AVICANNA INC.

AVICANNA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30th 2022

November 11th, 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 November 11, 2022 and is supplemental to and should be read in conjunction with the Company's condensed consolidated interim financial statements (the "Financial Statements") for the three and nine months ended September 30, 2022, and the accompanying notes thereto. The information contained in this MD&A is presented as of the date of the MD&A and is current to that date unless otherwise stated. The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors on November 11, 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 three and nine months ended September 30, 2022.

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 own R&D and collaborates with leading Canadian academic and medical institutions in Canada. Avicanna has an established scientific platform that includes R&D and clinical development which has led to the commercialization of over thirty products across four main market segments:

Medical Cannabis & Wellness Products

The formulary of medical and wellness products is marketed under the RHO Phyto™ brand. The portfolio contains a diverse range of formulations including of oral, sublingual, topical, and transdermal deliveries with varying ratios of cannabinoids as cannabidiol ("CBD"), cannabigerol ("CBG"), and tetrahydrocannabinol ("THC"). The formulary is supported by 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 to provide insight related to consumer behavior, 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 new Canadian and international channels. The brand is currently available nationwide to patients in medical channels across Canada including a strategic partnership with Medical Cannabis by Shoppers™, a subsidiary of Shoppers Drug Mart Inc.™, several other medical portals as well as The University Health Network ("UHN") and the Odette Cancer Centre pharmacy of Sunnybrook Health Science Centre, a major hospital group in Canada. The products are also available in adult-use sales channels through provincial retailers in four provinces including Ontario, British Colombia, New Brunswick, Manitoba, and Saskatchewan.

These products are continuing to expand into other international markets including the recent expansion into the Cayman Islands through, where they are supported by comprehensive medical community education and patient support programs.

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 a line of clinically backed and international CBD skin care brands. Currently available nationwide across Canada in medical sales channels 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 in the European Union, initially in Germany, Switzerland, and Austria.

Pharmaceutical Preparations and Pipeline

Leveraging Avicanna's scientific platform, vertical integration, and real-world evidence, Avicanna has developed a pipeline of indication specific drug candidates that are in various stages of clinical development, registration, and commercialization. These cannabinoid-based drug candidates are designed 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 drug candidates from Avicanna's pharmaceutical pipeline including Trunerox™ have completed technological dossiers and are in registration stage across several Latin American countries through strategic collaborations with local pharmaceutical companies including Argentina, Brazil, Colombia, and Ecuador marketing authorization with initial approvals as early as 2022.

Cannabis Raw Materials, Seeds, and Bulk Formulations

Marketed under the Aureus™ brand, the Company's raw material business offers cannabis biomass, standardized seeds, full spectrum extracts, and isolated cannabinoids including (CBD, THC, CBG) derived from hemp and cannabis cultivars through its organic, economical, and industrial-scale subsidiary based in Colombia. 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 subsidiary 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 Aureus branded Colombia into 15 countries including Canada, the USA, Argentina, South Africa, Germany, Austria, Chile, Uruguay, Brazil, Peru, Czech Republic, Portugal, Spain, Lesotho and the UK for research and manufacturing purposes.

Q3 2022 highlights

- **Financial highlights:** The company is pleased to report a 42% growth in revenue for the nine-month period ended September 30, 2022 as compared to the nine-months ended September 30, 2021, coupled with a 16% reduction of SG&A over the same period. The company has also realized significant improvement in margins due to an increase in licensing revenues.

- **Transfer of manufacturing in preparation for scale up in Canada:** With a view towards supporting long term Canadian commercialization plans and to diversify sources of production, the Company transferred the manufacturing of 14 of its SKUs to three different licensed producers based in Ontario. The process of technical transfer and product re-registrations however resulted in short term stocking gaps and lower than expected revenues in late Q2 and Q3. The company is pleased to announce the issues have been variously addressed, with technical transfer, re-stocking of SKUs, in addition to several new product launches completed by early Q4.

- **Progression of Epilepsy research:** The initiation of pre-clinical research collaboration with Dr. Mac Burnham and the University of Toronto to analyze the potential role of specific rare cannabinoids in epilepsy models. The on-going research on epilepsy is coupled with the launch of its RHO Phyto Micro drop 50 formulation, which is currently the company's best performing SKU on the Medical Cannabis by Shoppers™ platform.

- **Agreement to Develop and Commercialize Adaptogen Nutraceuticals**: Agreement with Ei. Ventures Inc. for Avicanna to utilize its existing scientific platform and drug delivery systems to develop and commercialize Psilly™ branded functional fungi-based products. The initial focus of the research and development efforts will be on functional, apoptogenic, fungi-based formulations in the form of consumer friendly and single dosed products.

