AVICANNA INC.

AVICANNA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

March 31st, 2022

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 March 31, 2022 and is supplemental to and should be read in conjunction with the Company's consolidated financial statements (the "Financial Statements") for the years ended December 31, 2021 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 March 31, 2022.

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 flows and results of operations. It is organized as follows:

1. *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.

2. *Part 2 – Results of Operations.* This section provides an analysis of operations for the year ended December 31, 2021.

3. *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.

4. *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

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

Avicanna is a Canadian commercial-stage biopharmaceutical company established in research, development, and commercialization of evidence-based cannabinoid products for the global consumer, as well as medical and pharmaceutical market segments. Avicanna conducts its research in Canada at its R&D headquarters including the Johnson & Johnson Innovation Centre, JLABS @ Toronto, located in the MaRS Discovery District and in collaboration with leading Canadian academic and medical institutions. Avicanna has an established scientific platform that includes R&D and clinical development which has led to the commercialization of over twenty products across four main market segments:

Medical Cannabis & Wellness Products

Marketed under the RHO Phyto™ brand, these medical and wellness products are a line of pharmaceutical-grade cannabis products containing varying ratios of cannabidiol ("CBD") cannabigerol ("CBG") and tetrahydrocannabinol ("THC"). The portfolio contains a full formulary of oral, sublingual, topical, and transdermal deliveries with a range of cannabinoids ratios and doses. The formulary is supported by current and ongoing consumer, patient and medical community education and training. Avicanna's medical and wellness product portfolio also forms the foundation of the Company's pharmaceutical pipeline with the contribution of the formulations that form the basis of the products as well as the data generated from sales and participation of the products in real world evidence studies.

Market opportunity

RHO Phyto has been established as a leading medical brand in Canada and is expanding across Canadian and International channels. The brand is currently available nationwide to patients in medical channels across Canada through a partnership with Medical Cannabis by Shoppers™, a subsidiary of Shoppers Drug Mart Inc.™, as well as the Odette Cancer Centre pharmacy of Sunnybrook Health Science Centre, a major hospital group in Canada and expanding to additional medical channels during 2022. The products are also available in adult-use sales channels through provincial retailers in five provinces.

These products are expanding into other international markets including the Caribbean region through Barbados and are also commercialized in Colombia under the magisterial legislation supported by comprehensive programs including education and patient support.

CBD Derma-Cosmetic Products

Marketed under the Pura H&W™ or Pura Earth™ brands, these registered, clinically tested, derma-cosmetic products include a portfolio of functional CBD topical products.

Market opportunity

The Pura branded derma-cosmetics products are expanding internationally as one of the few clinically backed and international CBD skin care brands. Currently available nationwide across Canada in medical sales channels in partnership with Medical Cannabis by Shoppers™ and in adult-use sales channels through retailers in four provinces.

These products are also currently being sold in other countries under cosmetics designations including USA, Colombia, Ecuador, and anticipated to be launched in the UK, and certain Latin American countries during 2022.

Pharmaceutical Pipeline

Leveraging Avicanna's scientific platform, vertical integration, and real-world evidence, Avicanna has developed a pipeline of drug candidates which are indication-specific and in various stages of clinical development and commercialization. These cannabinoid-based drug candidates look to address unmet medical needs in the areas of dermatology, chronic pain, and various neurological disorders.

Market opportunity

These indication-specific pipeline of products are intended to be marketed once drug applications have been submitted and approved from national drug agencies including the Latin American health authorities such as National Health Surveillance Agency ("ANVISA") in Brazil. Specific drugs from Avicanna's pharmaceutical pipeline including (Trunerox) have undergone Good Manufacturing Practice level pilot production and analysis under International Council on Harmonization guidelines for pharmaceutical products. These are necessary for generic and phyto-therapeutic drug registrations, which rely on existing clinical evidence for marketing authorization with initial approvals expected in 2022.

Cannabis Raw Materials, Seeds, and Bulk Formulations

Marketed under the Aureus™ brand, the Company's raw material business has successfully completed sales to 12 countries. Aureus offers cannabis dried flower, standardized seeds, full spectrum extracts, and cannabinoid distillates, isolated cannabinoids (CBD, THC, CBG and other rare cannabinoids), and bulk formulations derived from hemp and cannabis cultivars through its organic, economical, and industrial-scale subsidiaries based in Colombia. Most of the Aureus products are produced at Santa Marta Golden Hemp S.A.S. ("SMGH"), the Company's majority-owned subsidiary, which is also Good Agricultural, and Collection Practices ("GACP") certified and United States Department of Agriculture ("USDA") National Organic Program certified for its hemp cultivar.

Market opportunity

The cannabis raw materials supplied by Avicanna's Colombian subsidiaries form part of the Company's supply chain and source of reliable input products for its consumer retail, medical cannabis, and pharmaceutical products for Global markets. Avicanna's raw material business unit is also dedicated to providing consistent, high-quality source of input materials for the Company's global partners for use in the development and production of food, cosmetic, medical, and pharmaceutical products.

The Company has formed several strategic supply relationships and has exported raw materials and bulk formulations from Colombia into 13 countries including Canada, the USA, Argentina, South Africa, Germany, Austria, Chile, Uruguay, Brazil, Peru, Czech Republic and the UK to research and manufacturing companies. Recently the Company attained GACP certification for its cultivation practices which would allow the Company to also export its dried flower and biomass into developed markets including the European Union once proposed Colombian legislation allows the export of biomass. Avicanna's Aureus division is positioned to supply the emerging cannabis sector with raw input materials for food, cosmetic, medical, wellness, and pharmaceutical use in addition to standardized seeds required for cultivation projects, particularly in South America.

Q4 2021 and subsequent event highlights

Q4 2021 highlights

- **Total fiscal 2021 revenue of $3.3M representing 108% growth from $1.57M in 2020**. Record quarterly revenue of approximately $1.2M in the fourth quarter of 2021, representing the fourth consecutive quarter-over-quarter increase of at least 20%.

- **Revenue growth driven sales of proprietary cannabinoid-based products sold across global channels**. This includes 69,000 units sold in the fourth quarter of 2021, representing a 160% growth from the third quarter 2021, which resulted in a total 124,000 units being delivered in fiscal 2021 compared to 4,100 units delivered in fiscal 2020.

	For the three months ending March 31, 2021	For the three months ending June 30, 2021	For the three months ending September 30, 2021	For the three months ending December 31, 2021
Gross revenue	**$279,515**	**$810,248**	**$1,007,033**	**$1,271,324**
North America	$183,659	$212,685	$687,996	$887,716
South America	$82,340	$212,685	$319,037	$367,437
Rest of the World	$13,516	$1,504	-	$16,171
Finished Product Sales	**8,855**	**16,767**	**27,041**	**69,423**
North America	4,104	13,312	21,844	67,998
South America	4,751	3,555	5,197	831
Rest of the World	-	-	-	594

- **Launched of a total of 16 "cannabis 2.0" proprietary product SKUs** as of December 31, 2021, in Canada including RHO Phyto, Pura HW, Viola and re+Play branded products. Expanded distribution channels through a total of 35 "cannabis 2.0" product listings across medical and adult-use channels in Canada, signifying an increase of 37% from the Q3-21.

- **Strengthened its partnership with the Medical Cannabis by Shoppers™** online portal with a total of 13 SKUs available to patients and the medical community including all four commercial brands by the end of fiscal 2021.

- **The launch of re+Play branded CBD topicals across medical and adult use channels in Canada**. re+PLAY is a sports performance and recovery-focused brand founded by National Basketball Association ("NBA") veteran Al Harrington with evidence-based CBD formulations developed in partnership with Avicanna.

- **Viola Brands Nationwide launch in Canada** through medical channels in partnership with Medical Cannabis by Shoppers **™** and across adult use channels in Ontario, New Brunswick, and Saskatchewan. Avicanna's partnership with Viola brings the US equity-focused brand founded by NBA veteran, Al Harrington, to Canada for the first time.

- **Successful implementation of on-going cost reduction initiatives while commercializing and increasing revenues.** The Company recognized a 12% reduction in selling, general and administrative costs in fiscal 2021 compared to fiscal 2020 while substantially increasing revenues.

- **The Company successfully closed a $3.9M, non-brokered private placement** at $0.85 cents per unit. Each common share entitles the holder to half warrant exercisable at $1.10 per share.

	For the Three Months Ending March 31, 2021	For the Three Months Ending June 30, 2021	For the Three Months Ending September 30, 2021	For the Three Months Ending December 30, 2021
CAD SKUs Commercial	5	10	10	16
CAD Medical Listings	5	7	10	13
CAD Provincial Listings	1	10	15	22
Aureus # of Countries with Sales	8	10	11	12
Pura # of Countries with Sales	3	3	4	4
RHO # of Countries with Sales	2	2	2	3

- **The company filed a patent on its advanced oral cannabinoid drug delivery system** related to neurological disorders including a range of liquids, capsules, powders, and controlled release tablets utilizing proprietary self-emulsifying drug delivery systems (SEDDS) technology. The formulations offer enhanced stability, bioavailability and controlled release of cannabinoids including (CBD, THC, CBG, CBN and THCv) and are intended to be utilized in global medical and pharmaceutical products.

