



AVICANNA



AVICANNA INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30th 2023

August 14th, 2023

Special Note Regarding Forward-Looking Statements

This management's discussion and analysis ("MD&A") of Avicanna Inc. ("Avicanna" or the "Company") contains "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "objective", "predict", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "will", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve several risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. See "Risk Factors" below.

This MD&A was prepared by management as of August 11, 2023, and is supplemental to and should be read in conjunction with the Company's condensed consolidated interim financial statements (the "Financial Statements") for the three and six months ended June 30, 2023, and the accompanying notes thereto. The information contained in this MD&A is presented as of the date of the MD&A and is current to that date unless otherwise stated. The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors on August 14, 2023

Introduction

This MD&A, which should be read in conjunction with our Financial Statements and the notes thereto, provides additional information on our business, current developments, financial condition, cash flow and results of operations. It is organized as follows:

Part 1 – Business Overview. This section provides a general description of our business, which we believe is important in understanding the results of our operations, financial condition, and future trends.

Part 2 – Results of Operations. This section provides an analysis of operations for the three and six months ended June 30, 2023.

Part 3 – Financial Liquidity and Capital Resources. This section provides an analysis of our cash flow and outstanding debt and commitments, inclusive of the amount of financial capacity available to fund our ongoing operations and future commitments.

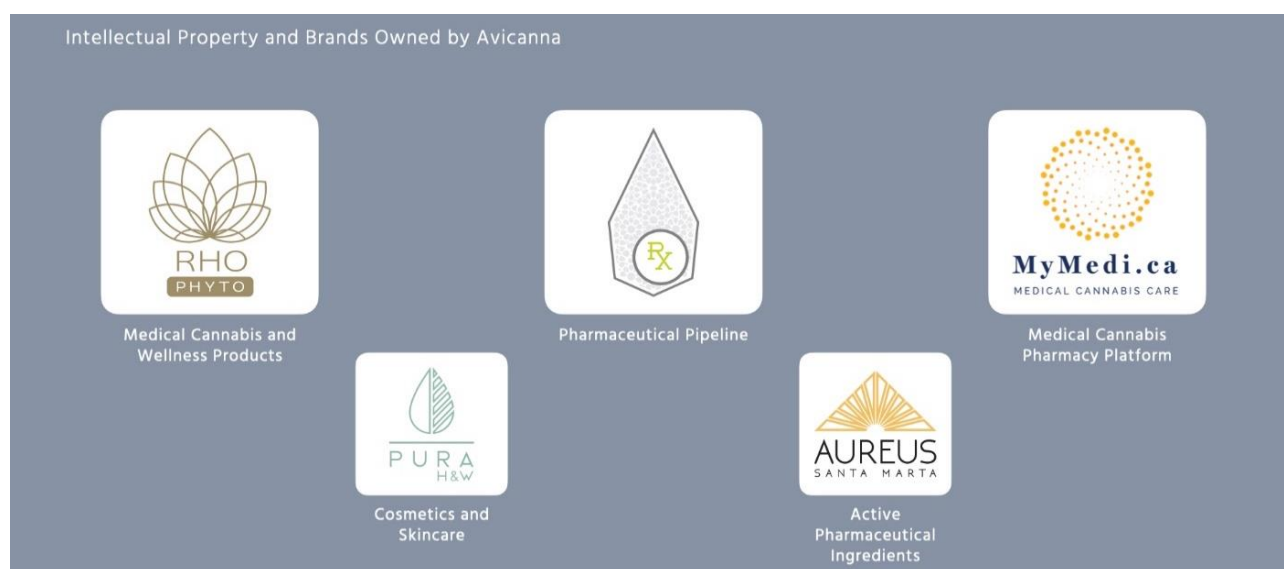
Part 4 – Critical Accounting Policies and Estimates. This section identifies those accounting policies that are considered important to our results of operations and financial condition and require significant management estimates.

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

Part 1 – Business Overview

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

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



1. Medical Cannabis & Wellness Products

The formulary of cannabinoid-based medical cannabis wellness products marketed under the RHO Phyto™ brand, offers a range of proprietary and scientifically driven formulations in a variety of products including oral, sublingual, topical, and transdermal deliveries with varying ratios of cannabinoids. The product range is supported by ongoing offerings of a variety of consumer, patient, and medical community education and training.

Current Status and Market opportunity: RHO Phyto™ branded proprietary products have been established as a leading medical brand in Canada and are available nationwide across several medical cannabis channels including the Company's MyMedi.ca platform as well channels and Canadian clinical institutions and hospitals. In addition, The RHO Phyto™ brand proprietary products are also available through certain provincial retailers in six provinces including Ontario, Alberta, New Brunswick, Manitoba, and Saskatchewan. The product portfolio continues to expand through Avicanna's pipeline development and research initiatives and continues to expand into new international markets.

2. MyMedi.ca medical cannabis care platform

Launched on August 2nd, 2023, MyMedi.ca is Avicanna's medical cannabis care platform and online pharmacy that is formed with the aim to better serve medical cannabis patients' needs and enhance the patient journey. MyMedi.ca features diverse and scientifically curated products from leading Canadian licensed producers in addition to pharmacist led patient support programs and educational resources to facilitate the incorporation of medical cannabis into health care regimens. MyMedi.ca also provides specialty services to distinct patient groups such as veterans and collaborating with public and private providers for adjudication and reimbursement.

Current Status and Market opportunity: Launched on August 2nd, 2023, MyMedi.ca was established because of the Company's acquisition of the medical cannabis by Shopper's business, a subsidiary of Shopper's Drug Mart. Through the platform, the company is now providing medical cannabis access and support nationwide in Canada to tens of thousands of patients who have obtained medical cannabis authorization from a healthcare provider.

3. Pharmaceutical Preparations and Pipeline

In line with the Company's long term business model, the Company has a pipeline of pharmaceutical preparations and indication specific drug candidates which are currently in various stages of clinical development, registration, and commercialization. The pipeline developments are supported by the Company's scientific research and development real world evidence studies.

