting Fees

For the three and nine months ended September 30, 2023, the Company incurred consulting expenses totaling $184,775 and $669,564, compared to $414,281 and $1,121,645 in the same periods of the prior year. 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 have been brought in house resulting in lower overall costs.

Professional Fees

For the three and nine months ended September 30, 2023, the Company incurred professional fees of $246,606 and $806,712, compared to $414,281 and $691,402 in the same periods of the prior year. Professional fees for the comparable three-month period are consistent with the prior year. The nine-month fees are higher in the current period due largely to specific events requiring additional professional fees, such as the extension and amendments to the convertible debentures and the acquisition of Medical Cannabis by Shoppers.

Salaries and Wages

For the three and nine months ended September 30, 2023, the Company incurred salaries and wages of $950,624 and $2,652,346, compared to $1,030,452 and $2,950,186 in the same periods of the prior year. Despite the addition of several employees as a result of the launch of MyMedi.ca, salaries decreased in the current three-month period due to an overall reduced head count in 2023 compared to 2022, as well as several executive and manager level employees receiving share-based compensation in lieu of salaries. Share-based compensation

Research and development

For the three and nine months ended September 30, 2023, the Company incurred research and development expenses of $63,957 and $207,692, compared to $86,221 and $184,339 in the same periods of the prior year. In the current quarter, research and development costs have decreased substantially in order to focus resources on the implementation of the MyMedi.ca platform. The Company expects to resume normal research activities in the coming quarters.

Share-based Compensation

For the three and nine months ended September 30, 2023, the Company incurred share-based compensation expenses of $506,499 and $2,004,996, compared to $158,241 and $807,484 in the same periods of the prior year. In the current period, some executives have elected to take stock-based compensation in lieu of salaries, resulting in greater share-based compensation in the current quarter.

Depreciation and amortization

Depreciation and amortization for the three and nine months ended September 30, 2023, was $233,839 and $551,464, compared to $217,693 and $720,149 in the same periods of the prior year. The decrease in depreciation is due to the impairment of capital assets recognized at year-end 2022.

Expected Credit Loss

For the three and nine months ended September 30, 2023, the Company recognized an expected credit loss of $66,979 and $83,433, compared with $143,922 and $203,151 for the same periods of 2022. The loss recognized in the current quarter is an estimate based on historical collections and bad debts, no specific amounts were allowed for in the current period.

Other income (expenses)

The following table presents other income and (expense) for the three and nine months ended September 30, 2023, and 2022:

	Three months ended September 30,		Nine months ended September 30,	
Other Income (Expenses) *(Canadian Dollars)*	**2023**	**2022**	**2023**	**2022**
Foreign exchange loss	$ (990)	$ (7,058)	$ (25,461)	$ (42,641)
Gain on disposal of capital assets	82	5,001	2,153	5,001
Gain on revaluation of derivative liability	-	(9,676)	56,785	38,809
Other income	58,450	52,181	299,520	147,475
Interest expense	(85,064)	(67,012)	(208,856)	(218,797)
Accretion	(50,341)	(467,143)	(248,272)	(1,106,836)
Loss on sale of Sativa Nativa	-	-	-	(1,530,994)
	$ (77,863)	**$ (493,707)**	**$ (124,131)**	**$ (2,707,983)**

Other income and expenses were $124,131 for the nine months ended September 30, 2023, compared to $2,707,983 for the nine months ended September 30, 2022. The primary driver of the decrease in the current quarter is the accretion and interest expense which is correlated to the loans payable and convertible debentures at each quarter end and the loss on the sale of Sativa Nativa recorded during the nine months ended September 30, 2022. As of September 30, 2023, a significant balance of the loan's payable has been paid and almost half of the open convertible debentures were converted. As such, accretion was significantly lower during the nine months ended September 30, 2023.