- **IP licensing and distribution partnership with established Argentinian pharmaceutical company.** The partnership will focus on the licensing, supply and expected commercialization of the Company's drug candidate Trunerox ™ in Argentina in the second half of fiscal 2022.

- **Avicanna´s subsidiary obtains Good Agricultural and Collection Practices ("GACP")** Certification in Colombia, which will allow the Company's Aureus-branded raw material include low cost and sustainable cannabis biomass and flower for sale and export to the global marketplace.

- **The opening of the Company's 14th international market** across four continents including the initial export and commercialization of its CBD skin care line Pura H&W™ in the United States and its medical cannabis brand RHO Phyto™ into the Caribbean region.

- **International expansion of Aureus branded products** including the first commercial export of CBG, a rare cannabinoid, into the European Union and initial export of psychoactive cannabinoids into Chile. Additionally, the Company completed initial exports of its proprietary genetics with completed exports of feminized seeds into Argentina and Peru.

Other highlights subsequent to Q4 2021

- **2022 strategy and guidance release including the Company's forecasted revenue of $9M** from global operations, which is expected to be led by the anticipated sales of approximately 310,000 units of proprietary cannabinoid-based products.

- **Supply Agreement with Chilean Pharmaceutical Pioneer Knop Laboratorios S.A. ("Knop")** Expansion of the relationship, originally established in 2020. Supply of Avicanna's active pharmaceutical ingredients for existing commercial and pipeline of pharmaceutical products in South America.

- **Strengthens its board and executive team** with two seasoned pharmaceutical executives including the appointment of Eileen McCormack to the Board of Directors and Stephen Kim as the Chief Legal Officer.

- **Strategic Partnership with Tetra Bio-Pharma,** which will encompass three potential strategic pillars across supply of API, commercialization of prescription products, and co-development of pharmaceutical drug candidates.

- **Commenced of Epidermolysis Bullosa studies with the Hospital for Sick Children,** the study led by Dr. Elena Pope is analyzing the efficacy of the company's dermatological pharmaceutical product on rare skin disease.

STRATEGY AND OUTLOOK

Summary of commercial activities and brand launches

During 2021 the Company progressed several international business units and forged its commercialization path within the Canadian market.

In Canada, the Company successfully launched 3 additional brands during 2021 including Pura HW (skin care brand), Viola, and re+Play in the fourth quarter. In total, through its 4 commercial brands the Company ended the year with a total of 16 cannabis 2.0 SKUs and 35 commercial listings across adult use and medical channels. In Canada, given that the Company is not a licensed producer it can operate with an extremely lean and elastic model where it outsources manufacturing of its proprietary products while establishing a strong footprint in the growing Canadian market including what is now 13 SKUs with Medical Cannabis by Shoppers™.

At a global level, the Company's distribution channels expanded during the fourth quarter with the opening of the Company's 14th international market across four continents. The Company's Colombian-based vertical integration operation has now laid the foundation for a global enterprise where the Company can export its genetics, active pharmaceutical ingredients, and finished products.

2022 Strategy and Guidance

2022 is expected to be a pivotal year for the Company, where commercial initiatives through medical, wellness, skincare and pharmaceutical products are expected to yield more quantitative milestones across international commercial channels.

- Projected $9M in consolidated revenue from global operations, which is expected to be led by the anticipated sales of approximately 310,000 units of proprietary cannabinoid-based products.

- Anticipated increase in the number of "cannabis 2.0" SKUs across all four brands, coupled with additional listings that are expected to reach 60 by the end of 2022 in Canada.
- Expected expansion of existing evidence-based products to new medical channels and market share in Canada, motivated by the initial successful outcome of the partnership with Medical Cannabis by Shoppers™.

The Company is encouraged by the progressive regulatory environment, particularly towards medical and pharmaceutical applications of cannabinoid-based products at an international level over the past few years. It is expected that the Company's international operations will achieve significant growth, fortify its brands, achieve operational efficiencies, and facilitate new international market entrances, all while advancing commercialization efforts in existing markets.

- Anticipated marketing authorization and commercialization of its first pharmaceutical preparation into three new international markets.
- Anticipated expansion of proprietary and evidence-based skincare and wellness topical products into new international markets including the United Kingdom, European Union, and South America.
- New international markets expected for Aureus™ branded raw-material business units, including its standardized seeds and API, while delivering to existing partners.
- Projected progression and further development of its scientific platform, product pipeline and intellectual property portfolio, which is expected to be further supported by the scientific results of various clinical collaborations with various Canadian institutions.
- Management expects to concentrate on further operational efficiencies and optimization of the Company's commercial activities with the aim of achieving self-sufficiency towards the end of 2022.

Product Line & Brand	Canada - Medical	Canada - Adult Use	USA	Colombia	UK	Ecuador	Brazil	Mexico	Chile	Peru
RHO Phyto / Magisterial Medical	✔	✔		✔	2022					
Pharmaceutical Products	2024		2024	2022	2024	2022	2022	2022		2022
Pura H&W/Earth Dermacosmetics	✔	✔	Q4-21	✔	2022	✔				
re+PLAY	Q4-21	Q4-21	Q4-21*							
Viola	✔	Q4-21								
Aureus IP and/or Seeds			✔	✔	✔	2022	✔	2022	✔	✔

Note: The above table indicates expected launch dates, which are subject to regulatory approvals in each of the indicated countries, among other factors. See "Risk Factors".

Strategic partnerships

Argentinian pharmaceutical partnership

During the fourth quarter of 2021, Avicanna entered into an intellectual property, licensing and distribution agreement with an established pharmaceutical company in Argentina. Through the partnership Avicanna will provide a non-exclusive license of the Company's intellectual property related to its proprietary 10% cannabidiol pharmaceutical drug preparation. Additionally, the partner will source its pharmaceutical-grade CBD exclusively from Avicanna to manufacture the product for the registration and marketing authorization with the Argentine regulatory agency ANMAT.

The marketing authorization of the pharmaceutical preparation is expected to be approved during the second half of 2022 and is expected to be supported with claims related to treatment of epilepsy. The estimated patient population and market potential for epilepsy in Argentina is between 400,000 to 500,000 patients of which about 20,000 patients have refractory epilepsy.

Viola partnership for Canada

Avicanna's partnership with Viola brings the equity-focused brand founded by NBA veteran, Al Harrington, to Canada for the first time. Initial products will be available nationwide on the medical cannabis by Shoppers online platform followed by adult use channels including Ontario, Saskatchewan, and New Brunswick. Through the Company's multi-level partnership with Viola, Avicanna is responsible for managing the overall commercialization of all Viola-branded products in Canada through its manufacturing, distribution, and sales infrastructure.

Founded in 2011 by NBA veteran Al Harrington, Viola is one of the leading producers and licensed wholesalers of premium quality cannabis products in the United States with its footprint across 4 States. Viola's mission is to increase minority representation and provide greater employment opportunities to Black and other under-represented communities in the cannabis industry.

Brydan Stokes partnership in the Caribbean

During the fourth quarter, Avicanna entered a distribution partnership with Bryden Stokes, an established health and pharmaceutical product distributor in the Caribbean region to distribute its RHO Phyto line of products beginning with three (3) products. The Company delivered the RHO Phyto products to the medical community in the Caribbean through Bryden Stokes' extensive network and sales infrastructure in the region starting with Barbados. In addition to the products, Avicanna will extend its comprehensive educational platform including patient support, marketing, and training.

Bryden Stokes has three distinct business divisions: Food and Consumer, Brewery, Wine, Spirits and Tobacco, and Health and Wellness. Their wide network of international suppliers and thriving portfolio make them one of the leading distribution companies in Barbados. To support these divisions, they have over 331 employees and a portfolio of 450 quality brands.

Knop Laboratorios partnership in Chile

Since 2018, Avicanna and Knop have developed a collaborative enterprise which has led to commercial imports of Avicanna´s API, including CBD and THC, which has been used in the development, production, and commercialization of several cannabinoid-based products. In the fourth quarter, the Company has entered into a Master Supply Agreement with established Chilean pharmaceutical company Knop to supply a range of cannabinoid-based active pharmaceutical ingredients ("API") for the manufacturing, and commercialization of already commercial and pipeline of cannabinoid-based pharmaceutical products in South America

Knop is a Chilean pharmaceutical company and pioneer in herbal medicine with more than 90 years of experience in the field and active presence in several Latin American countries including Chile, Ecuador, Colombia, Bolivia, Paraguay, and Peru. With a GMP certified plant located in Quilpué, Chile, Knop Laboratorios serves its markets with high-quality pharmaceutical products. Knop has a wide portfolio of registered products, including Cannabiol®, a cannabinoid-based product already registered in Perú, and its own commercial infrastructure including strategic partnerships with over 80 "Knop Pharmacies" in Chile.