Other highlights subsequent to Q3 2022

- **Filing of complete Patent Specifications Relating to a Novel Cannabinoid Formulation for Reducing Incidence of Seizures and Sudden Unexpected Death in Epilepsy.** Recent in-vivo animal studies conducted in partnership with the University of Toronto confirm Formulation Candidate's anti-seizure properties allowing for formalization of the patent application

- **Launch of Medical Cannabis Education Online Portal, "Avicenna Academy" for Health Care Professionals.** The education portal provides modules, case studies and other medical education information and resources related to medical cannabis for Health Care Professionals. Established with the support of experts in the fields of pain management, neurology, and dermatology, the portal is designed to address potential gaps in knowledge and training related to the potential use of cannabis in a medical context

- **Expansion of its Epilepsy Research Program with a New Collaboration with the University of Toronto**. In collaboration Dr. Mac Burnham's team Avicanna's drug candidate and its proprietary combination of cannabinoids will be assessed pre-clinical model for seizures. Avicanna further expands its current research and commercial focus in Epilepsy which is supported by current medical cannabis sales and on-going research with UHN

STRATEGY AND OUTLOOK

Summary of commercial activities

During the third quarter of 2022 the Company focused on further enhancing its commercial operations in Canada and continuing to advance all four of its brands across medical and adult use channels.

The company made the strategic decision to transfer the manufacturing of 14 of its SKUs to new manufacturers to prepare for the scale up of its commercialization efforts in Canada. This, however, resulted in short terms gaps in delivery and stocking issues related products during late Q2 and Q3 attributed to the technical transfer and re-registration processes of the commercial SKUs. While necessary, the change resulted in lower-than-expected delivery of units and revenue in Canada during late Q2 and Q3. The long-term benefits of the change are expected to be better product consistency, enhanced delivery, and improved margins for the commercial SKUs in Canada and the company is happy to announce that the tech transfer and re-stocking has been successfully completed with the launch of several new SKUs and commercial listings.

The Company continued to expand its commercial efforts into medical channels with product launches into new commercial portals and further expanded its strategic relationship with Medical Cannabis by Shoppers™ a subsidiary of Shoppers Drug with a total of 20 available products across its platform.

	Q4 2021 *For the Three Months Ending* December 31, 2021	Q1 2022 *For the Three Months Ending* March 31, 2022	Q2 2022 *For the Three Months Ending* June 30, 2022	Q3 2022 *For the Three Months Ending* September 30, 2022
CAD SKUs Commercial	16	19	19	21
CAD Medical Listings	13	17	21	25
CAD Provincial Listings	23	35	38	35
Aureus # of Countries with Sales	12	12	15	17
Pura # of Countries with Sales	4	4	7	6
RHO # of Countries with Sales	3	3	3	3

At an international level, the Company has prioritized and optimized its business units. The global operations team is now solely focused on the production and manufacturing of the company's Aureus branded products and proprietary finished products across cosmetics and pharmaceuticals designations. The activity and status of specific brands and select regions from the 18 international markets are outlined below:

Product Line & Brand	Canada - Medical	Canada - Adult Use	USA	Colombia	UK	Ecuador	Brazil	Chile	Peru	Portugal	Germany
RHO Phyto / Magisterial Medical	✔	✔		✔	2022						
Future Pharmaceutical Pipeline	*2024		*TBD	**2022		**2022	***2022				
Aureus API			✔	✔	✔	2022	✔	✔	✔	✔	✔
re+PLAY	✔	✔	✔								
Viola	✔	✔									
Pura H&W/Earth Dermacosmetics	✔	✔	✔	✔	2022	✔					✔

*Note: The above table indicates prospective future launch dates based upon reasonable assumptions from current information, which are subject to, and contingent upon, the regulatory applications, evaluations, and approvals processes in each of the indicated countries, respectively, among other factors. See "Risk Factors." * In Canada and the US, the company plans to proceed with the traditional pharmaceutical pathway, including R&D and full clinical development, towards developing of new products in accordance with Health Canada standards in Canada and Food and Drug Administration standards in the United States, respectively.,-**In Colombia and Ecuador, the company has submitted its drug candidate Trunerox to INVIMA in Colombia and also the company's distribution partner has submitted the dossier to ARCSA in Ecuador, for approval as a generic pharmaceutical product for the treatment of epilepsy. ***In Brazil, the company's collaboration partner has submitted a filing to ANVISA for Sanitary Authorization under RDC327.*

Select Strategic partnerships

Partnership with Medical Cannabis by Shoppers™, a subsidiary of Shoppers Drug Mart, includes the nation-wide access, through medical documentation, to 20 of Avicanna's SKUs across 4 brands, establishing a strong presence for Avicanna. The partnership also includes collaborations across a number of real-world evidence clinical trials including a study conducted at UHN which is sponsored by Medical Cannabis by Shoppers™ and a study conducted at The Hospital for Sick Children that is sponsored by Avicanna.

Partnership with Sunnybrook Health Sciences Centre ("Sunnybrook"), In September 2021, access to Avicanna's RHO Phyto products were made available to patients and HCPs at the Sunnybrook. Pursuant to a relationship agreement, Sunnybrook distributes the Company's RHO Phyto products to patients with appropriate medical authorization at Odette Cancer Centre pharmacy. This relationship has focused 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. The ongoing efforts of the Sunnybrook Hospital pharmacy team and availability of RHO Phyto products have led to growth in Healthcare Professional referrals for medical cannabis expanding beyond the oncology department.

Exclusive license and supply agreement with an established South American pharmaceutical company, to commercialize up to 4 of Avicanna's proprietary cannabinoid-based pharmaceutical preparations. Pursuant to the agreement, Avicanna will license the Company's intellectual property and supply finished pharmaceutical products starting initially with its proprietary 10% cannabidiol oral preparation. In connection with the partnership Avicanna can earn up to $1.3M CAD in licensing fees.