Current Status and Market opportunity: The Company's pipeline of pharmaceutical preparations and indication specific drug candidates are designed to address unmet needs in various areas, including neurology, depression, sleep, dermatology, and pain. The Company's pipeline of pharmaceutical preparations and indication specific drug candidates are intended to be launched and commercialized after drug applications have been submitted and approved by national drug agencies. Certain pharmaceutical preparations and certain drug candidates are currently in various stages of submission-application-registration across several Latin American and South American countries.

4. CBD Consumer and Derma-Cosmetic

Pura H&W™ and Pura Earth™ brands are clinically tested, derma-cosmetic functional CBD topical products designed for retail consumer sales where CBD cosmetics are permitted.

Current Status and Market opportunity: Pura H&W™ and Pura Earth™ brands are available in Canada across medical and adult-use channels through retailers in four provinces. The Pura H&W™ and Pura Earth™ brands products are also in early stages of commercialization where CBD is permitted under cosmetics designations internationally.

5. Cannabinoid Active Pharmaceutical Ingredients (API)

The Aureus™ brand is the Company line of active pharmaceutical ingredient ("API") products, including CBD, CBG and THC API products in addition to standardized seeds through the Company's majority owned subsidiary based in Colombia, Santa Marta Golden Hemp S.A.S. ("SMGH"). SMGH received Good Agricultural, and Collection Practices

("GACP") certification under the United States Department of Agriculture ("USDA") National Organic Program for its hemp cultivar.

Current Status and Market opportunity: The cannabis raw materials supplied by SMGH, Avicanna's majority owned subsidiary based in Colombia, forms part of the Company's supply chain and source of reliable input products for its consumer retail, medical cannabis, and pharmaceutical preparation and pipeline products for global markets. The business unit is also dedicated to providing consistent, high-quality sources of input materials for the Company's global partners for use in the development and production of food, cosmetic, medical, and pharmaceutical products. The Company has formed several strategic supply relationships and has exported Aureus™ branded products have been exported to Colombia into 17 countries for research and manufacturing purposes.

Quarterly Highlights

- **Financial highlights:** Q2 record revenue of \$3.3 million, an increase of 183% over Q1 2023 and 200% over the comparable quarter which mainly attributed to the takeover of certain operational responsibilities and sales-revenue rights related to acquisition of the Medical Cannabis by Shoppers Business that contributed \$2.5M in revenue during the quarter. General and administrative expenses increased marginally by 6% over the same period resulting in the Company demonstrating a 26% improvement in adjusted EBITDA over the comparable quarter of the prior year and an improvement of 18% over the first quarter of 2023.
- **Canadian commercial advancements:** The Company closed Q2 with 26 commercial SKUs and 118 total commercial listings which represented a 120% growth in listings and 70% growth in finished goods sold compared to the comparable period in 2022. The company also achieved 43% gross margins in its North American operations, a significant improvement compared to 20% in the comparable period in 2022.
- **Strategic Manufacturing Agreement for Avicanna's Proprietary SEDDS Technology Capsules for Canadian and International markets.** Avicanna's proprietary SEDDS technology capsules are designed for rapid absorption of cannabinoids. Avicanna and Medipharm Labs intend to commercialize various formulations of Avicanna's proprietary SEDDS technology capsules across Canadian adult use, medical and international channels.
- **New Medical Cannabis Education and Training Campaign and sponsorship of Canadian Consortium for the Investigation of Cannabinoids ("CCIC").** Through a Sponsorship Agreement, CCIC's Canadian Cannabis Syllabus ("CCS") will be made available to the medical community. The CCS provides foundational information for healthcare professionals interested in learning more about cannabis and cannabinoid products in clinical practice.
- **Research Collaboration with Langara College and NSERC Grant.** Through a Research Collaboration led by Dr. Jessica Kalra and Dr. Kalra's research team, research will be conducted focusing on characterization of Avicanna's proprietary products and drug pipeline formulations through *in vitro* and *in vivo* models. This Research Collaboration was awarded a two-year grant by the Natural Sciences and Engineering Research Council of Canada.

Other highlights subsequent to June 30, 2023

- **Launch of MyMedi.ca.** MyMedi.ca is Avicanna's medical cannabis care platform that is formed with the aim to serve medical cannabis patients' needs. MyMedi.ca features diverse and scientifically curated products from leading Canadian licensed producers in addition to pharmacist led patient support programs and educational resources to support the incorporation of medical cannabis into health care regimens. MyMedi.ca also provides specialty services to distinct patient groups such as veterans and collaborating with public and private providers for adjudication and reimbursement. The platform is now available nationwide in Canada to tens of thousands of patients who have obtained medical

cannabis authorization from healthcare providers with an initial product portfolio including 35 brands and over 200 SKUs selected from various Canadian Licensed Producers

- **Closed acquisition of Medical Cannabis by Shoppers Drug Mart business.** Avicanna acquired specific assets of the Business, including inventory and equipment, for approximately \$2.6M and will pay Shoppers an earnout, based on net revenues, for a period of two years. First launched in Ontario in January 2019, Medical Cannabis by Shoppers provided patients access to medical cannabis products from more than 30 licensed cannabis brands. Over the past four years, the legacy Medical Cannabis by Shoppers business supported tens of thousands of patients and worked with patient groups to facilitate access to medical cannabis.
- **Avicanna Subsidiary SMGH Exports Aureus™ Branded CBD and CBG Into Paraguay.** Paraguay marks the 17th international market for Aureus™ branded products and 20th market for all Avicanna products.

STRATEGY AND OUTLOOK

Summary of commercial activities

Canada

The Canadian market continues to be the core of the Company's operations and most significant revenue driver. The Company has established its commercial infrastructure with focus on commercializing of its intellectual property through an asset-light model where 26 unique products have been brought to the market across medical cannabis and adult use channels. The company continues to demonstrate growth active SKUs and commercial listings with predominant focused on medical offerings with 61 medical commercial listings extending access to the Company's products to patients throughout Canada and a total of 118 commercial listings across Canadian adult use and medical channels.