Harrington Wellness and re+Play partnership in Canada and the US

re+PLAY is a sports performance and recovery-focused brand founded by NBA veteran Al Harrington with and evidence-based CBD formulations developed in partnership with Avicanna. Avicanna and the Harrington Wellness teams worked together rigorously on the development, and optimization of these CBD-based topicals inspired by the athletic and sports community. These CBD-based topicals utilize Avicanna's proprietary and evidence-based deep tissue technology for cannabinoid delivery and have been curated with the support of Harrington Wellness' deep understanding of the needs of professional athletes.

Avicanna launched these products across adult use channels in Alberta and Ontario and medical channels in partnership with Medical Cannabis by Shoppers™ and the Harrington Wellness team and preparation for the launch of the products in the United States where Avicanna earns royalties for the formulations.

Medical Cannabis & Wellness Products Overview

Leading the Company's medical cannabis commercial efforts is the RHO Phyto formulary of products which include several oral, sublingual, and topical preparations in range of cannabinoid ratios and doses. RHO Phyto branded products are available to patients nationwide through a partnership with Medical Cannabis by Shoppers Drug Mart™, where it has been established as one of the leading brands with consistent increase in units sold. Currently, in Canada, there are approximately 310,000 registered medical cannabis patients.

In parallel, Avicanna expanded the RHO Phyto formulary and its other brands into retail sales channels through Canadian provincial retailers in early 2021. This strategic initiative was to increase brand awareness and increase access to individuals who are using cannabis for wellness purposes. Currently, RHO Phyto products are available for sale in retailers in five (5) provinces in Canada; Alberta, Manitoba, New Brunswick, Ontario, and Saskatchewan.

Addressing Symptom Management and Establishing a Leadership Position with the Medical Community

Avicanna's education and commercial plans include information related to the line's potential in addressing a wide range of clinical indications, specifically including pain, sleep, appetite, anxiety, and depression that may be prevalent in wide range of various conditions. Avicanna's approach to evidence-based products with accurate dosing, established product stability, and optimized formulation with a view towards efficacy and safety, and in addition to making available training and education to the medical community has been well received by the medical community as supported by the instances where several select pharmacists, clinics, physicians, and medical institutions who have chosen the RHO Phyto brand for medical cannabis.

Partnership with Sunnybrook Hospital

In June 2021, sales commenced of Avicanna's RHO Phyto products pursuant to a relationship agreement with Sunnybrook Health Sciences Centre whereby Sunnybrook Hospital will distribute the Company's RHO Phyto products to patients with appropriate medical authorization at Odette Cancer Centre pharmacy. This relationship will focus on increasing healthcare provider and patient education on medical cannabis products and provide patients with a one stop process for accessing plant-based cannabis for medical use, in coordination with their hospital healthcare team.

RHO Phyto product offerings

- **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:** The oral sprays are lemon-mint flavoured and utilize Avicanna's sublingual delivery technology to provide a rapid acting effect. The product is administered discreetly, is easy to use, and delivers accurate, consistent dosing in every spray.

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

- **Ultra CBD local cream:** The 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.

- **Pipeline:** The Company continues to advance its pipeline of medical products through its scientific platform and R&D infrastructure which includes novel drug delivery mechanisms including capsules, tablets, and water-soluble formulations, in addition to the incorporation of rare cannabinoids into specific formulations.

SKU	Commercial Status	Delivery	Size	CBD	THC	CBG	Description
RHO Phyto							
Micro Drop 2:50	Commercial	Oral Drop	30 mL	1500 mg	60 mg	-	High CBD Oil
Micro Drop 5:20	Commercial	Oral Drop	30 mL	600 mg	150 mg	-	Balanced CBD Oil
Micro Drop 50 CBD	Commercial	Oral Drop	30 mL	1500 mg	-	-	THC-Free High CBD Oil
Micro Drop 100 CBD	Q2-22	Oral Drop	30 mL	3000 mg	-	-	THC-Free Very High CBD Oil
Micro Drop THC 10:0	Commercial	Oral Drop	30 mL	60 mg	300 mg	-	Low Dose THC Oil
Micro Drop CBG 20:10:10 THC:CD:CBG	Q2-22	Oral Drop	30 mL	300 mg	600 mg	300 mg	CBG:CBD:THC Oil
Rapid Act Spray 40 CBD	Commercial	Sublingual Spray	15 mL	600 mg	-	-	THC-Free CBD Spray
Rapid Act Spray 2:40 CBD	Commercial	Sublingual Spray	15 mL	600 mg	30 mg	-	High CBD Spray
Rapid Act Spray 10:20 CBD	Commercial	Sublingual Spray	15 mL	300 mg	150 mg	-	Balanced Spray
Rapid Act Spray 20:10 CBG:THC	Q2-22	Sublingual Spray	15 mL	30 mg	300 mg	-	THC:CBG Spray
Extra Strength Deep Tissue Gel (5:0.2)	Commercial	Transdermal Gel	50 mL	250 mg	10 mg	150 mg	CBG Transdermal Gel
CBG Transdermal Relief Gel (20:5)	Q2-22	Transdermal Gel	30 mL	600 mg	30 mg	150 mg	High CBD &CBG Transdermal Gel
Ultra CBD Topical Cream	Commercial	Transdermal Gel	30 mL	900 mg	-	-	High CBD Local Cream

Product and brand attributes

- Inhalation free products designed for wellness and medical users.
- Pipeline of over 20 SKUs including oral, sublingual, transdermal and topical deliveries offered with various CBG-CBD-THC and THC-Free formulations.
- Supported with education and training for patients, physicians, consumers, and retailers.
- Available nationally from Medical Cannabis by Shoppers's Drug Mart ™, at major Canadian hospitals and across adult use channels

Expansion and growth strategy

- **Expansion to new medical channels:** The Company intends on expanding access to its Canadian product offerings to more patients and physicians through new channels and partnerships. The Company's exclusivity with Medical Cannabis by Shopper's ™ expires in Q1 2022 allowing for the potential expansion of its products to other medical cannabis distribution platforms.
- **Expansion into adult use markets:** Expansion into adult use channels through provincial boards and retailers, $4 billion projected market by the end of 2021. The Company has expanded RHO Phyto and its other brands successfully into these channels where the units, number of SKUs, and number of listings progressively increased during 2021 and is expecting to continue to increase in 2022.
- **Establishment of the wellness category:** In partnership with provincial boards and distinct premium retailers in Canada, Avicanna's product lines are well positioned for the wellness category, where consumers will have access to standardized and non-inhalation cannabis products without the requirements of medical documentation. Avicanna's team is working closely with retailers to provide in store assets and training required to slowly establish the category and place its products as within the growing segment. This in turn can expand the market size and expand the potential consumers for retailers from the "cannabis connoisseurs" to a wider audience interested in the wellness benefits of cannabis products.

Category	Channel	Primary Demographics	Psychographics	Utility	CAD Brand	CAD Products
Recreational	Online & Retail	Young adults	Early adopters & Connoisseurs	Social Mood enhancement	VIOLA.	Oral, sublingual, inhalation
Wellness	Online & Retail	Young to Middle aged adults	Early adopters & Healthy lifestyle	Lifestyle Health & well being	PURA EARTH™ RHO™ PHYTO re+PLAY	Oral, sublingual, topical
Medical	Online, Retail Shopper's Drug Mart	Middle aged adults to Aging population	Open minded, Educated	Well being & Unmet medical needs	PURA EARTH™ RHO™ PHYTO re+PLAY	Oral, sublingual, topical
Clinical	Shopper's Drug Mart Hospital Pharmacies	Medical patients	Conservative	Unmet medical needs	RHO™ PHYTO	Oral, sublingual, topical

Canadian segmentation strategy describing market opportunities for the four brands in Canada across medical and adult use channels.

- **Expansion into major hospitals:** Avicanna will leverage its established relationships with the Canadian medical community to meet the growing demand for access to standardized cannabinoid medicine in the medical community. The Company will look to increase its footprint of RHO Phyto in Canadian hospitals with appropriate infrastructure to store and dispense qualified medical cannabis products. The Company hopes to expand its commercial infrastructure to include a larger network of hospitals in 2022 with initial proof of concept completed.

- **Expansion of SKUs:** Since the initial launch of RHO Phyto in Canada with two SKUs of micro drops in the third quarter of 2020, the Company has consistently expanded the product offerings, to a current total of seven SKUs, and continues to introduce additional doses and deliveries of products desired by the medical community and patients. The Company expects to have 14 SKUs of RHO Phyto and a total 25 SKUs commercial in Canada by the end of 2022.

- **International expansion:** The RHO Phyto products have been successfully commercialized in Canada, Colombia and Barbados establishing a proof of concept in North America, the Caribbean and South America where there has been initial patient, consumer and medical community adoption. The Company will look to expand its product offering in Canada and into other potential markets in 2022 and beyond as the Company hopes that international regulations continue to be progress positively towards medical cannabis.

CBD Derma-Cosmetic Products

Marketed under the Pura H&W™ brand[1], or private-label brands, the Company's consumer retail products form a line of natural skincare products utilizing the benefits of hemp-derived CBD with synergistic natural ingredients. This line of products is believed to be one of the first known CBD-based skincare lines that includes the participation of three products in human studies, each with approximately 50 subjects where both safety and efficacy were assessed. The results of the studies are positive – please see "Cosmetic clinical trials" below.