Partnership with Alliancepharma Technologies S.A., one of Ecuador's largest pharmaceutical companies, for the registration and commercialization of Avicanna's advanced cannabinoid-based consumer and pharmaceutical products in the Ecuadorian market. Alliancepharma, a part of the Naturex group and one of the largest pharmaceutical companies in Ecuador, is expected to leverage its in-house distribution and commercialization capabilities as well as its network of nation-wide pharmacies to bring Avicanna's products to consumers all over the country upon the regulations in Ecuador coming into effect.

Knop Laboratorios ("Knop") in Chile, 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. 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, Inc. partnership, Avicanna's partnership with Harrington Wellness, Inc brings to Canada the sports performance and recovery-focused brand, re+PLAY, founded by NBA veteran Al Harrington. 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 medical and adult use channels in Canada and supports their launch of the products in the United States where Avicanna earns royalties for the formulations. The equity partnership will allow re+Play to bring the latest in recovery-promoting products and technology to athletes of all levels.

VB Brands California Inc. ("VB Brands") partnership in Canada, Avicanna's partnership with VB Brands brings the equity-focused brand Viola, also founded by Al Harrington, to Canada. Initial products are available nationwide across Medical Cannabis portals and across adult use channels including Ontario, Saskatchewan, and New Brunswick. Through the Company's multi-level partnership with VB Brands, 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, VB Brands is one of the leading producers and licensed wholesalers of premium quality cannabis products in the United States with its footprint in 4 states in the US.

Strategic investment by Ei. Ventures, Inc. a technology company which seeks to empower mental wellness through psychoactive compounds, nutraceuticals, and technology, made a strategic investment in Avicanna during Q2 2022, with additional participation from other investors. In Q3 2022, Ei. Ventures and Avicanna announced a partnership in which the companies will be utilizing Avicanna's existing scientific platform and drug delivery systems to develop and commercialize Psilly™ branded functional fungi-based products. The initial focus of the research and development efforts will be on functional, apoptogenic, fungi-based formulations in the form of consumer friendly and single dosed products.

Medical Cannabis & Wellness Products Overview

Leading the Company's medical cannabis efforts is the RHO Phyto formulary of products which includes several oral, sublingual, and topical preparations in range of cannabinoid ratios and doses. RHO Phyto branded products are available to patients nationwide through several medical portals in Canada.

Avicanna has expanded the RHO Phyto formulary and its other brands into retail sales channels through Canadian provincial retailers since late 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: British Colombia, Manitoba, New Brunswick, Ontario, and Saskatchewan.

Avicenna Academy

In October of 2022 Avicanna launched the "Avicenna Academy", a medical education portal, designed to support health care professional education by making available practical information related to the potential use of medical cannabis, at no cost. The portal includes a range of downloadable resources such as health care professional guidelines and modules focused on a range of topics including:

- The history of medical cannabis use
- The endocannabinoid system
- Potential therapeutic targets
- The current state of evidence

Addressing Symptom Management and Establishing Awareness in the Medical Community

Avicanna's plans for making education plans include information related to the line's potential in addressing a wide range of symptoms such as pain, sleep, appetite, anxiety, and depression that may be prevalent in a wide range of various clinical indications. Avicanna's approach to evidence-based products with accurate dosing, established product stability, and optimized formulation with a view towards efficacy and safety.

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:

    - **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.

- **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

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

Expansion and growth strategy for RHO Phyto

- **Expansion to new medical channels:** The Company is working to expand access to its Canadian product offerings to more patients and physicians through new channels and partnerships. Currently we have 5 active listings outside of the Medical Cannabis by Shoppers™ platform, with expectations to increase to 15 by the end of 2022.

- **Expansion within adult use markets:** Expansion into new adult use channels including new provincial boards and retailers and the expansion of product offerings across all four commercial brands in the currently commercialized provinces.

- **Establishment of the wellness category:** In partnership with provincial boards and distinct premium retailers in Canada, Avicanna's product lines are strategically positioned vis-à-vis the wellness category, where consumers will have access to standardized and non-inhalation cannabis products without the requirements of medical documentation. Avicanna's team works with channel partners to provide appropriate information and training.

- **Expansion into major hospitals:** Avicanna continues to leverage its relationships with various members of the Canadian medical community to meet the demand for access to standardized cannabinoid-based products 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.

- **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 continued to expand the product offerings and continues to introduce

additional doses and deliveries of products desired by the medical community and patients. The Company expects to have 10 SKUs of RHO Phyto and a total 21 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 the basis for a "proof of concept" for 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 other potential markets in 2022 and beyond, as the Company hopes that international regulations continue to be progress positively towards medical cannabis. Recently, with our distribution partners, RHO Phyto launched in the Cayman Islands, the first of many potential Caribbean Islands that have regulatory approval of medical cannabis.