Subsequent to June 30, 2023, the Company closed on the acquisition of the Medical Cannabis by Shoppers business from Shoppers Drug Mart which enabled the launch of the Company's own new medical cannabis care platform, MyMedi.ca. The new medical cannabis care platform provides access to tens of thousands of patients nationwide who have transferred from the legacy Medical Cannabis by Shoppers business and is now a significant revenue driver for the Company. Prior to the closing of the acquisition, the Company took over certain operational responsibilities and sales-revenue rights and responsibilities, which contributed \$2,556,798 to the Company's total net revenue in Q2, representing 183% growth in the Company's quarter to quarter revenues.

	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	Q4 2022 For the Three Months Ending December 31, 2022	Q1 2023 For the Three Months Ending March 31, 2023	Q2 2023 For the Three Months Ending June 30, 2023
CAD SKUs Commercial	16	19	19	21	23	25	26
CAD Medical Listings	13	17	21	25	35	61	61
CAD Provincial Listings	23	35	38	35	49	56	57
Total # of Countries with Sales	12	12	15	17	19	19	20
RHO # of Countries with Sales	3	3	3	3	3	3	3

International

At an international level, the Company has prioritized and optimized its operations to focus on the Company's long term pharmaceutical pipeline. Additionally, the international team is focused on the production and manufacturing of the company's Aureus™ branded products and proprietary finished products across cosmetics and pharmaceuticals designations and supporting the Company's Canadian operations. Furthermore, the Company continues to expand its international footprint through strategic agreements and has completed commercial transactions in 20 countries. The activity and status of specific brands and across select regions is outlined below:

Product Line & Brand	Canada - Medical	Canada - Adult Use	USA	Colombia	UK	Ecuador	Brazil	Chile	Peru	Portugal	Germany	Barbados
RHO Phyto / Medical/Wellness	✓	✓			2023							✓
Future Pharmaceutical Pipeline	*2024		*TBD	**2023		**2023	***2023					
Aureus API			✓	✓	✓	2023	✓	✓	✓	✓	✓	

*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 the Company’s authorized Distributor submitted a dossier to ARCSA in Ecuador, for approval as a generic pharmaceutical product for the treatment of epilepsy. ***In Brazil, the Company’s licensee submitted a filing to ANVISA for Sanitary Authorization under RDC327.*

Select Strategic Relationships

Medical Cannabis by Shoppers

First launched in Ontario in January 2019, Medical Cannabis by Shoppers (“**MCbS**”) provided patients access to medical cannabis products from more than 30 licensed cannabis brands. Over the past four years, the platform has supported tens of thousands of patients, and worked with patient groups to facilitate access to medical cannabis. Since 2020, Avicanna and Medical Cannabis by Shoppers have had a successful strategic relationship which led to the commercialization of 23 of Avicanna’s proprietary SKUs across 4 brands. The strategic collaboration included collaborations across several 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.

On March 28th, 2023, the Company announced that Shoppers Drug Mart selected Avicanna as its partner to transition its Medical Cannabis by Shoppers business. As part of the transition, Avicanna introduced MyMedi.ca, a new medical cannabis care platform. MyMedi.ca has a pharmacist-led patient support programs and aims to provide a similar product portfolio to Medical Cannabis by Shoppers including various formats, brands, and competitive pricing. Shoppers Drug Mart and Avicanna’s transition included the obtaining and transferring over 96% of the active patients from MCbS to MyMedi.ca. On August 1st, 2023, the Company announced the launch of its new medical cannabis care platform MyMedi.ca.

Sunnybrook Health Sciences Centre (“Sunnybrook”). In September 2021, access to Avicanna’s RHO Phyto products was made available to patients and HCPs at Sunnybrook. Pursuant to a Relationship Agreement, Sunnybrook distributes the Company’s RHO Phyto products to patients with appropriate medical authorization at the Odette Cancer Centre pharmacy. This relationship has focused on increasing healthcare provider and patient education on medical cannabis products and with the goal to provide patients with a more streamlined process for accessing plant-based cannabis for medical use in coordination with their hospital healthcare team.

RHO Phyto™ Overview

The formulary of cannabinoid-based medical cannabis wellness products marketed under the RHO Phyto™ brand, offers a range of proprietary and scientifically driven formulations in a variety of formats including oral, sublingual, topical, and transdermal deliveries with varying ratios of cannabinoids. The product range is supported by consumer, patient, and medical community education and training.

RHO Phyto formulations

- **Micro Drops:** The Micro Drops are blood-orange flavoured and utilize Avicanna's inverted emulsion technology to provide absorption and shelf-life stability. The product is administered with metered dosing using an oral syringe that allows for accurate titration.
- **Rapid Act Sprays:** Lemon-mint flavoured oral sprays utilize Avicanna's sublingual delivery technology to provide a rapid acting effect. The product is administered discreetly, 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 combine cannabinoids with synergistic terpenes and natural excipients including menthol and beta-caryophyllene in a pharmaceutical-grade, airless pump.
- **Ultra CBD local cream:** The high CBD topical cream is designed for application on sensitive skin and free from THC and allergens including terpenes, perfumes, and vitamins. Ultra CBD Topical Cream is, unscented, and oil based.
- **Nano Drops:** Utilizing the company's *In-fluid* Self-Emulsifying Drug Delivery System ("SEDDS") technology, the water-soluble infusers are designed to deliver cannabinoids into any cold or warm beverage and have been successfully commercialized in Canada since early 2023.
- **Rapid Act Capsules:** Utilizing the Company's SEDDS technology, the capsules are designed to improve the solubility and bioavailability of poorly water-soluble drugs. SEDDS formulations typically enhance the drug's solubility, making it easier for the body to absorb and utilize the drug effectively. Currently, Avicanna plans to commercialize capsules in the second half of 2023.
- **Pipeline:** Avicanna is committed to innovation and continues to conduct research to develop new products and formulations for the RHO Phyto™ portfolio:

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	Q3-2023	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
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	Commercial	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)	Commercial	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
Nano Drops 50 CBD	Q3-2023	Beverage Infuser	20 mL	1000 mg	-	-	High CBD Infuser
Nano Drops 25:25	Q3-2023	Beverage Infuser	20 mL	500 mg	500 mg	-	Balanced Infuser
Daily Dose Gummies 20 CBD	Q3-2023	Edible	30-pc	600 mg	-	-	High CBD Gummies
Daily Dose Gummies 1:10 CBD	Q3-2023	Edible	10-pc	100 mg	10 mg	-	High CBD Gummies

Expansion and growth strategy

- **Expansion through MyMedi.ca.** The Company plans to leverage its new medical cannabis care platform MyMedi.ca in Canada to increase RHO Phyto™ product offering and provide education to health care practitioners and the medical community about the MyMedi.ca's features and offerings.
- **Pipeline developments.** L The Company continues to invest in its in-house R&D and further develop its various proprietary drug delivery systems . The pipeline developments are expected to result in minimum 5 new SKUs during 2023 including the company's SEDDs technology capsules.
- **Expansion to new medical and adult use channels in Canada.** In 2023, the Company continues to expand its commercial footprint across various channels and marketplaces.
- **International expansion.** The RHO Phyto™ branded products have been successfully commercialized in Canada, Barbados and Cayman Islands establishing the basis for a "proof of concept" for North America and the Caribbean where there has been initial patient, consumer, and medical community adoption. The Company will look to further expand its portfolio in Canada and other potential markets in 2023 and the coming years, as the Company hopes to see international regulations continue evolve towards further medical cannabis acceptance.

MyMedi.ca Overview

Launched on August 2nd 2023, MyMedi.ca is Avicenna's new medical cannabis care platform. MyMedi.ca features diverse and scientifically curated products from leading Canadian licensed producers in addition to pharmacist-led patient support programs and educational resources to facilitate the incorporation of medical cannabis into health care regimens. MyMedi.ca also provides specialty services to distinct patient groups such as veterans and works closely with public and private providers for adjudication and reimbursement.

- **Medical Cannabis Marketplace:** A diverse medical cannabis marketplace featuring approximately 200 unique products supplied by a network of 35 brands from various leading Canadian licensed producers.
- **Pharmacist-Led Patient Care Services:** Bilingual (English and French) patient care service programs including pharmacovigilance, compassionate pricing, and insurance adjudication in compliance with Canadian standards established by private and public payers.
- **Patient Education:** Patient education programs and informational resources, including harm reduction strategies and risk mitigation.
- **Education for Healthcare Professionals:** Medical education, training, and resources available to health care practitioners, hospitals, clinics, and institutions, along with potential collaboration opportunities, through the Company's Medical Affairs department

Avicenna Academy

Avicenna Academy is a medical education portal, designed to make available practical information related to the potential use of medical cannabis, at no cost, to health care professionals. The modules reference key literature related to several topics including supporting symptom management such as pain, sleep, appetite, and mood changes. In addition, the modules provide critical information about the use of non-inhalable products to support Avicenna's harm reduction approach and risk from smokable products.

The portal includes a range of 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
- Dosing and Titration Methods
- Case Studies supporting HCP decision-making.

CBD Derma-Cosmetic Products overview

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

Pharmaceutical pipeline and products overview

Avicanna's long term business model is focused on the development of its pipeline of indication specific drug candidates which are currently in various stages of clinical development, registration, and commercialization. The pipeline developments are supported by the Company's on-going research and development efforts including real world evidence studies.

The Company continues to progress its pharmaceutical pipeline including the advancement of the drug candidates across R&D, clinical development, and submissions for marketing authorizations with national drug agencies such as the US Food and Drug Administration, Health Canada, and Latin American health authorities including ANVISA in Brazil and INVIMA in Colombia.

Pipeline status and support infrastructure

- The proprietary cannabinoid-based drug candidates are designed to address unmet medical needs in the areas of neurology, depression, sleep, dermatology, and pain.
- Supported by the Company's scientific platform including pre-clinical and real-world evidence studies.
- Supported by the Company's drug candidates being brought forward under medical cannabis designations and measuring valuable real-world evidence and patient outcomes.
- Utilizing Avicanna's proprietary formulation and vertical integration to deliver a pharmaceutical CBD preparation into the Latin American Markets.

Potential marketing authorization and commercial pathways:

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

Trunerox™ – 10% CBD (100 mg/ml Cannabidiol)

- Pharmaceutical preparation under Good Manufacturing Practice (GMP) standards with completed technical dossier. Expected marketing authorization during 2023 in Colombia, Ecuador, and Brazil.

Scientific platform overview

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

- 31+ proprietary commercial products.
- 10 Canadian Government research grants awarded since 2020.
- 7 pending patent applications,
- 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.
- 5 Health Canada cannabis research licenses issued to Avicanna or institutional collaborators over the past 4 years.
- Academic, research. and clinical collaborations over the past 5 years: Hospital for Sick Children, University of Toronto, University of West Indies, University of Guelph, University Health Network, Charles River Laboratories, Thompson Rivers University, Sunnybrook Health Sciences Centre (Hospital), Langara college and Sante Cannabis Contract Research Organization.

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.

- **University of Guelph.** 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 Medium Chain Triglycerides (MCT) oil products. Additionally, various cannabinoid ratios and terpenes are being evaluated with Avicanna formulations in animal models of addiction and withdrawal from alcohol and nicotine, and neuropathic pain for pharmaceutical development.
- **University Health Network.** 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.
- **University of Toronto.** 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.

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

The Real-World Evidence

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) 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 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.

Avicanna contracted with Santé Cannabis, a clinical research site and contract research organization ("CRO"), to evaluate our proprietary CBG transdermal gel in an observational real-world evidence study in patients with musculoskeletal pain and inflammation. The study will enroll 100 patients with arthritis including osteoarthritis, rheumatoid arthritis, fibromyalgia, muscle an/or joint pain, localised pain, post-surgical pain, muscular and/or structural injuries. The study will gather patient demographics, medical history, medication use, overall symptom questionnaires and complete a Musculoskeletal Health Questionnaire, a validated measure of symptoms and quality of life related to musculoskeletal pain and inflammation over a three-month period.