Pura product offerings are categorized in four distinct groups where several SKUs are available in specific markets:

- **Beauty line**

    - **Anti-aging cream -** Luxurious combination of CBD and Japanese cedar bud extract that floods the skin with moisture to visibly improve natural lifting, toning and smoothing effects.

    - **Anti-aging serum –** A clinically backed emulsion gel that combines CBD with stem cells from a rare variety of Swiss apple to deliver powerful ingredients to the skin. A refreshing and fast absorbing formula maximizes results for bouncy, glowing skin.

    - **Under eye cream –** A formulation of CBD and ash tree bark extract gently moisturizes the delicate area under your eyes and may help reduce the appearance of dark circles.

    - **Dark spots cream -** The triple effect of CBD, kiwi and sophora root extract is formulated to help reduce the appearance and number of dark spots.

[1] The Company markets its CBD skincare products under its Pura Earth™ brand in some jurisdictions.

- **Specialized care line**

    - **Clear skin gel –** A clinically backed formulation combining CBD with rosemary extract, tea tree oil and other ingredients to help manage oil and provide fresher looking skin.

    - **Intensive moisturizing cream** – A clinically backed and rich combination of CBD and colloidal oatmeal designed to help soothe extremely dry skin.

- **Wellness Line**

    - **Cooling gel -** Go-to essential combines CBD & CBG with menthol, clove and other unique ingredients and natural polyphenols in an advanced emulsion formulation. This non-greasy formula is ideal for those moments when you need to cool sore spots after physical activity.

- **Moisture and protection line**

    - **Skin protecting facial lotion PM -** Overnight cream that combines CBD, pro-retinol, and vitamin E, which work together to hydrate your skin while you rest.

    - **Skin protecting facial lotion AM -** Lightweight moisturizer combines CBD and vitamin E, which protects against drying effects and to boost skin's glow.

    - **Skin protecting body lotion -** Fast absorbing creamy lotion with CBD a touch of shea butter for total body application.

Cosmetic clinical trials

The first clinical trial completed by Avicanna evaluated Pura H&W topical cream containing 0.5% cannabidiol and 1% hemp seed oil on 49 adults. The study achieved its primary endpoint of increased skin hydration in people with dry skin. Avicanna's second study evaluated its Pura H&W facial cream containing 0.5% cannabidiol and 0.1% hemp oil on skin hydration and characteristics associated with acne-prone skin. In total, 49 self-assessed oily or acne-prone healthy adults had enhanced hydration. Furthermore, a significant decrease in oily skin was evident in a subset of individuals with higher sebum production. Avicanna's third study evaluated the effect of its Pura H&W topical serum containing 1% cannabidiol and apple stem cells on skin characteristics associated with aging. A total of 48 participants were evaluated over a two-month period. The results indicate an enhanced skin hydration effect following application of the cream and after 2 months of use.[2]

Potential Markets

Certain products of the CBD derma-cosmetic product line have been commercialized in Ecuador, Colombia[3], US and in Canada. In Canada, sales commenced in the adult use sales channels and medical channels initially in partnership with medical cannabis by Shopper's. The Company expects to launch the CBD derma-cosmetic products in the EU in the first half of 2022. Specific products have been registered in the European Union through the European Commission's Cosmetic Product Notification Portal in anticipation of regulatory clarifications regarding CBD cosmetics.

[2] Study details are published on clinicaltrials.gov as interventional clinical trials.
[3] Initially marketed under the Company's Pura Earth™ brand, the Colombian products are expected to be rebranded to Pura H&W™.

re+Play sports performance products

Through the partnership between Avicanna and Harrington Wellness, the performance-based CBD wellness brand that Harrington Wellness built with the fundamentals and combined knowledge of scientists, athletes, doctors, and certified athletic trainers, has been commercialized by Avicanna across adult use and medical channels in Canada and is supporting the launch of the brand in the United States that is led by the Harrington Wellness team.

- **Muscle Rub (Pro)**- A water-based emulsion that combines 500 mg of pure Cannabidiol (CBD) with complementary natural active ingredients including menthol, camphor, and the terpene beta-caryophyllene. The intense formulation offers a warming sensation upon application and is formulated to enhance delivery into deeper layers of skin.
- **Total Body Cream** - A water-based emulsion that combines 250 mg of pure CBD with complementary natural active ingredients including menthol, beta-caryophyllene and eucalyptus essential oil for an immediate cooling sensation with a light scent.
- **Foot + Ankle Cream -** A rich cream that combines 500 mg of pure CBD with soothing colloidal oatmeal as well as antimicrobial tea tree and spearmint essential oils to provide a cool but gentle sensation on feet. This fast-absorbing, lightly scented cream is formulated to enhance delivery into deeper layers of skin.

Pharmaceutical pipeline and products

The Company continues to make progress on clinical development of its pharmaceutical pipeline and is exploring several pathways to submit drug applications for marketing authorizations with national drug agencies such as the FDA, Health Canada, and Latin American health authorities including ANVISA in Brazil and INVIMA in Colombia.

- ***Marketing authorization and commercial pathways***:
    - **Generic pharmaceutical** (LATAM market - expected commercialization 2022)
    - **Natural drug or Phyto-therapeutic designations** (LATAM market - expected commercialization 2022)
    - **Rare disease pharmaceutical pipeline** (Canada, USA, EU, LATAM markets - expected commercialization 2024)
    - **Over the counter** (LATAM markets - expected commercialization 2023; Canada, USA, EU markets - expected commercialization 2024)
- **Trunerox ^{TM} – 10% CBD (100 mg/ml Cannabidiol)**
    - Pharmaceutical preparation under GMP standards with completed technical dossier.
    - Expected marketing authorization during 2022 in Colombia, Ecuador, Argentina, Mexico and Brazil.
    - Utilizing Avicanna's proprietary formulation and vertical integration to deliver a pharmaceutical CBD preparation into the Latin American Markets.

Drug Development Program	Delivery	Development status	Clinical status	Registration
Refractory Epilepsy Trunerox™	Oral	✔	-	Generic Pharmaceutical
Multiple Sclerosis	Sublingual	✔	-	Generic/Phyto-therapeutic
Chronic Pain	Oral	✔	-	Phyto-therapeutic
Anxiety and Depression	Oral	✔	-	Phyto-therapeutic
Epidermolysis Bullosa	Topical	✔	Pre-clinical	Orphan Drug
Osteoarthritis	Topical	✔	Pre-clinical	Pharmaceutical
Seizure and Sudden Death - Epilepsy	Oral	In Development	Pre-clinical	Orphan Drug
Neuropathic Pain	Oral	In Development	PK Studies	Orphan Drug

Scientific platform

With 5+ years of R&D, preclinical and clinical development on cannabinoids, Avicanna has an established cannabinoid-based scientific platform and 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:

- 31+ proprietary commercial products;
- 7 Canadian Government research grants awarded since 2020;
- 7 pending patent applications;
- Drug development pipeline, including sustained release tablets, transdermal patches and nano participle formulations;
- 4 Health Canada cannabis research licenses issued to Avicanna or institutional collaborators over the past 4 years; and,
- Academic and clinical collaborations over the past 4 years: Hospital for Sick Children, University of Toronto, University of Guelph, University Health Network, Charles River, Thompson Rivers University and Sunnybrook Health Sciences Centre (Hospital).

Pre-Clinical and Clinical Development

Avicanna's preclinical and clinical development is conducted in collaboration with leading university and hospital partners. In collaboration with our research partners, 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 our partners are considered Avicanna Intellectual Property. Highlighted below are some of the Company's ongoing research projects.

- Through the **University of Guelph** in collaboration with Dr. Jibran Khokhar, Avicanna's RHO Phyto products are undergoing pharmacokinetic, electrophysiological, and behavioral evaluation with comparison to basic MCT oil products. Additionally, various cannabinoid ratios and terpenes are being evaluated with Avicanna formulations in animal models of addiction and withdrawal from alcohol and nicotine, and neuropathic pain for pharmaceutical development.

- 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.
- The collaboration with Thompson River University led by Dr. Kingsley Donkar and team is focused on evaluating optimal cannabinoid and terpenes ratios for their effect on various bacteria and fungi in addition to the assessment of those ratios anti-inflammatory effects on tissue models including lung, nasal and airways caused by the COVID-19 virus.