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™ 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™ re+PLAY	Oral, sublingual, topical
Clinical	Shopper's Drug Mart Hospital Pharmacies	Medical patients	Conservative	Unmet medical needs	RHO™	Oral, sublingual, topical

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

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 skincare products was developed with information arising out of human studies – 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.
    - **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 -** CBD & CBG in an emulsion formulation 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.

re+Play sports performance products

- **Muscle Rub (Pro)** - A water-based emulsion that combines 500 mg of pure 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 future pharmaceutical pipeline and is exploring several pathways to submit drug applications for marketing authorizations with national drug agencies such as the US FDA (Food and Drug Administration), Health Canada, and Latin American health authorities including ANVISA in Brazil and INVIMA in Colombia.

- ***Marketing authorization and commercial pathways***:
    - **Generic pharmaceutical – (**Colombia, Ecuador, Argentina, Peru) - expected commercialization 2022)
    - **Natural drug or Phyto-therapeutic designations** (Colombia, Ecuador, Argentina, Peru) - expected commercialization 2022)
    - **Over the counter** (LATAM markets - expected commercialization 2023; EU (European Union) markets - expected commercialization 2024)

- **Trunerox ™ – 10% CBD (100 mg/ml Cannabidiol)**
    - Pharmaceutical preparation under GMP (Good Manufacturing Practice) standards with completed technical dossier.
    - Expected marketing authorization during 2022 in Colombia, Ecuador, Argentina, 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	✔	-	Bio-equivalent
Multiple Sclerosis	Sublingual	✔	-	Bio-equivalent/Phyto-therapeutic
Chronic Pain	Oral	✔	-	Phyto-therapeutic
Anxiety and Depression	Oral	✔	-	Phyto-therapeutic
Epidermolysis Bullosa	Topical	✔	Pre-clinical & RWET	Orphan Drug
Osteoarthritis	Topical	✔	Pre-clinical & RWET	Pharmaceutical
Seizure and Sudden Death - Epilepsy	Oral	In Development	Pre-clinical	Pharmaceutical
Neuropathic Pain	Oral	In Development	-	Pharmaceutical

Scientific platform

With 6+ years of R&D, preclinical and clinical development on cannabinoids, Avicanna has established a cannabinoid-based scientific platform and continues to develop its intellectual property portfolio. Avicanna's dedication to product development and evaluating the potential role of cannabinoids for therapeutic benefit has been at the core of the Company's vision since its inception. The Company has successfully developed and delivered 31+ commercial products from its scientific platform where it owns all related intellectual property. Key attributes of Avicanna's platform include:

- 31+ proprietary commercial products.
- 9 Canadian Government research grants awarded since 2020.
- 7 pending patent applications including the recent formalization of complete patent for "Methods for Reducing or Eliminating Incidence of Seizures and Sudden Unexpected Death in Epilepsy",

- Drug development pipeline that aims to optimize the absorption and bioavailability of cannabinoids, while considering drug delivery needs specific to each indication 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,

- 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 (Medium Chain Triglycerides) 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.

- Expansion of Avicanna's research on cannabinoids in epilepsy to Dr. Mac Burnham at **University of Toronto.** Together, we are exploring the seizure attenuating effects using Avicanna's rare cannabinoids and advanced formulations in various animal models of epilepsy.

- 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.	Testing of next generation of advanced formulations including capsules and nano particles for pharmacokinetic profiles. Animal toxicity treatment study has commenced and expected to be completed Q4 2022. Animal model of addiction completed and commencing treatment study in Q3 2022.
University Health Network - Dr. Peter Carlen	In Vitro evaluation of rare cannabinoids and terpenes alone and in combination for reducing incidences of seizures.	Setup of organoid model completed and commencing high throughput testing including rare cannabinoids. Ongoing testing of Avicanna formulation in animal model of sudden unexcepted death in epilepsy.
Hospital for Sick Children – 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 to Q2 2023. 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 for inflammation completed Q3 2022 and analysis ongoing. Analysis of results of various combinations of cannabinoids for antibacterial effects including bactericide, biofilm and minimum inhibitory concentrations expected to be completed by Q4 2022.
University of Toronto - Dr. Mac Burnham	Evaluation of rare cannabinoids and Avicanna Formulations in animal model of epilepsy.	Testing of rare cannabinoids commenced June 2022 and is expected to be completed by Q4.

The Real-World Evidence Opportunity

The commercial availability of RHO Phyto in Canada has led to the inclusion of RHO Phyto products in several 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 (Medical Cannabis Real World Evidence)) 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, the MC-RWE expanded to include patient reported outcomes related to epilepsy, where RHO Phyto products will be utilized.

Avicanna has 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 future pharmaceutical pipeline products are being planned to follow the traditional drug discovery and development process for submission to the applicable governmental agencies, such as Health Canada, for approval and market authorization. Avicanna's future pharmaceutical pipeline products are planned to use only plant-derived cannabinoid extracts, purified cannabinoids, including distillates and isolate. Avicanna's future pharmaceutical pipeline looks 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 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 on its research and development activities and further establish its scientific platform with 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 74 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

The Company is currently working on finalizing and commercializing its patent pending and 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 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 subsidiary, SMGH is in Santa Marta, Colombia. SMGH serves two purposes in the Company's supply chain: (i) supply quality active pharmaceutical ingredients ("APIs") 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 15 markets already opened. The Company has 360,000 square feet of cultivation capacity with production capacity of over 20,000 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 APIs, 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, and CBG) 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 subsidiary 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

- Completed commercial sales of Aureus branded products into fifteen international markets.
- Supply agreements with pharmaceutical companies in Argentina, Brazil, and Chile.
- 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 (Environmental, Social and Governance) indices.
- Currently has 29 federally registered genetics in in Colombia through SMGH.
- Export of genetics in the form of feminized seeds into the US, Peru, Argentina, and Lesotho.