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.

Intellectual Property

As the Company continues to expand its research and development activities and further establish its scientific platform, the expectation is to grow its intellectual property portfolio through patent and trademark applications and other available intellectual property protection mechanisms. To date, the Company has seven patent-pending applications. In parallel to the patent protection of novel products and processes, the Company also takes necessary steps to protect its trademarks. To date, the Company has a total of 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, Australia, 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 nano-emulsifying drug delivery systems (SNEDDS) 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 operations are through the majority owned subsidiary, SMGH. SMGH is in Santa Marta, Colombia and serves two purposes in the Company's Colombian supply chain: (i) supply quality active pharmaceutical ingredients ("APIs") for the Company's products, and (ii) allows 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 under agreement to parties globally, with over 16 markets already opened. The Company has 300,000 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.

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

Aureus is the Company's business-to-business raw material brand for cannabinoid APIs and feminized seeds 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. The Company's SMGH subsidiary is further supported with GACP certification in addition to USDA National Organic Program certification it attained in 2019 for its hemp cultivar.

Milestones and highlights

- Completed commercial sales of Aureus branded products into seventeen international markets.
- Supply agreements with pharmaceutical companies in Argentina, Brazil, and Chile.

- Completed over thirty harvests under a low-cost cultivation model
- 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 Environmental, Social and Governance (ESG) indices.
- Currently has 29 federally registered genetics in Colombia through SMGH.
- Export of genetics in the form of feminized seeds into the US, Peru, Argentina, and Lesotho.

Additional information relating to the Company, including the Company's Annual Information Form for the Year Ended December 31, 2022, dated March 31, 2023, is available under the Company's SEDAR profile at www.sedar.com.

Part 2 – Results of Operations

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

<i>Selected Consolidated Financial Information</i>				
<i>Statement of Financial Position</i> <i>(Canadian Dollars)</i>	June 30, 2023		December 31, 2022	December 31, 2021
Current assets	\$ 10,353,342	\$	7,064,418	\$ 7,353,630
Non-current assets	11,776,726		10,554,813	14,947,984
Current liabilities	(14,442,398)		(11,405,259)	(12,195,665)
Non-current liabilities	\$ (2,400,831)	\$	(2,755,321)	\$ (3,197,927)

<i>Statement of Operations and Comprehensive loss for the three months ended</i> <i>(Canadian Dollars)</i>	June 30, 2023		June 30, 2022	June 30, 2021
Net revenue	\$ 3,314,872	\$	1,102,557	\$ 792,221
Gross margin	1,488,015		712,915	232,991
Operating expenses	(3,347,550)		(3,149,788)	(2,938,237)
Operating loss	(1,859,535)		(2,436,873)	(2,705,246)
Net comprehensive loss	(1,297,301)		(4,225,547)	(3,581,660)
Loss per share – basic and diluted	\$ (0.02)	\$	(0.08)	\$ (0.08)

<i>Statement of Operations and Comprehensive loss for the six months ended</i> <i>(Canadian Dollars)</i>	June 30, 2023		June 30, 2022	June 30, 2021
Net revenue	\$ 4,485,090	\$	2,140,518	\$ 1,063,128
Gross margin	2,075,971		2,513,402	636,714
Operating expenses	(6,297,305)		(5,601,987)	(6,257,252)
Operating loss	(4,221,333)		(3,088,585)	(5,620,538)
Net comprehensive loss	(3,215,313)		(3,581,660)	(8,214,205)
Loss per share – basic and diluted	\$ (0.04)	\$	(0.07)	\$ (0.22)

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

Revenues

We report revenues in three key segments: North American, South America, and the rest of world. North America includes sales arising out of the medical cannabis sales of the Company's medical and health products 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 and revenue generated from the licensing of intellectual property and research and development services. The rest of the world includes sales of products to customers in Europe and Central America.

Revenue by Segment <i>(Canadian Dollars)</i>	Three Months ended June 30,		Six Months ended June 30,	
	2023	2022	2023	2022
North America	\$ 3,217,712	\$ 303,365	\$ 4,275,297	\$ 1,148,937
South America	97,160	779,566	209,793	955,784
Rest of world	-	19,626	-	35,797
Net Revenue	\$ 3,314,872	\$ 1,102,557	\$ 4,485,090	\$ 2,140,518

North American net revenue totaled \$3,217,712 and \$4,275,297 for the three and six months ended June 30, 2023, compared to \$303,365 and \$1,148,937 for the three and six months ended June 30, 2022. Sales arising out of the legacy Medical Cannabis by Shoppers, brought in approximately \$2.5 million in revenue in the three-month period. The remaining revenue is from product sales where the Company continues to experience growth in both medical and adult-use channels. The Company has invested in brand awareness, customer and patient education and expansion into new retail locations in order to increase sales across these channels. Revenues from South American sources were \$97,160 and \$209,793 for the three and six months ended June 30, 2023, compared to \$303,365 and \$955,784 for the three and six months ended June 30, 2022. In 2022, revenue was predominantly from license revenue.

Revenue from Rest of World sources was \$nil for both the three and six months ended June 30, 2023, compared to \$19,626 and \$35,797 for the three and six months ended June 30, 2022. These are comprised of smaller product sales to companies outside of our primary markets of South and North America. There were no such sales in the current quarter.

Key Revenue Metrics

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

Key Revenue Metrics	Six Months Ended June 30			
	2023	2022	Change (#)	Change (%)
Canadian Revenue Channels				
Medical (Listings)	61	17	44	259%
Adult use (Listings)	57	35	21	60%
Canadian finished goods sold (units)	86,378	50,842	35,536	70%
International Revenue Channels				
Finished products sold (units)	2,000	3,102	(1,102)	(36%)
Sale of API (kg)	45.30	175.3	(130)	(74%)
Sale of Seeds (units)	-	15,000	(15,000)	(100%)

* 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.