Partner Institution & Researcher	Project Highlights	Project Status
University of Guelph - Dr. Jibran Khokhar	Preclinical pharmacokinetic and behavioral analysis of RHO Phyto products in comparison to MCT based products. Drug discovery for cannabinoid-based products in animal model of alcohol and nicotine addiction for attenuating withdrawal side effects. Drug discovery for cannabinoid-based products for decreasing pain in preclinical model of neuropathic pain.	Pharmacokinetic study: analysis of results expected in Q2-2022. Animal model of toxicosis completed – Commencing treatment study Q2 2022. Animal model of addiction completed – commencing treatment study Q3 2022. Currently, evaluating neuropathic pain model and expecting study to commence Q4 2022.
University Health Network - Dr. Peter Carlen	Filed US patent application for a novel Cannabinoid formulation in reducing incidence of seizures and sudden unexpected death in Epilepsy in Q4 2021.	Completed set up of epilepsy in organoid model to be used for high throughput testing of Avicanna's formulations. Avicanna's formulation to be tested in Q2 in an in vivo Epilepsy model to substantiate provisional patent filed. All on-going studies continue to evaluate other cannabinoids in various ratios for their effects on seizures.
Hospital for Sick Kids – Dr. Elena Pope	Evaluation of Avicanna's 3% CBD cream in a real-world observational trial for individuals with various dermatological conditions including epidermolysis bullosa patients.	Study commenced Q1 2022. Expected completion Q4 2022. Results from the study are expected to supported application to Health Canada for Clinical Trial.
Thompson Rivers University – Dr. Kingsley Donkar	Evaluation of various ratios for cannabinoids in Avicanna formulation in tissue model of inflammation. Evaluation of cannabinoids for antibacterial effects.	Testing of tissue models of inflammation began in Q4 2021 and expected to finish Q1 2022. Results from study will be completed by Q2 2022. Testing of various combinations of cannabinoids for antibacterial effects including bactericide, biofilm and minimum inhibitory concentrations expected to be completed end of Q2 2022.

The Real-World Evidence Opportunity

The commercial availability of RHO Phyto in Canada has led to the inclusion of RHO Phyto products in a number of real-world evidence ("RWE") trials on specific therapeutic indications and patient populations. RHO Phyto products are participating in the University Health Network's Medical Cannabis Real-World Evidence (MC-RWE) clinical study led by Dr. Hance Clarke. The prospective, non-interventional, observational study will examine the efficacy of a select group of medical cannabis products on patient reported outcomes of pain, sleep, depression, and anxiety. The study will track patients' use and symptoms over a 6-month period.

Recently, Avicanna launched its pharmaceutical candidate for epidermolysis bullosa under medical cannabis legislation in Canada. 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. Additionally, this product will be participating in the MC-RWE focused on patient reported outcomes on pain, sleep, anxiety, and depression.

Data derived from RWE trials in Canada is expected to be a component of an overarching imperative of minimizing risk and maximizing efficacy from industry-leading research and development. The data is also expected to be utilized in the optimization of formulations, enhancement of clinical protocols, prioritization of pharmaceutical trials, and educational materials for the medical community.

Pharmaceutical trials

Avicanna's pharmaceutical products follow the traditional drug discovery and development process for submission to the applicable governmental agencies, such as Health Canada and the FDA, of a drug application for approval and market authorization. Avicanna's pharmaceutical products use only plant-derived cannabinoid extracts, purified cannabinoids, including distillates and isolate. Avicanna's initial pipeline of pharmaceutical products look to address pain, dermatology, and various neurological disorders.

Epidermolysis Bullosa: The Company is continuing discussions with Health Canada in relation to the submissions required for the clinical trial to study the effects of its 3% CBD cream on pediatric patients suffering from Epidermolysis Bullosa. Recently the Company commercialized the 3% CBD cream under medical cannabis legislation in Canada to conduct prospective observational studies with h Dr. Elena Pope and the Hospital for Sick Children.

Neuropathic Pain in Sickle Cell Disease: The prevalence study for neuropathic pain in patients with Sickle Cell Disease ("SCD") at the University of the West Indies ("UWI") in Jamaica was completed with a total of 257 patients were screened for the study. The data provided sufficient evidence of neuropathic pain in the Jamaican SCD population with a sufficient sample size thereby allowing the Company and UWI to progress to an intervention study. The protocol for the intervention study is being finalized and will use Avicanna pipeline of drug candidates pending appropriate clinical approvals and current restrictions in Jamaica for COVID-19. The drug candidate for this study continues to be evaluated in preclinical studies including further product optimization, thereafter the candidate will be used in an animal model of neuropathic pain.

Other drug candidates: The Company continues to progress other drug candidates from its pipeline. The Company's pharmaceutical deep tissue gel recently completed an osteoarthritis pre-clinical animal study and intends to progress this candidate into human studies. Additionally, the Company is finalizing additional oral formulations including self-emulsifying drug delivery system ("SEDDS") in the form of capsules and tablets that it intends to further clinically study.

Intellectual Property

As the Company continues to expand its research and development activities and further establish its scientific platform, the expectation is to grow its intellectual property portfolio through patent and trademark applications and other available intellectual property protection mechanisms. To date, the Company has seven patent-pending applications. In parallel to the patent protection of novel products and processes, the Company also takes necessary steps to protect its trademarks. To date, the Company has a total of 77 active trademark filings covering Avicanna's logos, word marks, design marks, and drug names in over a dozen countries in North and South America, Europe, Africa, Australasia, and Asia.

Proprietary oral delivery of cannabinoids

During the fourth quarter, Avicanna filed a patent application for its proprietary formulations including a range of liquids, capsules, powders, and controlled release tablets utilizing Avicanna's self-emulsifying drug delivery systems (SEDDS) technology. The formulations offer stability, bioavailability, and controlled release of cannabinoids including (CBD, THC, CBG, CBN, and THCv). Avicanna intends to utilize the technology in its medical and pharmaceutical products and develop these formulations for the treatment of neurological diseases and disorders

Oral administration of cannabinoids is a route for non-invasive drug delivery. However, due to the highly lipophilic nature and poor water-solubility of cannabinoids, the elementary formulations currently available in the market have been generally described as having poor bioavailability and lack consistent drug delivery. Avicanna's proprietary compositions have been specifically designed to alter the hydrophobic nature of cannabinoids, resulting in drug solubility which leads to absorption and bioavailability either sublingually or orally.

The patent application entitled "Oral cannabinoid compositions and methods for treating neurological diseases and disorders" claims formulations that have been developed through Avicanna's R&D platform utilizing the Company's proprietary self-emulsifying drug delivery systems (SEDDS) technology and include a range of drug delivery formats with varying release and absorption profiles including:

Sustained and controlled-release tablets – designed for the linear release of the drug over time and thereby maximizing pharmacological properties and reducing side effects particular to cannabinoids.

Oral capsules - self-emulsifying cannabinoid technology designed to enhance absorption through a fast and effective dispersion mechanism.

Sublingual tablets – designed to provide rapid absorption of cannabinoids through the sublingual membrane to reduce first-pass metabolism and provide a solution for acute symptom management, and

Water-soluble formulations – nano-emulsion technology designed for instant dispersion and dissolution of cannabinoids which can be utilized for convenient titration in drug delivery and beverages

Raw Material Business Unit - Cannabis Raw Materials, Seeds, and Bulk Formulations

The Company's cultivation and extraction subsidiaries, SMGH and Sativa Nativa S.A.S. ("Sativa Nativa"), are located in Santa Marta, Colombia. SMGH and Sativa Nativa serve two purposes in the Company's supply chain: (i) supply quality API's for the Company's products, and (ii) allow the Company to vertically integrate by controlling the costs at each stage of a product's life cycle. Additionally, the Company's products are made available to the Company's partners globally with over 13 markets already opened. The Company has 480,000 square feet of cultivation capacity with production capacity of over 25,000 kg of biomass per year with complete extraction, analytical testing and manufacturing infrastructure.

Aureus is the Company's business-to-business raw material brand for cannabinoid Active Pharmaceutical Ingredients ("API"), feminized seeds, cannabis biomass and formulations offered with quality testing and tracking. The Company extracts include crude oils, cannabinoid distillates, and isolated cannabinoids (CBD, THC, CBG, and other cannabinoids), and bulk formulations, derived from hemp and cannabis cultivars through its sustainable, economical, and industrial scale subsidiaries based in Colombia, as further described under "Raw materials and Vertical Integration". The Company's SMGH subsidiary is further supported with recent GACP certification in addition to USDA National Organic Program certification it attained in 2019 for its hemp cultivar.

The cannabis raw materials supplied by the Company's Colombian subsidiaries form part of Avicanna's supply chain for its finished products that are manufactured and distributed from Colombia to the global marketplace including consumer retail, medical cannabis and pharmaceutical products.

Milestones and highlights

- Supply agreements with pharmaceutical companies in Argentina, Brazil and Chile.
- First commercial export of high CBD full spectrum and THC cannabis extracts into Brazil in connection with a three-year master supply agreement that SMGH executed with a leading Brazilian pharmaceutical company.
- Completed over thirty harvests under a low-cost cultivation model and over 20 cultivation and breeding R&D experiments.
- USDA National Organic Program certification for a hemp cultivar and recently attained GACP certification.
- Avicanna was ranked highest amongst global cannabis companies in the SAM Corporate Sustainability Assessment ("CSA") in the 2020 Sustainability Yearbook, a sustainability index that has become the basis for numerous S&P Global ESG indices.
- Realized commercial sales of CBD, CBG and THC under the Aureus™ brand with exports made into twelve countries.
- Currently has over thirty federally registered and registerable genetics in SMGH and Sativa Nativa.
- Export of genetics in the form of feminized seeds into the US, Peru and Argentina.

Cultivation capacity and operations

The Company holds controlling interest in two entities, Sativa Nativa and SMGH, that are fully licensed to cultivate, process, extract and sell cannabinoid products and API.