Cultivation capacity and operations

The Company holds controlling interest in SMGH, which is fully licensed to cultivate, process, extract and sell cannabinoid products and APIs. The Company sold its controlling stake in Sativa Nativa, a second licensed facility, during the quarter ended September 30, 2022.

	September 30, 2022	December 31, 2021
Santa Marta Golden Hemp		
Total square feet	300,000	300,000
Annual yield (kg)	26,400	26,400
Cost per gram - dried flower	$0.08	$0.09
Extraction capacity - dried flower per day (kg)	300	300

Santa Marta Golden Hemp SAS ("SMGH")

SMGH continued its indoor, greenhouse and outdoor cultivation at about 30% 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 300,000 square feet of shade house and outdoor space and 20,000 square feet of customized greenhouse space.

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2021, dated March 31, 2022, is available under the Company's SEDAR profile at www.sedar.com.

Part 2 – Results of Operations

The following table sets forth selected consolidated financial information for the three and nine months ended September 30, 2022, and 2021.

	For the three months ended September 30,		For the nine months ended September 30,	
Selected Consolidated Financial Information *(Canadian Dollars, except per share amounts)*	**2022**	**2021**	**2022**	**2021**
Net revenue	$ 771,263	$ 987,967	$ 2,911,781	$ 2,051,095
Gross margin before biological assets adjustment	376,054	136,326	1,386,342	711,867
Net impact, fair value of biological assets	150,522	370,844	1,653,636	432,017
Gross margin	526,576	507,170	3,039,978	1,143,884
Operating expenses	(2,922,743)	(3,081,665)	(8,524,730)	(9,338,917)
Operating loss	(2,396,167)	(2,574,495)	(5,484,752)	(8,195,033)
Net comprehensive loss	(3,059,127)	(2,783,661)	(6,640,787)	(11,158,952)
Loss per share – basic and diluted	$ (0.05)	$ (0.07)	$ (0.13)	$ (0.29)

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 APIs to customers worldwide, all grown and developed in Colombia. Rest of world includes sales of products to customers in Europe and Central America.

	For the three months ended September 30,		For the nine months ended September 30,	
Revenue by Segment *(Canadian Dollars)*	**2022**	**2021**	**2022**	**2021**
North America	$ 599,779	$ 668,929	$ 1,748,716	$ 1,421,961
South America	171,900	319,054	1,127,684	614,063
Rest of world	(416)	(16)	35,381	15,071
Net Revenue	**$ 771,263**	**$ 987,967**	**$ 2,911,781**	**$ 2,051,095**

North American net revenue totaled $599,779 and $1,748,716 for the three and nine months ended September 30, 2022, compared to $668,929 and $1,421,961 for the three and nine months ended September 30, 2021. The Company made the strategic decision to change one of its manufacturing partners in Canada to enhance quality, consistency and improve margins. However, this tech transfer resulted in delayed delivery of products during the second and third quarters. The increase in revenue for the nine-month period is due primarily to an increase in licensing revenues.

Revenues from South American sources were $171,900 and $1,127,684 for the three-and nine months September 30, 2022, compared to $319,054 and $614,063 for the three and nine months ended September 30, 2021. The Company realized a significant increase in licensing revenue during Q2 and Q3 of 2022, resulting in higher overall revenue in South America. Additionally, sales of Aureus branded API (Active Pharmaceutical Ingredient) and seeds from its Colombian subsidiary, SMGH remained consistent as the Company opened its 15th international market for its Aureus branded products.

Revenue from Rest of World sources was ($416) and $35,381 for the three and nine months ended September 30, 2022, compared to ($16) and $15,071 for the three and nine months ended September 30, 2021. There was no additional revenue in the third quarter, the difference represents foreign exchange.

Key Revenue Metrics

The following table summarizes the number of SKUs of the Company's products listed for sale (the "Listings") in the Canadian markets, the total units sold in the Canadian market, and provides a summary of the international revenue streams for the nine months ended September 30, 2022, and 2021.

	September 30,			
Key Revenue Metrics	**2022**	**2021**	**Change (#)**	**Change (%)**
Canadian Channels				
Medical (Listings)*	25	10	15	150%
Adult use (Listings)**	42	17	25	147%

	For the three months ended September 30,		For the nine months ended September 30,	
Key Revenue Metrics	**2022**	**2021**	**2022**	**2021**
Canadian Revenue Channels				
Canadian finished goods sold (units)	13,830	21,844	64,672	39,160
International Revenue Channels				
Finished products sold (units)	1,334	5,403	4,346	13,504
Sale of API (kg)	1	87	176	116
Sale of Seeds (units)	-	108,474	15,000	115,974

* 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.

The Company sold 13,830 and 64,672 units in the Canadian channel for the three and nine months ended September 30, 2022, respectively, compared to 21,844 and 39,160 units for the three and nine months ended September 30, 2021, respectively. The decrease in the current quarter is directly attributable to management's decision to transfer manufacturing to a new contractor, resulting in delayed deliveries in the second quarter and first two months of the third quarter.