In for the six months ended June 30, 2023, the Company sold 86,378 units in the Canadian channel respectively, compared to 50,842 units in the comparable period in 2022, resulting a 70% increase. API sales in the international channels were 45.3kg for the six months ended June 30, 2023, compared to 175.3kg for the six months ended June 30, 2022.

Gross Margins

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

Gross Margin by Segment <i>(Canadian Dollars)</i>	Three Months ended June 30,		Six Months ended June 30,	
	2023	2022	2023	2022
North America	\$ 1,395,542	\$ 60,424	\$ 1,841,062	\$ 370,797
Gross margin %	43%	20%	43%	32%
South America	\$ 92,473	\$ 632,865	\$ 234,909	\$ 2,117,378
Gross margin %	95%	81%	112%	222%
Rest of World	\$ -	\$ 19,626	\$ -	\$ 25,227
Gross margin %	-	100%	-	70%
Net Revenue	\$ 1,488,015	\$ 712,915	\$ 2,075,971	\$ 2,513,402

Gross margins in the North American segment for the six months ended June 30, 2023, were \$1,841,061, compared to \$310,373 for the six months ended June 30, 2022. Gross margins for the South American segment totaled \$234,909 for the six months ended June 30, 2023, compared to \$1,484,513 in the same quarter of the prior year.

Operating Expenses

The following table presents operating expenses for the six months ended June 30, 2023, and 2022.

Operating Expenses <i>(Canadian Dollars)</i>	Three Months ended June 30,		Six Months ended June 30,	
	2023	2022	2023	2022
General and administrative expenses				
Office and general	\$ 698,273	\$ 619,555	\$ 1,122,399	\$ 982,554
Selling, marketing and promotion	395,721	149,147	469,977	214,970
Consulting fees	262,627	313,813	484,789	707,364
Professional fees	309,463	314,277	542,106	468,319
Salaries and wages	985,001	876,981	1,701,722	1,919,734
Research and Development	35,741	71,799	143,735	71,799
Share based compensation	501,030	496,001	997,467	649,243
Depreciation and amortization	159,694	248,986	157,931	502,456
Expected credit loss	-	59,229	16,454	59,229
Total Operating Expenses	\$ 3,347,550	\$ 3,149,788	\$ 6,297,305	\$ 5,601,987

Office and General expenses

For the three and six months ended June 30, 2023, the Company incurred office and general expenses totaling \$698,273 and \$1,122,399, compared to \$619,555 and \$982,554 in the same periods of the prior year. The Company experienced a slight increase in these expenses due to additional costs related to the MyMedi platform. These increases primarily included additional IT costs to support the back end of the platform.

Selling, Marketing and Promotion

For the three and six months ended June 30, 2023, the Company incurred selling, marketing and promotion expenses totaling \$395,721 and 469,977, compared to \$149,147 and \$214,970 in the same periods of the prior year. Marketing costs increased in the period ending June 30, 2023 due to fees paid to physicians and clinics for patient education and referral. These fees are incurred in connection with the development of the MyMedi platform.

Consulting Fees

For the three and six months ended June 30, 2023, the Company incurred consulting expenses totaling \$262,627 and \$484,789, compared to \$313,813 and \$707,364 in the same periods of the prior year. Consulting expenses were comprised of third-party consultants, service providers, and investor relation services. As part of the Company's continued cost-saving efforts, many of these services have been brought in house resulting in lower overall costs.

Professional Fees

For the three and six months ended June 30, 2023, the Company incurred professional fees of \$309,463 and \$542,106, compared to \$314,277 and \$468,319 in the same periods of the prior year. Professional fees for the comparable three month period is consistent with the prior year. The six month fees are higher in the current period due to, certain events occurred resulting in additional professional fees such as the extension of the convertible debentures and preparation for the annual general shareholders meeting, to take place in May 2023.

Salaries and Wages

For the three and six months ended June 30, 2023, the Company incurred salaries and wages of \$985,001 and \$1,701,722, compared to \$876,981 and \$1,919,734 in the same periods of the prior year. Salaries increased during the current three month period due to additional staff joining as part of the acquisition of Medical Cannabis by Shoppers. Overall, the Company has reduced head count from the comparable six month period in 2022, however several new employees joined during the subsequent to the second quarter as part of the new platform.

Research

For the three and six months ended June 30, 2023, the Company incurred research and development expenses of \$35,741 and \$143,735, compared to \$71,799 and \$98,118 in the same periods of the prior year. In the current quarter, research and development costs have decreased substantially in order to focus resources on the implementation of the MyMedi platform. The Company expects to resume normal research activities in the coming quarters.

Share-based Compensation

For the three and six months ended June 30, 2023, the Company incurred share-based compensation expenses of \$501,030 and \$1,498,497, compared to \$496,001 and \$649,243 in the same periods of the prior year. In the current period, some executives have elected to take stock based compensation in lieu of salaries, resulting in greater stock based compensation in the current quarter.

Depreciation and amortization

Depreciation and amortization for the three and six months ended June 30, 2023, was \$159,694 and \$317,625, compared to \$248,986 and \$502,456 in the same periods of the prior year. The decrease in depreciation is due to the impairment of capital assets recognized at year-end 2022.

Expected Credit Loss

For the three six months ended June 30, 2023, the Company recognized an expected credit loss of \$nil and \$16,454, compared with \$59,229 for the same periods of 2022. The Company did not note any additional credit loss in the second quarter of 2023, due to the short-lives of the outstanding receivables.

Other income (expenses)

The following table presents other income and (expense) for the six and three months ended June 30, 2023, and 2022.

Other Income (Expenses) <i>(Canadian Dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Foreign exchange loss	\$ (16,262)	\$ (25,079)	\$ (24,471)	\$ (35,583)
Gain on disposal of capital assets	(343)	-	2,071	-
Gain on revaluation of derivative liability	17,551	(2,471)	56,785	48,485
Other income	200,613	61,056	241,070	95,294
Interest expense	(101,270)	(429,424)	(321,723)	(791,478)
Loss on sale of Sativa Nativa	-	(1,530,994)	-	(1,530,994)
	\$ 100,289	\$ (1,926,912)	\$ (46,268)	\$ (2,214,276)

Other income and expenses were (\$146,557) for the six months ended June 30, 2023, compared to (\$287,364) for the six months ended June 30, 2022. The primary driver of the decrease in the current quarter is the accretion and interest expense which is correlated to the loans payable and convertible debentures at each quarter end. As of June 30, 2023, a significant balance of the loans payable has been paid and almost half of the open convertible debentures were converted. As such, accretion was significantly lower during the six months ended June 30, 2023.