	December 31, 2021	December 31, 2020
Santa Marta Golden Hemp		
Total square feet	300,000	300,000
Annual yield (kg)	26,400	26,400
Cost per gram - dried flower	$0.09	$0.11
Extraction capacity - dried flower per day (kg)	300	300
Sativa Nativa		
Total square feet	120,000	120,000
Annual yield (kg)	4,500	4,500
Cost per gram - dried flower	$nil	$nil

Santa Marta Golden Hemp (SMGH)

SMGH continued its indoor, greenhouse and outdoor cultivation at about 31% of its capacity during the quarter. It focused on the production of CBD, THC biomass and THC seeds. SMGH currently operates cultivation facilities that includes 340,000 square feet of shade house and outdoor space and 20,000 square feet of customized greenhouse space.

Sativa Nativa

Sativa Nativa currently operates cultivation facilities that include approximately 100,000 square feet of shade house and outdoor space and 20,000 square feet of customized greenhouse space. The following table breaks down the current cultivation capacity, by site, for each of Sativa Nativa and SMGH.

The Company is currently finalizing registration of its high CBD and THC cultivars developed during the last 3 years and obtaining the appropriate export permits.

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2021, is available under the Company's SEDAR profile at www.sedar.com.

Changes to the of Management and Board of Directors

Stephen Kim

Appointment of Stephen Kim as Avicanna's Chief Legal Officer & General Counsel. Mr. Kim comes with over twenty years of legal experience with highly regulated and innovative industries. He has significant pharmaceutical industry experience and is very familiar with the complex overlay of corporate, commercial, IP, governance, compliance, and regulatory considerations associated with development, approval, and launch of multiple pharmaceutical products, which he has executed in the US, Canada, and globally. Prior to joining Avicanna, Mr. Kim held various roles of progressive responsibility at global biotechnology and pharmaceutical companies including Bayer Inc., Celgene Corporation, and Indivior Inc.

Eileen McCormack

Appointment of Eileen McCormack as a board member. Eileen McCormack is an experienced senior marketing executive with more than 31 years of international experience in the bio-pharmaceutical industry. Ms. McCormack retired from AstraZeneca US where she led commercial and cross-functional teams responsible for launch planning and business development in the US market. Ms. McCormack has experience in bio-pharmaceutical product development, portfolio strategy in complex regulated environments and brings significant multi-market and international commercial experience. Ms. McCormack gives back to her community by having served on several national and Toronto-based non-for-profit boards over the last 10 years.

Litigation

On November 12, 2021, Setu Purohit filed a lawsuit in the Ontario Superior Court of Justice against Avicanna Inc. seeking approximately $1,462,500 for wrongful dismissal, costs, and damages. Avicanna Inc. intends to, and will, defend itself vigorously against the lawsuit.

Part 2 – Results of Operations

The following table sets forth selected consolidated financial information for the years ended December 31, 2021 and 2020.

Years ended December 31,				
Selected Consolidated Financial Information *(Canadian Dollars , except per share amounts)*	**2021**	**2020**	**Change**	**Change (%)**
Net revenue	$ 3,268,906	$ 1,570,060	$ 1,687,951	108.2%
Gross margin before biological assets adjustment	1,366,466	(1,333,410)	2,699,876	(202.5%)
Net impact, fair value of biological assets	1,465,354	763,295	702,059	92.0%
Gross margin	2,831,820	(570,115)	3,401,935	(593.7%)
Operating expenses	(18,405,956)	(31,881,195)	13,475,239	(42.3%)
Operating loss	(15,574,136)	(32,451,310)	16,877,174	(52.0%)
Net loss and comprehensive loss	(19,549,503)	(34,796,590)	15,247,087	(53.8%)
Loss per share – basic and diluted	$ (0.47)	$ (1.18)	$ 0.71	(60.0%)

Revenues

We report revenues in three key segments: North American, South America, and the rest of world. 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.

Years ended December 31,				
Revenue by Segment *(Canadian Dollars)*	**2021**	**2020**	**Change**	**Change (%)**
North America	$ 2,256,216	$ 998,109	$ 1,258,107	126%
South America	981,499	571,951	409,548	72%
Rest of world	31,191	-	31,191	-
Net Revenue	**$ 3,268,906**	**$ 1,570,060**	**$ 1,698,846**	**108%**

North American net revenue totaled Revenue totaled $2,256,216 for the year ended December 31, 2021, compared to $998,109 for the year ended December 31, 2020. The Company's medical cannabis revenues in Canada have steadily increased over the last 12 months. Units delivered have consistently increased as the Company continues to gain market share and introduce additional SKUs.

Revenues from South American sources increased to $981,499 for the year ended December 31, 2021, compared to $571,951 for the year ended December 31, 2020. The Company realized an increase in sales of API and seeds from its Colombian subsidiary, SMGH.

Revenue from Rest of World sources was $31,191 for the year ending December 31, 2021, compared to nil for the year ended December 31, 2020. The Company completed its first sale to the European Union (Austria) in the second quarter of 2021 and completed its first export of its medical line of products to Barbados in the fourth quarter of 2021.

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 years ended December 31, 2021, and 2020.

	Years ended December 31			
Key Revenue Metrics	**2021**	**2020**	**Change (#)**	**Change (%)**
Canadian Revenue Channels				
Medical (Listings)	13	4	9	225%
Adult use (Listings)	22	-	22	-
Canadian finished goods sold (units)	64,368	3,120	61,248	1,963%
International Revenue Channels				
Finished products sold (units)	57,718	1,013	56,705	5,598%
Sale of API (kg)	206	83	123	148%
Sale of Seeds (units)	130,259	7,142,500	(7,012,241)	(98%)

* 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 year ended December 31, 2021, the Company had 13 SKUs in the medical sales channel and 22 SKUs in the adult use sales channel listed for sale in Canada, compared to only 4 SKUs in medical sales channel in 2020 (adult use – nil). The Company sold 64,368 units in the Canadian channel for the year ended December 31, 2021, compared to 3,120 units for the year ended December 31, 2020. The increase is directly attributable to the increased number of listings in Canada in 2021. Internationally, the Company sold 57,718 units of its derma cosmetic line of products and Magisterial Preparations model through its subsidiary, Avicanna LATAM S.A.S. The Company sold 1,013 units of finished products on a consolidated basis during the same period in 2020.

The Company realized sales of 206 kilograms of API and 130,259 units of seeds for the year ended December 31, 2021, compared to 83 kilograms and 7,142,500 units for the year ended December 31, 2020.

Gross Margins

The following outlines the gross margin by segment for the years ended December 31, 2021 and 2020.

	Years ended December 31,	
(Canadian Dollars)	**2021**	**2020**
North America	$ 720,032	$ 700,916
Gross margin %	*32%*	70%
South America	$ 2,095,027	$ (1,271,031)
Gross margin %	*213%*	*222%*
Rest of World	$ 16,761	$ -
Gross margin %	*74%*	-
Total gross margin	$ 2,831,820	$ (570,115)

Gross margins in the North American segment for the year ended December 31, 2021, totaled $720,032 compared to $700,916 for the year ended December 31, 2020. The increase in margins in 2021, was the result of the Company increasing sales in North America. Overall gross margin percentages dropped in North America, given the sales mix in 2021 was more product-based while in fiscal 2020 much of the revenue in North America was royalty and license fee-based.

Gross margins for the South American segment totaled $2,095,027 for the year ended December 31, 2021, compared to ($1,271,031) for the year ended December 31, 2020. The increase in margin in 2021 was as the result of upward adjustments to fair values of inventory and biological assets being much more significant in fiscal 2020.

Gross margins in the Rest the World segment for the year ended December 31, 2021, was $16,761, compared to $nil for the year ended December 31, 2020. The increase in margins was the result of a sale into the European Union.

Operating Expenses

The following table presents operating expenses for the years ended December 31, 2021, and 2020.

Operating Expenses *(Canadian Dollars)*	Year ended December 31, 2021	2020	Change	Change (%)
General and administrative expenses				
Office and general	$ 2,023,852	$ 3,725,797	$ (1,701,945)	(46%)
Selling, marketing and promotion	345,908	425,641	(79,733)	(19%)
Consulting fees	1,739,529	1,515,156	224,373	15%
Professional fees	2,342,823	2,317,334	25,489	1%
Salaries and wages	4,893,073	5,115,859	(222,786)	(4%)
Research and development	304,312	376,271	(71,959)	(19%)
Board fees	220,336	25,750	194,586	756%
	$ 11,869,833	$ 13,501,808	$ (1,631,975)	(12%)
Share based compensation	$ 1,312,768	$ 3,115,915	$ (1,803,147)	(58%)
Depreciation and amortization	893,987	1,086,991	(193,004)	(18%)
Expected credit loss	168,641	713,582	(544,941)	(76%)
Impairment of capital assets	4,160,727	-	4,160,727	-
Impairment of intangible assets	-	10,255,672	(10,255,672)	(100%)
Impairment of goodwill	-	3,207,227	(3,207,227)	(100%)
Total Operating Expenses	**$ 18,405,956**	**$ 31,881,195**	**$ (13,475,239)**	**(42%)**

Office and General expenses

For the year ended December 31, 2021, the Company incurred office and general expenses totaling $2,023,852, compared to $3,725,797 in the prior year. These decreases were primarily attributed to:

- Purposeful reduction in expenses in the fiscal 2020 in cultivation operations which have been reflected in expenses in fiscal 2021, but not fully for the year ended December 31, 2021.
- Reduction in office and general expenses for other international operations.