API sales in the international channels were 1kg and 176kg for the three and nine months ended September 30, 2022, respectively, compared to 87kg and 116kg for the three and nine months ended September 30, 2021, respectively.

Finished product sales were 1,334 and 4,346, for the three and nine months ended September 30, 2022, respectively, compared to 5,403 and 13,504 for the three and nine months ended September 30, 2021, respectively. 2021 sales were predominantly to a single international customer as part of a license and supply agreement. In the current year, the Company terminated the agreement due to non-compliance from the customer. Therefore, there were no repurchases in 2022.

Sales of seeds were nil and 15,000 units for the three and nine months ended September 30, 2022, respectively compared to 108,474 and 115,974 units for the three and nine months ended September 30, 2021, respectively. The drop in seed sales in the current year is due to a single customer who did not repurchase in 2022.

Gross Margins

The following outlines the gross margin by segment for the three and nine months ended September 30, 2022, and 2021.

	For the three months ended September 30,		For the nine months ended September 30,	
Gross Margin by Segment *(Canadian Dollars)*	**2022**	**2021**	**2022**	**2021**
North America	$ 417,050	$ (154,074)	$ 787,847	$ 324,640
Gross margin %	70%	*(23%)*	45%	*23%*
South America	$ 109,942	661,256	2,227,320	808,046
Gross margin %	64%	207%	198%	132%
Rest of World	$ (416)	(12)	24,811	11,198
Gross margin %	-	-	70%	*74%*
Total gross margin	**$ 526,576**	**$ 507,170**	**$ 3,039,978**	**$ 1,143,884**

Gross margins in the North American segment for the three and nine months ended September 30, 2022, were $417,050 and $787,847, respectively, compared to $(154,074) and $324,640 for the three and nine months ended September 30, 2021. Increases in gross margin are primarily due to an increase in licensing revenue in 2022, which have very high margins.

Gross margins for the South American segment totaled $109,942 and $2,227,320 for the three and nine months ended, respectively, September 30, 2022, compared to $661,244 and $808,046 for the three and nine months ended September 30, 2021. The increase in gross margin is due to the gain on the changes in fair value of biological assets, which reflects an increase in the yield as well as changes in the market price of CBD isolate and CBD resin. Additionally, a large portion of the revenue is from licensing fees which have a very high margin.

Gross margins in the Rest the World segment for the three and nine months ended September 30, 2022, was ($416) and $24,811, compared to ($12) and $11,198 for the three and nine months ended September 30, 2021.

Operating Expenses

The following table presents operating expenses for the three and nine months ended September 30, 2022, and 2021.

	Three months ended September 30,		Nine months ended September 30,	
Operating Expenses *(Canadian Dollars)*	**2022**	**2021**	**2022**	**2021**
General and administrative expenses				
Office and general	$ 538,158	$ 471,345	$ 1,520,712	$ 1,859,585
Selling, marketing and promotion	110,692	162,454	325,662	367,721
Consulting fees	414,281	287,696	1,121,645	1,210,670
Professional fees	223,083	708,283	691,402	1,214,612
Salaries and wages	1,030,452	1,104,261	2,950,186	3,327,033
Research and development	86,221	28,871	184,339	142,981
	$ 2,402,887	**$ 2,762,910**	**$ 6,793,946**	**$ 8,122,602**
Share based compensation	$ 158,241	$ 155,025	$ 807,484	$ 556,036
Depreciation and amortization	217,693	210,532	720,149	665,442
Expected credit loss	143,922	(46,802)	203,151	(5,163)
Total Operating Expenses	**$ 2,922,743**	**$ 3,081,665**	**$ 8,524,730**	**$ 9,338,917**

Office and General expenses

For the three and nine months ended September 30, 2022, the Company incurred office and general expenses totaling $538,158 and $1,520,712, respectively, compared to $471,345 and $1,859,585 for the same period in the prior year.

Selling, Marketing and Promotion

For the three and nine months ended September 30, 2022, the Company incurred selling, marketing and promotional expenses totaling $110,692 and $325,662, respectively, compared to $162,454 and $367,721 for the same period from the prior year.

Consulting Fees

For the three and nine months ended September 30, 2022, the Company incurred consulting expenses totaling $414,281 and $1,121,645, respectively, compared to $287,696 and $1,210,670 in the same period from prior year. The increase in consulting expenses in the current quarter ended is predominantly due to additional investor relation and capital markets costs incurred related to the private placement and annual general meeting.

Professional Fees

For the three and nine months ended September 30, 2022, the Company incurred professional fees of $223,083 and $691,402, respectively, compared to $708,283 and $1,214,612 for the same period last year. The decrease in professional fees is a result of both efforts to decrease operating costs as well as additional professional fees incurred in the prior year because of the management cease trade order (“MCTO”).

Salaries and Wages

For the three and nine months ended September 30, 2022, the Company incurred salaries and wages of $1,030,452 and $2,950,186, respectively, compared to $1,104,261 and $3,327,033 for the same period last year. The decrease in salaries is due to the decrease in headcount in 2022.