Adjusted EBITDA

The following table presents Adjusted EBITDA for the three and nine months ended September 30, 2023, and 2022:

	Three months ended September 30,		Nine months ended September 30,	
Adjusted EBITDA *(Canadian Dollars)*	**2023**	**2022**	**2023**	**2022**
Net comprehensive loss	$ (1,025,605)	(3,059,127)	$ (4,240,917)	$ (6,640,787)
Exchange differences on translation	(398,474)	169,253	(1,450,763)	(1,551,948)
Share-based compensation	506,499	158,241	2,004,996	807,484
Depreciation and Amortization	233,839	217,693	551,464	720,149
Estimated credit loss	66,979	143,922	83,433	203,151
Interest expense	85,064	67,012	208,856	218,797
Other income, net	(58,450)	(52,181)	(299,520)	(147,475)
Accretion	50,341	467,143	248,272	1,106,836
Loss (Gain) on revaluation of derivative liability	-	9,676	(56,785)	(38,809)
Unrealized changes in biological assets	419,481	(150,522)	87,684	(1,653,636)
Inventory impairment	(354,232)	178,196	(197,389)	172,802
Loss on sale of Sativa Nativa	-	-	-	1,530,994
Adjusted EBITDA	**$ (474,558)**	**(1,850,694)**	**$ (3,060,669)**	**$ (5,272,442)**

[1]Adjusted EBITDA is a non-IFRS measure and is calculated as the reported net loss, adjusted to exclude impairments, share-based compensation, amortization, other (income) and expenses and removal of any one-time costs and fees.

The Adjusted EBITDA loss for the three and nine months ended September 30, 2023, was $474,558 and $3,060,669, as compared to $1,850,694 and $5,272,442 for the three and nine months ended September 30, 2022, respectively. The significant improvement is due to the introduction of the MyMedi.ca platform, which contributed substantial revenue with only a relatively small increase in operating expenses.

Summary of Quarterly Results

The following tables presenting our quarterly results of operations should be read in conjunction with the Financial Statements and related notes. We have prepared the unaudited information on the same basis as our audited consolidated financial statements. Our operating results for any quarter are not necessarily indicative of the results for any future quarters or for a full year.

The following tables present our quarterly results of operations for the eight consecutive three-month periods up to September 30, 2023:

	Quarter Ended			
Quarterly Results *(In Canadian Dollars)*	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**
Net revenues	$ 6,252,950	$ 3,314,872	1,170,218	$ 1,136,100
Net comprehensive loss	(1,025,605)	(1,297,301)	(1,918,012)	(7,759,237)
Loss per share	$ (0.01)	$ (0.02)	(0.03)	$ (0.12)

	Quarter Ended			
Quarterly Results *(In Canadian Dollars)*	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**
Net revenues	$ 771,263	$ 1,102,557	1,037,961	$ 1,217,811
Net comprehensive income (loss)	(3,059,127)	(4,225,547)	643,887	(8,390,551)
Income (Loss) per share	$ (0.05)	$ (0.08)	0.01	$ (0.18)

Part 3 – Financial Liquidity and Capital Resources

The Company's primary liquidity and capital requirements are for capital expenditure, inventory, working capital and general corporate purposes. The Company currently has a cash balance of $718,287 on September 30, 2023. The Company's ability to fund operating expenses and capital expenditures will depend on its future operating performance, and its ability to raise capital which will be affected by general economic conditions, financial, regulatory, and other factors, including factors beyond the Company's control.

Management continually assesses liquidity in terms of the ability to generate sufficient cash flow to fund the business. Net cash flow is 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 nine months ended September 30, 2023, and 2022:

	September 30,	
Cash flows *(In Canadian Dollars)*	**2023**	**2022**
Net cash (used in) provided by:		
Operating activities	$ (543,964)	$ (6,566,747)
Investing activities	(3,040,670)	817,082
Financing activities	2,687,101	7,556,672
Effect of exchange rate changes on cash	421,780	(1,566,548)
Net increase (decrease) in cash and cash equivalents	(897,533)	1,807,007
Cash, beginning of year	1,194,040	31,004
Cash, at quarter end	**$** 718,287	$ 271,463

Cash used in operations during the nine months ended September 30, 2023, was ($543,964) down from ($6,566,747) for the same quarter to 2022. The improvement in operating cash out flows is due to increased cashflows and more predicable accounts receivables from insurance providers related to the sales of MyMedi.ca platform.