Adjusted EBITDA

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

Adjusted EBITDA <i>(Canadian Dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net comprehensive loss	\$ (1,297,301)	(4,225,547)	\$ (3,215,314)	\$ (3,581,660)
Exchange differences on translation	(461,945)	(138,238)	(1,052,288)	(1,721,201)
Share-based compensation	501,030	496,001	1,498,497	649,243
Depreciation and Amortization	159,694	248,986	317,625	502,456
Estimated credit loss	-	59,229	16,454	59,229
Interest income (expense)	66,905	71,347	123,792	151,785
Other income, net	(200,613)	(61,056)	(241,070)	(95,294)
Accretion	34,365	-	197,931	639,693
Loss (Gain) on revaluation of derivative liability	(17,551)	(358,077)	(56,785)	(48,485)
Unrealized changes in biological assets	(83,824)	(146,836)	(331,797)	(1,503,114)
Inventory impairment	4,236	-	156,843	(5,394)
MyMedi Service Fees	242,477	-	242,477	-
Loss on sale of Sativa Nativa	-	(1,530,994)	-	1,530,994
Adjusted EBITDA	\$ (1,052,527)	(1,766,402)	\$ (2,343,634)	\$ (3,421,748)

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

The Adjusted EBITDA loss for the three and six months ended June 30, 2023, was \$1,052,527 and \$2,343,634, as compared to \$1,766,402 and \$3,421,748 for the three and six months ended June 30, 2022, respectively. The significant increase in revenue due to the introduction of the medical cannabis platform is largely what contributed to the large improvement in adjusted EBITDA. The

Company has removed services fees paid to Shoppers Drug Mart as part of the Acquisition of the platform as these are significant one-time costs that are outside of normal operations.

Summary of Quarterly Results

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

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

Quarterly Results <i>(In Canadian Dollars)</i>	Quarter Ended			
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Net revenues	\$ 3,314,872	1,170,218	\$ 1,136,100	\$ 771,263
Net comprehensive loss	(1,297,301)	(1,918,012)	(7,759,237)	(3,059,127)
Loss per share	\$ (0.02)	(0.03)	\$ (0.12)	\$ (0.05)

Quarterly Results <i>(In Canadian Dollars)</i>	Quarter Ended			
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Net revenues	\$ 1,102,557	1,037,961	\$ 1,217,811	\$ 987,967
Net comprehensive income (loss)	(4,225,547)	643,887	(8,390,551)	(2,944,747)
Income (Loss) per share	\$ (0.08)	0.01	\$ (0.18)	\$ (0.07)

Part 3 – Financial Liquidity and Capital Resources

The Company's primary liquidity and capital requirements are for capital expenditure, inventory, working capital and general corporate purposes. The Company currently has a cash balance of \$110,533 on June 30, 2023. The Company's ability to fund operating expenses and capital expenditures will depend on its future operating performance, and its ability to raise capital which will be affected by general economic conditions, financial, regulatory, and other factors, including factors beyond the Company's control.

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

The following table provides a summary of the cash flows for the six months ended June 30, 2023, and 2022:

Cash flows <i>(In Canadian Dollars)</i>	June 30,	
	2023	2022
Net cash (used in) provided by:		
Operating activities	\$ (3,223,197)	\$ (3,511,176)
Investing activities	(244,156)	818,943
Financing activities	2,053,204	4,568,193
Effect of exchange rate changes on cash	330,642	(1,221,023)
Net increase (decrease) in cash and cash equivalents	(1,414,149)	1,875,960
Cash, beginning of year	1,194,040	31,004

Cash, at quarter end	\$	110,533	\$	685,941
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Cash used in operations during the six months ended June 30, 2023, was (\$3,223,197) down from (\$3,511,176) for the same quarter to 2022.

Net cash flows from investing activities totaled \$(244,156) for the six months ended June 20, 2023, compared to \$818,943 for the six months ended June 30, 2022. The significant outflow is from the acquisition of the medical cannabis platform from Shoppers Drug Mart.

Net cash flow from financing activities totaled \$2,053,204 for the six months ended June 30, 2023, down from \$4,568,193 for the same period in 2022. Through equity and debt financing, the Company raised approximately \$1.2 million during the six months ended June 30, 2023, compared to approximately \$4 million for the same quarter in 2022.

The following table provides information about the Company's financing from the public and private sources during the six months ended June 30, 2023, and year ended December 31, 2022, and the actual use of proceeds from those financings compared to the intended use of proceeds from the offerings. The remaining cash related to financings raised for general corporate and working capital needs are prorated based timing of funds raised and the current years cash flow.

Date	Type	Gross Proceeds	Initially Intended Use of Proceeds	Actual Use of Proceeds
January 28, 2022	Convertible Debenture	\$1,550,400	The Company's stated intended use for the net proceeds was for general working capital.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
March 31, 2022	Private Placement offering	\$2,523,568	The net proceeds generated amounted to \$2,491,068. The Company's stated intended use of the net proceeds was for general working capital.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
May 6, 2022	Private Placement offering	\$1,473,826	The net proceeds generated amounted to \$1,428,826. The Company's stated intended use of the net proceeds was for general working capital.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
August 17, 2022	Private Placement offering	\$2,782,301	The Company's stated intended use of the net proceeds was for general working capital.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.