Research and Development

For the three and nine months ended September 30, 2022, the Company incurred research and development expenses of $86,221 and $184,339, respectively, compared to $28,871 and $142,981 for the same period last year.

Share-based Compensation

For the three and nine months ended September 30, 2022, the Company incurred share-based compensation expenses of $158,241 and $807,484, respectively, compared to $155,025 and $556,036 for the same period last year. Share-based compensation increased in the current year due to additional compensation issued in the second quarter to senior staff members who were hired in the current period, as well as settling cash compensation through the issuance of equity.

Depreciation and amortization

Depreciation and amortization for the three- and nine-months ending September 30, 2022, was $217,693 and $720,149, respectively, compared to $210,532 and $665,442 for the three and nine months ended September 30, 2021.

Expected Credit Loss

For the three nine months ended September 30, 2022, the Company recognized an expected credit loss of $143,922 and $203,151, respectively whereas, for the three and nine months ended September 30, 2021, the Company recognized a recovery on expected credit loss of ($46,802) and ($5,163). In the nine months ended September 30, 2022, the Company completed an assessment of aged receivables and identified specific accounts which were deemed to be uncollectible.

Other income (expenses)

The following table presents other income and (expense) for the three and nine months ended September 30, 2022, and 2021.

	For the three months ended September 30		For the nine months ended September 30	
Other Income (Expenses) *(Canadian Dollars)*	**2022**	**2021**	**2022**	**2021**
Foreign exchange loss	$ (7,058)	$ (6,186)	$ (42,641)	$ (31,309)
Gain on disposal of capital assets	5,001	-	5,001	51,975
Gain (loss) on revaluation of derivative liability	(9,676)	(60,025)	38,809	(80,543)
Other income	52,181	55,427	147,475	81,487
Interest expense	(534,155)	(205,612)	(1,325,633)	(369,691)
Loss on sale of Sativa Nativa S.A.S.	-	-	(1,530,994)	-
	$ (493,707)	**$ (96,346)**	**$ (2,707,983)**	**$ (348,081)**

Other income expenses were ($493,707) and ($2,707,983) for the three and nine months ended September 30, 2022, respectively. Other income and expenses (net) was ($96,346) and ($348,081) for the three and nine months ended September 30, 2021. The increase (decrease) in net other income (expenses) are as the result of:

- Interest expense, which includes accretion, has increased because of additional debt compared to last year, including the term loan issued in August 2021 and the convertible note issued in January 2022.
- A gain (loss) on the sale of Sativa Nativa which closed in September 2022.

Adjusted EBITDA

The following table presents Adjusted EBITDA for the three and nine months ended September 30, 2022, and 2021:

	For the three months ended September 30		For the nine months ended September 30	
Adjusted EBITDA[1] *(Canadian Dollars)*	**2022**	**2021**	**2022**	**2021**
Net comprehensive loss	$ (3,059,127)	$ (2,944,747)	$ (6,640,787)	$ (11,158,952)
Exchange differences on translation	169,253	273,906	(1,551,948)	2,615,838
Share-based compensation	158,241	155,025	807,484	556,036
Depreciation and amortization	217,693	210,532	720,149	665,442
Estimated credit loss (recovery)	143,922	(46,802)	203,151	(5,163)
Other (income) expenses, net	(52,181)	(55,427)	(147,475)	(81,487)
Interest and accretion	534,155	205,612	1,325,633	369,691
Loss (gain) on revaluation of derivative liability	9,676	(60,025)	38,809	(80,543)
Unrealized loss (gain) in biological assets	(150,522)	(370,844)	(1,653,636)	(533,498)
Loss on sale of Sativa Nativa SAS	-	-	1,530,994	-
Adjusted EBITDA	**$ (2,028,890)**	**$ (3,632,770)**	**$ (5,445,244)**	**$ (7,390,069)**

[1]Adjusted EBITDA is a non-IFRS 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.

The Adjusted EBITDA loss for the three and nine months ended September 30, 2022, was ($2,028,890) and ($5,445,244) respectively, as compared to an Adjusted EBITDA loss of (3,632,770) and ($7,390,069) for the three nine months ended September 30, 2021, respectively. 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 September 30, 2022:

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

	Quarter Ended			
(In Canadian Dollars)	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**
Net revenues	$ 987,967	$ 792,220	$ 270,908	$ (2,182)
Net comprehensive income (loss)	(2,944,747)	($3,197,617)	($5,016,588)	($16,320,464)
Income (loss) per share	$ (0.07)	$ (0.08)	$ (0.14)	$ (0.18)

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 balance of $271,463 on September 30, 2022. The Company's ability to fund operating expenses and capital expenditures will depend on its future operating performance, and its ability to raise capital which will be affected by general economic conditions, financial, regulatory, and other factors, including factors beyond the Company's control.

Management continually assesses liquidity in terms of the ability to generate sufficient cash flow to fund the business. Net cash flow is affected by the following items: (i) operating activities, including the level of trade receivables, accounts payable, accrued liabilities and unearned revenue and deposits; (ii) investing activities, including the purchase of property and equipment; and (iii) financing activities, including debt financing and the issuance of capital stock.

The following table provides a summary of the cash flows for the nine months ended September 30, 2022, and 2021.