Net cash flows from investing activities totaled ($3,040,670) for the Nine months ended September 30, 2023, compared to $817,082 for the nine months ended September 30, 2022. The significant increase in outflow is due to the acquisition of the medical cannabis platform from Shoppers Drug Mart.

Net cash flow from financing activities totaled $2,687,101 for the nine months ended September 30, 2023, down from $7,556,672 for the same period in 2022. Through equity and debt financing, the Company raised approximately $4 million during the nine months ended September 30, 2023, compared to approximately $8.2 million for the same quarter in 2022.

The following table provides information about the Company's financing from the public and private sources during the nine months ended September 30, 2023, and year ended December 31, 2022, 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
January 28, 2022	Convertible Debenture	$1,550,400	The Company's stated intended use for the net proceeds was for general working capital.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
March 31, 2022	Private Placement offering	$2,523,568	The net proceeds generated amounted to $2,491,068. The Company's stated intended use of the net proceeds was for general working capital.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
May 6, 2022	Private Placement offering	$1,473,826	The net proceeds generated amounted to $1,428,826. The Company's stated intended use of the net proceeds was for general working capital.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
August 17, 2022	Private Placement offering	$2,782,301	The Company's stated intended use of the net proceeds was for general working capital.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
November 10, 2022	Private Placement offering	$626,763	The net proceeds generated amounted to $606,805. The Company's stated intended use of the net proceeds was for general working capital.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
December 21, 2022	Private Placement offering	$1,769,097	The net proceeds generated amounted to $1,763,597. The Company's stated intended use of the net proceeds was for general working capital.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.

Date	Type	Gross Proceeds	Initially Intended Use of Proceeds	Actual Use of Proceeds
March 20, 2023	Private Placement offering	$1,238,492	The net proceeds generated amounted to $1,226,392. The Company's stated intended use of the net proceeds were 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 2, 2023	Loan Payable	$1,455,000	The net proceeds generated amounted to $1,431,000. The Company's stated intended use of the net proceeds were for general working capital and buildout of MyMedi.ca platform and repayment of matured convertible debentures	As of the date of this MD&A, there was no change in the intended use of proceeds

January 2022 Convertible Debenture
On January 28, 2022, the Company closed a non-brokered secured subordinated convertible debenture. Under this offering the Company issued an aggregate of 1,626 units at a price of $1,000 per unit for aggregate proceeds of approximately $1.6 million. Each Unit consists of an aggregate of $1,000 principal amount of secured subordinated convertible debentures and 545 common share purchase warrants.

March 2022, Private Placement
On March 31, 2022, the Company closed a non-brokered private placement. Under this offering the Company issued an aggregate of 7,210,194 units at a price of $0.35 per unit for aggregate proceeds of approximately $2.5 million. Each of these units is comprised of one common share and one-half common share purchase warrant, each of which is exercisable into one common share at a price of $0.40 per share until March 31, 2025.

May 2022, Private Placement
On May 6, 2022, the Company closed a non-brokered private placement. Under this offering the Company issued an aggregate of 4,210,931 units at a price of $0.35 per unit for aggregate proceeds of approximately $1.47 million. Each of these units is comprised of one common share and one-half common share purchase warrant, each of which is exercisable into one common share at a price of $0.40 per share until May 6, 2025.

August 2022, Private Placement
On August 17, 2022, the Company closed a non-brokered private placement. Under this offering the Company issued an aggregate of 7,949,433 units at a price of $0.35 per unit for aggregate proceeds of approximately $2.78 million. Each of these units is comprised of one common share and one-half common share purchase warrant, each of which is exercisable into one common share at a price of $0.40 per share until August 17, 2025.

November 2022, Private Placement
On November 10, 2022, the Company closed a non-brokered private placement. Under this offering the Company issued an aggregate of 1,790,750 units at a price of $0.35 per unit for aggregate proceeds of approximately $626,763. Each of these units is comprised of one common share and one-half common share purchase warrant, each of which is exercisable into one common share at a price of $0.40 per share until November 10, 2025.