Selling, Marketing and Promotion

For the year ended December 31, 2021, the Company incurred selling, marketing and promotional expenses totaling $345,908 compared to $425,641 for the same period from the prior year. The Company incurred additional marketing and selling costs in fiscal 2020 leading up to the launch of its products. These expenses normalized in fiscal 2021.

Consulting Fees

For the year ended December 31, 2021, the Company incurred consulting expenses totaling $1,739,529 compared to $1,515,516 in the prior year. The increase was primarily attributed to:

- Increased expenses for capital market consulting services for the year ended December 31, 2021.
- The Company retained healthcare consultants to support its Canadian and Colombian commercial launches and ongoing commercial activities.

Professional Fees

For the year ended December 31, 2021, the Company incurred professional fees of $2,342,823 compared to $2,317,334 in the prior year. Fees remained relatively stable for this period.

Salaries and Wages

For the year ended December 31, 2021, the Company incurred salaries and wages of $4,893,073 compared to $5,115,859 in the prior year. The decrease in salaries and wages was as the result of a purposeful reduction in staff in Colombia.

Research and Development

For the year ending December 31, 2021, research and development expenses totaled $304,312 compared to $376,271 in fiscal 2020. The slight decrease in fiscal 2021 is mainly due to timing, and the commencement of certain research and development activities at the end of the current year.

Board fees

For the year ended December 31, 2021, board fees totaled $220,336 compared to $25,750 in the prior year ended. In the prior year, board compensation was primarily stock-based and therefore included in stock-based compensation, therefore leading to an increase in the expense for the current year.

Share-based Compensation

For the year ended December 31, 2021, the Company incurred share-based compensation expenses of $1,312,768 compared to $3,115,915 in the prior year. Due to staff electing to take temporary reductions in salary, the Company awarded additional share-based compensation within the year ended December 31, 2020.

In addition, given the Company's Management Cease Trade Order, the Company was unable to settle or issue any new securities to management or employees within the year ended December 31, 2021.

Depreciation and amortization

Depreciation and amortization for the year ending December 31, 2021, was $893,987 compared to $1,086,991 in fiscal 2020. The decrease in depreciation is as the result of the Company writing off certain intangibles assets at the end of 2020, for which no depreciation was taken in fiscal 2021, but taken in fiscal 2020.

Expected Credit Loss

For the year ended December 31, 2021, the Company recognized an expected credit recovery of $48,292 on trade receivables and a loss of $216,933 on sales tax refund receivables. For the year ended December 31, 2020, the Company recognized losses of $335,521 and $378,521, respectively. The Company improved collections during the current quarter, leading to a recovery. In fiscal 2020 the Company had several older receivables. Sales tax refund receivable write-downs were due to age of these refunds. However, management believes these remain collectible.

Impairment

For the year ended December 31, 2021, the Company recorded impairment on capital assets of $4,160,727. The impairment on capital assets in the prior year was $nil. In the prior year, impairment on goodwill of $3,207,227 and impairment on intangible assets was $10,255,672. All impairment relates to the assets held in the Company's majority-owned subsidiaries, SMGH and SN. All goodwill and intangible assets in these subsidiaries were written off in fiscal 2020, therefore there is no impairment consideration for these asset classes in fiscal 2021.

Other income (expenses)

The following table presents other income and (expense) items for the years ended December 31, 2021 and 2020.

	Year ended December 31,			
Other Income (Expenses) *(Canadian Dollars)*	**2021**	**2020**	**Change**	**Change (%)**
Foreign exchange gain (loss)	$ (77,419)	$ (77,526)	$ 107	(0.1%)
Gain on disposal of capital assets	51,975	-	51,975	-
Unrealized (loss) gain on investment	(338,213)	518,141	(856,354)	(165.3%)
Gain (loss) on revaluation of derivative liability	(138,904)	23,434	(162,338)	(692.8%)
Loss on revaluation of derivative asset	(526,312)	(3,253,688)	2,727,376	(83.8%)
Other income	580,292	454,759	125,533	27.6%
Interest expense	(738,056)	(263,111)	(474,945)	180.5%
	$ (1,186,637)	**$ (2,597,991)**	**$ 1,411,354**	**(54.3%)**

Other income and expenses (net) was ($1,186,637) for the year ended December 31, 2021. Other income and expenses (net) was ($2,597,991) for the year ended December 31, 2020. The increases in net other income (expenses) are as the result of:

- The Company sold a piece of its equipment in its subsidiary, Santa Marta Golden Hemp S.A.S. during the year ended December 31, 2021.
- In the current year, an unrealized loss was recognized on the long-term investment whereas in the prior year an unrealized gain was recognized. The gain was assessed based on recent financing activity of the private company in which the Company held shares. In February of 2022, these shares were sold to a third-party and therefore, the Company recognized the unrealized loss in the current year.
- A loss on the derivative liability is the culmination of fair value changes at each reporting period. The derivative liability is $nil at the end of 2021 as all convertible debt has matured.
- During the year ended December 31, 2020, the Company wrote down a substantial amount of a derivative asset, the remaining value was written down in 2021, however it is a substantially smaller expense.
- The Company recognized other income for the year ended December 31, 2021, related to referral fees from a customer, and didn't have as many other expenses as the same period in 2020.
- The additional interest expense for the year ended December 31, 2021, is the result of additional debt compared to the prior year. This includes the convertible debt issuance in November of 2020 and the term loan received in August of 2021.

Adjusted EBITDA

The following table presents Adjusted EBITDA for the years ended December 31, 2021, and 2020:

	Year ended December 31,			
Adjusted EBITDA *(Canadian Dollars)*	**2021**	**2020**	**Change**	**Change (%)**
Net comprehensive loss	$ (19,549,503)	$ (34,796,590)	$ 15,247,087	(43.8%)
Exchange differences on translation	2,774,963	1,934,890	840,073	43.4%
Share-based compensation	1,312,768	3,115,915	(1,803,147)	(57.9%)
Depreciation and Amortization	893,987	1,086,991	(193,004)	(17.8%)
Other (income) expenses, net	(580,292)	(454,759)	(125,533)	27.6%
Interest expense (income)	738,056	263,111	474,945	180.5%
Unrealized loss (gain) on investment	338,213	(518,141)	856,354	(165.3%)
Loss (gain) on revaluation of derivative liability	138,904	(23,434)	162,338	(692.8%)
Non-recurring	227,087	-	227,087	-
Impairment of capital assets	4,160,727	-	4,160,727	-
Impairment of intangible assets	-	10,255,672	(10,255,672)	(100.0%)
Impairment of goodwill	-	3,207,227	(3,207,227)	(100.0%)
Revaluation of derivative asset	526,312	3,253,688	(2,727,376)	(83.82%)
Unrealized changes in biological assets	(1,614,667)	(1,317,247)	(297,420)	22.58%
Adjusted EBITDA	**$ (10,633,445)**	**$ (13,992,677)**	**$ 3,359,232**	**(24.01%)**

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

[2]Non recurring items relate to onetime costs incurred in 2021 to become current for all our filings and complete our fiscal 2020 audit.

The Adjusted EBITDA loss for the year ended December 31, 2021, was ($10,633,445) as compared to an Adjusted EBITDA loss of ($13,992,677) for the year ended December 31, 2020. The increase in EBITDA was the result of further reductions in general and administrative expenses and growth in revenue.

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 quarters ended December 31, 2021, and 2020:

	Quarter Ended			
(In Canadian Dollars)	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Net revenues	$ 1,217,811	$ 987,967	$ 792,220	$ 270,908
Net comprehensive loss	(8,390,551)	(2,944,747)	(3,197,617)	(5,016,588)
Loss per share	$ (0.18)	$ (0.07)	$ (0.08)	$ (0.14)

	Quarter Ended			
(In Canadian Dollars)	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Net revenues	$ (2,182)	$ 851,871	$ 459,468	$ 260,903
Net comprehensive loss	(16,320,464)	(6,600,303)	(9,219,165)	(2.656,658)
Loss per share	$ (0.18)	$ (0.35)	$ (0.36)	$ (0.12)

Part 3 – Financial Liquidity and Capital Resources

The Company's primary liquidity and capital requirements are for capital expenditures, inventory, working capital and general corporate purposes. The Company currently has a cash and cash equivalents balance of $31,004 on December 31, 2021. 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 years ended December 31, 2021, and 2020.