	For the nine months ended September 30,	
Cash flows *(In Canadian Dollars)*	**2022**	**2021**
Net cash (used in) provided by:		
Operating activities	$ (6,566,747)	$ (7,562,038)
Investing activities	817,082	707,958
Financing activities	7,556,672	6,977,476
Effect of exchange rate changes on cash	(1,566,549)	(866,680)
Net increase (decrease) in cash and cash equivalents	240,458	(743,284)
Cash, beginning of year	31,004	1,266,732
Cash, end of period	**$ 271,462**	**$ 523,446**

Cash used in operations during the three months ended September 30, 2022, was $(6,566,747) compared to $(7,562,038) for the nine months ended September 30, 2021. The cash used in operations is primarily put towards bringing down significantly aged accounts payable. The decrease in accounts payable was offset by an increase in accounts receivable during the period.

Net cash flows from investing activities totaled $817,082 for the nine months ended September 30, 2022, compared to $707,958 for the nine months ended September 30, 2021. The increase is primarily due to the sale of Sativa Nativa which result in a cash inflow in the period ended September 30, 2022 as well as the sale of long-term investments. In the same period last year, investing activities showed a net inflow due to the sale of a short-term GIC.

Net cash flow from financing activities totaled $7,556,672 for the nine months ended September 30, 2022, compared to $6,977,476 for the nine months ended September 30, 2021. Through equity financing, the Company raised approximately $6.8 million in the period ended September 30, 2022, compared to approximately $5.6 million in the equivalent period in the prior year. In addition, the Company raised an additional $1.4 million in convertible debentures in the period ending September 30, 2022.

The following table provides information about the Company's financing from the public and private sources during the periods ended September 30, 2022, and 2021, 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
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 September 30, 2022, 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 September 30, 2022, all funds have been fully deployed.
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 September 30, 2022, all funds have been fully deployed.
January 28, 2022	Convertible Debenture	$1,550,400	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 September 30, 2022, all funds have been fully deployed.
March 31, 2022	Private Placement offering (See below)	$2,523,568	The net proceeds generated from the public offering amounted to $2,491,068 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 September 30, 2022, all funds have been fully deployed.
May 6, 2022	Private Placement offering (See below)	$1,473,826	The net proceeds generated from the public offering amounted to $1,428,826 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 September 30, 2022, all funds have been fully deployed.

Date	Type	Gross Proceeds	Initially Intended Use of Proceeds	Actual Use of Proceeds
August 17, 2022	Private Placement offering (See below)	$2,782,301	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 September 30, 2022, all funds have been fully deployed.

March 2021 Private Placement

On March 4, 2021, the Corporation closed a non-brokered private placement (the "March 2021 Offering"). Under the March 2021 Offering, the Corporation 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.

January 2022 Convertible Debenture

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

March 2022, Private Placement

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

May 2022, Private Placement

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

August 2022, Private Placement

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

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Balances and Transactions

Compensation expenses for Avicanna's key management personnel for the nine months ended September 30, 2022, and 2021 are as follows:

(In Canadian Dollars)	**September 30, 2022**	**2021**	**2022**	**2021**
Salaries	$ 229,573	$ 190,000	$ 606,689	$ 570,000
Share-based compensation	53,246	38,812	541,326	186,644
	$ 282,819	**$ 228,812**	**$ 1,148,015**	**$ 756,644**

Additionally, as of September 30, 2022, the Company received advances from certain related parties who represent the minority shareholders of SMGH in the amount of $4,049,358 ($3,659,931 as of December 31, 2021). 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 October 31, 2022, the Company entered into an extension agreement (the "Extension Agreement") in connection with its senior secured term loan issued on August 19, 2021 (the "Term Loan") (note 15). In accordance with the Extension Agreement, the maturity date of the Term Loan was extended by five months, from October 19, 2022, to March 19, 2023. The Company will continue to make interest payments as required by the original loan agreement and will also make monthly repayments of principal beginning in November 2022 and ending in February 2023, following which the outstanding principal on the Term Loan will come due on the New Maturity Date. The Term Loan continues to bear interest at 5% per annum.

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

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 several 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 September 30, 2022, and September 30, 2021.

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 69,466,810 Common Shares issued and outstanding. In addition, there were 1,493,156 Common Shares issuable on the exercise of Stock Options, 24,836,154 Common Shares issuable on the exercise of Warrants, 1,062,515 Common Shares issuable on the vesting of Restricted Share Units and up to 1,912,941 Common Shares issuable on the exercise of the January 2022 Debentures, assuming a conversion price of $0.85 per share.

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 licenses required to grow, store, and sell cannabis in Colombia,
- the potential inability to establish and maintain bank accounts;
- potential involvement in regulatory or agency proceedings, investigations, and audits;
- compliance with evolving environmental, health and safety laws;
- the potential risk of exposure resulting from the control of foreign subsidiaries in Colombia;
- potential government policy changes or shifts in public opinion;
- exposure to foreign exchange risks;
- inflationary risks based on Colombia's historic experience of double digit rates of inflation;
- the potential that Colombia will impose repatriation of earnings restrictions in the future;
- Colombian political and economic conditions are subject to intervention and change;
- constraints on marketing of products;
- the cannabis industry and market 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 determine future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

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 Interim 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 quarter ended September 30, 2022, 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.