December 2022, Private Placement
On December 21, 2022, the Company closed a non-brokered private placement. Under this offering the Company issued an aggregate of 5,054,562 units at a price of $0.35 per unit for aggregate proceeds of approximately $1.77 million. Each of these units is comprised of one common share and one-half common share purchase warrant, each of which is exercisable into one common share at a price of $0.40 per share until December 21, 2025.

March 2023, Private Placement
On March 20, 2023, the Company closed a non-brokered private placement. Under this offering the Company issued an aggregate of 3,096,230 units at a price of $0.40 per unit for aggregate proceeds of approximately $1.24 million. Each of these units is comprised of one common share and one-half common share purchase warrant, each of which is exercisable into one common share at a price of $0.50 per share until March 20, 2026.

August 2023 Loan Payable
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.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Balances and Transactions

Compensation expenses for Avicanna's key management personnel for the three months and nine months ended September 30, 2023, and 2022 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
Related Party Compensation *(Canadian Dollars)*	**2023**	**2022**	**2023**	**2022**
Salaries and wages	$ 157,826	$ 193,991	$ 417,732	$ 377,116
Share based compensation	119,536	195,824	678,750	279,594
	$ 277,362	**$** 389,815	**$** 1,096,482	**$** 656,710

Additionally, as of September 30, 2023, the Company accumulated advances from certain related parties who represent the minority shareholders of SMGH in the amount of $5,174,602 ($3,843,196 as of December 31, 2022). The advances relate to minority partners contributions towards the expansion of cultivation facilities and ongoing operations. The balance owed to the related party is interest free and due on demand.

OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares (each, a "Common Share"). As of the date of this MD&A, there are 87,687,800 Common Shares issued and outstanding. In addition, there were 2,907,797 Common Shares issuable on the exercise of Stock Options, 27,714,890 Common Shares issuable on the exercise of Warrants, 2,033,481 Common Shares issuable on the vesting of Restricted Share Units and up to 352,941 Common Shares issuable on the exercise of the January 2022 Debentures.

Part 4 – Critical Accounting Policies and Estimates

Our significant accounting policies are fully described in Note 3 of the consolidated financial statements. Certain accounting policies require the application of significant judgement by management and, as a result, are subject to an inherent degree of uncertainty. We believe that the following accounting policies and estimates are the most critical to fully understand and evaluate our reported financial position and the results of operations, as they require our most subjective or complex management judgments. The estimates used are based on our historical experience, our observation of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Actual results may vary from our estimates in amounts that may be material to the financial statements.

Inventory valuation

Critical judgment. Inventory is valued at the lower of cost and net realizable value. The valuation of our inventory balances involves calculating the estimated net realizable value of our inventory and assessing it against the cost. A component of this analysis therefore involves 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 makes assumptions around future demand and production forecasts, which are then compared to current inventory levels. Management also makes assumptions around future pricing and considers 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 are 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 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.

Assumptions and judgment. Management uses available market information and transactional data to generate expectations of costs and prices. Estimates on the stage of growth and conversion factors are based on historical information from prior harvests. This information is 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 is 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 are 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 are determined through the exercise of judgment.

Assumptions and judgment. The useful lives are determined based on the nature of the asset. Management considers 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 need 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 is required in considering the facts and circumstances surrounding these long-lived assets. Management considers whether events such as a change in strategic direction, changes in business climate, or changes in technology would indicate that a long-lived asset may be impaired. When an impairment indicator does exist, judgement and assumptions are required to estimate the future cash flows used in assessing the recoverable amount of the long-lived asset.

Impact if actual results differ from assumptions. If impairment indicators exist and are not identified, or judgement and assumptions used in assessing the recoverable amount change, the carrying value of long-lived assets can exceed the recoverable amount.

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

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

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

Stock-based compensation
Critical estimates. We use the Black-Scholes option pricing model to calculate our share-based compensation expense.