November 10, 2022	Private Placement offering	\$626,763	The net proceeds generated amounted to \$606,805. The Company's stated intended use of the net proceeds was for general working capital.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
December 21, 2022	Private Placement offering	\$1,769,097	The net proceeds generated amounted to \$1,763,597. The Company's stated intended use of the net proceeds was for general working capital.	As of the date of this MD&A, all funds have been fully deployed in their originally intended use.
Date	Type	Gross Proceeds	Initially Intended Use of Proceeds	Actual Use of Proceeds
March 20, 2023	Private Placement offering	\$1,238,492	The net proceeds generated amounted to \$1,226,392. The Company's stated intended use of the net proceeds were for general working capital and buildout of MyMedi platform.	As of March 31, 2023, management had not adjusted its originally intended use of the net proceeds of the financing.

January 2022 Convertible Debenture

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

March 2022, Private Placement

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

May 2022, Private Placement

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

August 2022, Private Placement

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

November 2022, Private Placement

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

December 2022, Private Placement

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

March 2023, Private Placement

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

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Balances and Transactions

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

Related Party Compensation <i>(Canadian Dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Foreign exchange loss	\$ 97,974	\$ 193,991	\$ 259,906	\$ 377,116
Gain on disposal of capital assets	142,958	195,824	559,214	279,594
	\$ 240,932	\$ 389,815	\$ 819,120	\$ 656,710

Additionally, as of March 31, 2023, the Company accumulated advances from certain related parties who represent the minority shareholders of SMGH in the amount of \$4,192,795 (\$3,843,196 as of December 31, 2022). The advances relate to minority partners contributions towards the expansion of cultivation facilities and ongoing operations. The balance owed to the related party is interest free and due on demand.

OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares (each, a "Common Share"). As of the date of this MD&A, there are 83,198,475 Common Shares issued and outstanding. In addition, there were 2,157,797 Common Shares issuable on the exercise of Stock Options, 27,703,704 Common Shares issuable on the exercise of Warrants, 1,694,168 Common Shares issuable on the vesting of Restricted Share Units and up to 1,249,412 Common Shares issuable on the exercise of the January 2022 Debentures.

Part 4 – Critical Accounting Policies and Estimates

Our significant accounting policies are fully described in Note 3 of the consolidated financial statements. Certain accounting policies require the application of significant judgement by management and, as a result, are subject to an inherent degree of uncertainty. We believe that the following accounting policies and estimates are the most critical to fully understand and evaluate our reported financial position and the results of operations, as they require our most subjective or complex management judgments. The estimates used are based on our historical experience, our 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 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.

Provisions

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

Assumptions and judgment. Management assesses the likelihood that the liability will be incurred at the financial statement date, however it cannot be confirmed as such. The recording of such liability is based on Management's judgement.

Impact if actual results differ from assumptions. Could result in a timing difference in the recognition of expenses resulting in a difference in the current profit and loss.

Risk Management

Liquidity risk

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

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

Market risk

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

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

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

Fair values

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

Financial instruments recorded at fair value on the condensed consolidated interim statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy as disclosed in Note 22 to the Consolidated Financial Statements for the year ended December 31, 2022. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety.

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. Warrants and derivative liability are classified as a level 2 financial instrument. As of the six months ended June 30, 2023, and the year ended December 31, 2022, there were no level 3 financial instruments.

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 future customer concentration; the ability to anticipate future needs of customers; no unusual delays to receive regulatory approvals for our clinical trials or cultivation quotas; our expectations with respect to the competitive landscape of the industry in which we operate and our present intentions to differentiate our business within that industry; the regulatory framework governing cannabis for recreational and medicinal use in Canada, Colombia, and any other jurisdiction in which we may conduct our business in the future; there being no significant delays in the completion of our cultivation facilities; there being no significant delays in the development and commercialization of our products; maintaining sufficient and effective production and R&D capabilities; our ability to analyze customer data; our ability to secure partnerships with manufacturers and distributors in international markets; the ability of our strategic partnerships to effectively operate; our ability to develop a brand to market our products successfully to consumers; future production and supply levels, and future consumer demand levels; the price of cannabis and cannabis related products; continuing to attract and retain key personnel; the demand for our products will grow for the foreseeable future; there being no significant barriers to acceptance of our products in the market; expected number of medical cannabis users and the willingness of physicians to prescribe medical cannabis to patients in the markets in which the Company operates; and, ability to access financing on commercially attractive terms.

The Company's overall performance and results of operations are subject to various risks and uncertainties which could cause actual performance, results and achievements to differ materially from those expressed or implied by forward-looking statements, including, without limitation, the following factors, some of which, as well as other factors, are discussed in the Company's Annual Information Form dated March 31, 2023, for the Year ended December 31, 2022 available under the Company's profile on www.sedar.com, which risk factors should be reviewed in detail by all readers:

- our business segments are heavily regulated in Canada and Colombia;
- the regulatory regime is evolving and uncertainty exists regarding the impact of the regime on the Company;
- the political environment surrounding the cannabis industry is in flux and subject to change;
- the inability to successfully complete clinical trials or obtain regulatory approval of products;
- risks of foreign operations generally, including but not limited to agriculture and drug policies, nationalization, expropriation, contractual rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases, and risks of loss due to civil strife, acts of war, guerilla activities and insurrections;
- the potential inability to enforce judgments obtained in Canada against any person or company incorporated, continued, or otherwise organized under the laws of a foreign jurisdiction or that resides outside of Canada, even if the party has appointed an agent for service of process;
- the potential inability to obtain or retain licenses required to grow, store, and sell cannabis in Colombia,
- the potential inability to establish and maintain bank accounts;
- potential involvement in regulatory or agency proceedings, investigations, and audits;
- compliance with evolving environmental, health and safety laws;
- the potential risk of exposure resulting from the control of foreign subsidiaries in Colombia;
- potential government policy changes or shifts in public opinion;
- exposure to foreign exchange risks;
- inflationary risks based on Colombia's historic experience of double digit rates of inflation;
- the potential that Colombia will impose repatriation of earnings restrictions in the future;
- Colombian political and economic conditions are subject to intervention and change;
- constraints on marketing of products;
- the cannabis industry and market 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, 2023 and other public filings of the Company, each of which is available under the Company's profile on SEDAR, at www.sedar.com.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

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

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