	Years ended December 31,	
Cash flows *(In Canadian Dollars)*	2021	2020
Net cash (used in) provided by:		
Operating activities	$ (11,663,025)	$ (13,970,453)
Investing activities	760,828	(2,707,113)
Financing activities	10,060,016	17,386,552
Effect of exchange rate changes on cash and cash equivalents	(393,547)	115,989
Net increase (decrease) in cash and cash equivalents	(842,181)	708,986
Cash, beginning of year	1,266,732	441,757
Cash, end of year	**$ 31,004**	**$ 1,266,732**

Cash used in operations during the year ended December 31, 2021, was ($11,663,025), compared to ($13,970,453) for the year ended December 31, 2020. The decrease in cash used in operations is primarily due to increased sales for the period, and, in turn, lower losses.

Net cash flows from investing activities totaled $760,858 for the year ended December 31, 2021, compared to ($2,707,113) for the year ended December 31, 2020. The increase in cash flows from investing activities was as the result of the Company redeeming a $1,250,000 GIC and the selling of an asset in SMGH.

Net cash flow from financing activities totaled $10,060,016 for the year ended December 31, 2021, compared to $17,386,552 for the year ended December 31, 2020. The Company raised $5,600,000 in the first quarter of 2021, an additional $1,800,000 in third quarter of fiscal 2021, and $3.9 million in the fourth quarter of 2021 which represented the large increase in cash flow from financing activities; however, the Company did three larger raises for the year ended December 31, 2020, which accounts for the difference between the two years.

The following table provides information about the Company's financing from the public and private sources during the years ended December 31, 2021, and 2020, 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 periods cash flow.

Date	Type	Gross Proceeds	Initially Intended Use of Proceeds	Actual Use of Proceeds
December 8, 2020, and over-allotment closing on December 31, 2020	Underwritten public offering (See below)	$5,832,645	The net proceeds generated from the public offering amounted to $5,413,305. The Company's stated intended use of the net proceeds were for personnel, commercialization, sales, development and research, working capital, and production.	The Company used the net proceeds as anticipated in respect of personnel, commercialization, sales, and development and research, however, management determined that additional funds beyond those anticipated and disclosed in the Company's short form prospectus dated November 27, 2020 (the "Prospectus") were required to be allocated towards general working capital, in order to enable the Company to complete its year end filings. Other additional sources of funds were allocated for such working capital purposes. After applying the net proceeds of the offering towards the specified uses thereof as set out in the Prospectus, together with the Company's net loss and funds required for general working capital needs, proceeds had been fully utilized.
March 4, 2021	Private Placement offering (See below)	$5,600,000	The net proceeds generated from the public offering amounted to $5,350,050. The Company's stated intended use of the net proceeds were for general working capital.	Management has not adjusted its originally intended use of the net proceeds of the financing. As of December 31, 2021 all funds have been fully deployed.
August 18, 2021	Term loan	$1,800,000	The Company's stated intended use for the net proceeds were for general working capital.	Management has not adjusted its originally intended use of the net proceeds of the financing. As of December 31, 2021, all funds have been fully deployed.

Date	Type	Gross Proceeds	Initially Intended Use of Proceeds	Actual Use of Proceeds
October 19, 2021	Private Placement offering (See below)	$3,900,000	The net proceeds generated from the public offering amounted to $3,835,000. The Company's stated intended use of the net proceeds were for general working capital.	Management has not adjusted its originally intended use of the net proceeds of the financing. As of December 31, 2021, all funds have been fully deployed.

December 2020 Public Offering

On December 8, 2020, the Company closed a marketed public offering of 5,966,900 units (the "December 2020 Units") of the Company at a price of $0.85 per December 2020 Unit, for gross proceeds of $5,071,865 (the "December Prospectus Offering"). Each December 2020 Unit was comprised of one common share and one half of one common share purchase warrant of the Company. Each full warrant is exercisable for one Common Share at a price of $1.20 per share at any time for a period of 36 months following closing of the December Prospectus Offering. On December 31, 2020, the Company announced the closing of an over-allotment option issued to a syndicate of agents, pursuant to which an additional $895,034 December 2020 Units were issued at a price of $0.85 per unit, for gross proceeds of approximately $760,780. Including the December 2020 Units sold pursuant to the over-allotment option, a total of 6,861,934 December 2020 Units were issued under the December Prospectus Offering for aggregate gross proceeds of approximately $5,832,645.

March 2021 Private Placement

On March 4, 2021, the Company closed a non-brokered private placement (the "March 2021 Offering"). Under the March 2021 Offering, the Company has issued an aggregate of 4,480,000 units (the "March 2021 Units") at a price of CAD$1.25 per March 2021 Unit for aggregate gross proceeds of approximately CAD$5.6 million. Each March 2021 Unit is comprised of one common share and one common share purchase warrant, each of which is exercisable into one common share at a price of $1.75 per share until March 4, 2024.

August 2021 Term Loan

On August 18, 2021, the Company entered into a term loan agreement for principal of $2,118,000, issued at a discount. Gross funding from the term loan was $1,800,000. The loan incurs interest at a rate of 5% for a term of 14 months. The loan principal is to be repaid at the maturity date, with interest paid monthly beginning 2 months after the issuance date.

October 2021 Private Placement

On October 19, 2021, the Company closed a non-brokered private placement. Under this offering the Company issued an aggregate of 4,587,022 units at a price of $0.85 per unit for aggregate proceeds of approximately $3.9 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 $1.10 per share until October 19, 2024.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Balances and Transactions

Compensation expense for Avicanna's key management personnel for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31,	
(In Canadian Dollars)	**2021**	**2020**
Salaries and benefits	$ 728,333	$ 798,333
Share-based compensation	186,644	671,150
	$ 914,977	**$ 1,469,483**

Additionally, as of December 31, 2021, the Company received advances from certain related parties who represent the minority shareholders of SMGH and SN in the amount of $3,659,931 ($4,319,545 in the prior year). 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.

Subsequent events

- On January 28, 2022, the Company issued 1,626 convertible debenture units as a price of $800 per unit for gross proceeds of $1,550,400. Each unit consists of $1,000 of principal amount of secured subordinated convertible debentures, maturing one year after the issuance date, and 545 common shares purchase warrants.

- On February 2, 2022, the Company entered a share repurchase agreement, whereby all shares in Southern Sun Pharma Inc. (the "Investee"), recognized as a long-term investment on the consolidated statement of financial position, were repurchased by the investee. The shares were repurchased at a price of $0.25 per share, for gross proceeds of $180,000.

- On March 31, 2022, the Company closed a non-brokered private placement of 7,210,194 units of the Company, issued at a price of $0.35 per unit, for gross proceeds of $2,523,568. Each unit consists of one common share of the Company and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company, at an exercise price of $0.40 per share for a period of 3 year following the closing date.

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 observance 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 on 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 asset fair value measurement

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

Assumptions and judgment. The valuation of the derivative asset is highly subjective, and management applies a probability-weighted expected return model which considers a number of potential outcomes. We use judgment to make assumptions on the key inputs, primarily; (i) probability and timing of U.S. legalization, (ii) expected returns from US operations and (iii) an appropriate discount rate.

Impact if actual results differ from assumptions. If the assumptions and judgments differ, the fair value calculation will be impacted.

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 will impact our income taxes and cash flow.

Long-term investment

Critical estimates. Long-term investments include investments in a private company. The fair value of this investment is subject to limited as the financial information of private companies is not readily available.

Assumptions and judgment. Management applies judgement on the information utilized to determine the fair value of the investment which may include financial information received from the investment company, subsequent equity financing, significant events or restructuring of the investment company.

Impact if actual results differ from assumptions. Differences in actual results from assumptions could have a material impact on the gain or loss recording on the long-term investment, as well as the value reported on the statement of financial position.

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

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.

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.

Market risk

Market risk is the risk that the fair value of 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 of 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 it does not have any borrowings subject to a variable interest rate.

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 (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. The Company is not exposed to other price risks as of December 31, 2021, and December 31, 2020.

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 53,412,850 Common Shares issued and outstanding. In addition, there were 1,496,489 Common Shares issuable on the exercise of Stock Options, 19,355,882 Common Shares issuable on the exercise of Warrants, 393,634 Common Shares issuable on the vesting of Restricted Share Units and (assuming a conversion price of $0.85 per share) up to 1,912,941 Common Shares issuable on the exercise of the January 2022 Debentures.

RISK FACTORS

Due to the nature of the Company's business, the legal and economic climate in which it operates and its present stage of development, the Company is subject to significant risks. Additional risks and uncertainties not presently known to management or that management currently considers immaterial may also impair the business and operations.

Factors that could cause actual results to differ materially from those set forth in forward-looking information include, but are not limited to: the impacts of COVID-19 to our business; 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.

Since December 31, 2019, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial, and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the direct and indirect extent of the ongoing impact the COVID-19 outbreak, and the subsequent variants, may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

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, 2022 for the year ended December 31, 2021 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 licences 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 is 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, 2021 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 make a determination of 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.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 - Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

The CEO and CFO of the Company are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of the Company to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52- 109 in the first financial period following the Company becoming a non-venture issuer in the circumstances described in s. 5.5 of NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

For the year ended December 31, 2021, 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.

Investors should be aware that inherent limitations on the ability of certifying officers of the Company to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52- 109 in the first financial period following the Company becoming a non-venture issuer in the circumstances described in s. 5.5 of NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.