Assumptions and judgment. The option pricing model relies 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 use 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 use 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 our income taxes and cash flow.

Provisions
Critical judgment. Accrued for liabilities or which the timing and amount of the liability is uncertain.

Assumptions and judgment. Management assesses 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. 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 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 management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the contractual maturities of certain undiscounted cash flows. These have been disclosed in Note 21 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 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 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 rates 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.

Fair values

The carrying values of cash, amounts receivable, investments, amounts payable, current portion of loan payable 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 balance due to related party, 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 Company categorizes its fair value measurements according to a three-level hierarchy as disclosed in Note 22 to the Consolidated Financial Statements for the year ended December 31, 2022. 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. Warrants and derivative liability are classified as a level 2 financial instrument. As of the nine months ended September 30, 2023, and the year ended December 31, 2022, there were no level 3 financial instruments.

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; no unusual delays to receive regulatory approvals for our clinical trials or cultivation quotas; our expectations with respect to the competitive landscape of the industry in which we operate and our present intentions to differentiate our business within that industry; the regulatory framework governing cannabis for recreational and medicinal use in Canada, Colombia, and any other jurisdiction in which we may conduct our business in the future; there being no significant delays in the completion of our cultivation facilities; there being no significant delays in the development and commercialization of our products; maintaining sufficient and effective production and R&D capabilities; our ability to analyze customer data; our ability to secure partnerships with manufacturers and distributors in international markets; the ability of our strategic partnerships to effectively operate; our ability to develop a brand to market our 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 our products will grow for the foreseeable future; there being no significant barriers to acceptance of our 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, ability to access financing on commercially attractive terms.

The Company'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, as well as other factors, are discussed in the Company's Annual Information Form dated March 31, 2023, for the Year ended December 31, 2022 available under the Company's profile on www.sedar.com, which risk factors should be reviewed in detail by all readers:

- our 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 we 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 labour costs;
- we have incurred losses since inception and may continue to incur losses in the future;
- the ownership of the Common Shares is heavily concentrated among our directors and officers;
- the potential to experience difficulty developing new products and remaining competitive;
- the completion and commercial viability of new products in the prototype stage;
- construction risk in connection with the facilities in Colombia;
- potential for adverse environmental conditions, accidents, labour 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;
- risks against which we are unable or unwilling to insure against;
- shareholder dilution pursuant to additional financings;
- transportation disruptions to our courier services;
- the cost of our key inputs is unpredictable;
- compliance with laws relating to privacy, data protection, and consumer protection;
- potential for information systems security threats;
- we are reliant on key suppliers and skilled labour;
- inability to effectively implement quality control systems;
- there is a potential for conflicts of interest to arise among our key stakeholders;
- we may be unable to sustain our pricing models;
- we may not be able to successfully identify or complete future acquisitions;
- we may be unable to effectively protect personal information;
- exposure to product recalls, liability claims, regulatory action and litigation based on products;
- we 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;
- we may not be able to effectively prevent fraudulent or illegal activities by our employees, contractors, or consultants;
- we may not be able to effectively prevent security breaches at our facilities;
- management may not be able to effectively manage our growth;
- outside factors may harm our reputation;
- we may become subject to legal proceedings from time to time;
- management has limited experience managing public companies;
- we may be unable to effectively protect our trade secrets;
- securities analysts may publish negative coverage;
- our financial statements have been prepared on a going concern basis;
- we may be dependent on the performance of our subsidiaries;
- certain of our operating subsidiaries are not wholly owned;
- there may be future sales of the Common Shares by directors, officers and principal shareholders; and
- interruptions or changes in the availability or economics of our supply chain.

For a discussion of the risks faced by the Company, please refer to the Company's Annual Information Form for the Year Ended December 31, 2022, and other public filings of the Company, each of which is available under the Company's profile on SEDAR, at *www.sedar.com.*

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

The information provided in this report, including the information derived from the Financial Statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to determine future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

For the quarter ended September 30, 2023, there were no changes made in the Company's design of internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.