MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

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 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 the Company 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 a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to:

- changes in general economic, market and business conditions and product demand;
- changing interest rates, income taxes and exchange rates;
- changes in the competitive environment in the markets in which the Company operates;
- changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- opportunities that may be presented to and pursued by the Company;
- the Company's ability to meet its working capital needs at the current level in the short term;
- expectations with respect to raising capital; and
- changes in prices of required commodities.

This MD&A is presented as of the date of the long form final prospectus dated July 8, 2019 ("Prospectus") and is current to that date unless otherwise stated. The MD&A should be read in conjunction with the Company's consolidated financial statements for the three months ended March 31, 2019 and March 31, 2018 and the accompanying notes thereto (collectively, "Financial Statements"). 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 ("IASB").

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 "xxx".

BUSINESS OVERVIEW AND CORPORATE STRUCTURE

Avicanna was incorporated under the *Business Corporations Act* (Ontario) on November 25, 2016.

We are an emerging biopharmaceutical company engaged in the research, development and commercialization of novel cannabinoid-based health, wellness, and medical products. We focus on plant-derived cannabinoid pharmaceuticals, therapeutics, derma-cosmetics, and active ingredients.

We aim to establish Avicanna as a global leader through our product discovery and development processes, our intellectual property portfolio, our supply chain controls, our strategic relationships, and our regulatory and scientific expertise.

Headquartered in the Johnson & Johnson Innovation centre, JLABS @ Toronto, Canada our scientific development team leverages the facilities to develop products that are validated with the active cannabinoid ingredients by researchers at the Leslie Dan Faculty of Pharmacy at The University of Toronto ("U of T Faculty of Pharmacy"). We further improve upon our products using the data received from our clinical research partners at University Health Network and U of T Faculty of Pharmacy before placing them into clinical trials.

Our network of academic and research institutions continues to grow, which further strengthens our reputation as a company that develops products based on sound scientific principles.

In November 2018, we signed contracts with The Hospital for Sick Children in Toronto, Canada ("SickKids") and The University of West Indies ("UWI") to perform clinical studies on humans for Avicanna's pharmaceutical products. These studies are anticipated to provide valuable data for at least two of Avicanna's pharmaceutical products and may provide a basis for applications for drug approvals.

During 2018, we acquired control of two subsidiaries located in Santa Marta, Colombia that are expected to use their federal authorizations to cultivate and process medical cannabis to produce active ingredients – whole plant extracts, as well as purified or isolated forms of cannabidiol ("CBD") and tetrahydrocannabinol ("THC"). We intend to use the active ingredients in our products, to greatly reduce the cost of production, as well as to increase revenues.

We are growing our network of strategic relationships with best-in-class institutions located around the world. These strategic partners assist Avicanna in achieving its business objectives ranging from high quality cultivation and manufacturing to world class scientific research and development to market leading distribution and sales.

The cannabis industry and market are relatively new in the jurisdictions in which the Company operates, and this industry and market may not continue to exist or grow as anticipated or Avicanna may ultimately be unable to succeed in this new industry and market. Within Colombia, the Company intends to sell and market its proprietary medical and cosmetic cannabinoid-based products. To this extent the Company needs to build brand awareness in this industry and in the markets it operates in through significant investments in its strategy, its licensed producers production capacity, quality assurance, and compliance with regulations.

SELECTED FINANCIAL INFORMATION

Three months ended March 31, 2019 and March 31, 2018

The following table sets forth a summary financial information for the Company for the three months ended March 31, 2019 and 2018. The selected financial information set out below may not be indicative of the Company's future performance.

	Three Months Ended March 31, 2019	**Three Months Ended March 31, 2018**
	$	**$**
Revenues	**24,023**	**33,507**
General and administrative	724,603	196,124
Consulting	246,094	531,438
Research and development	118,066	49,653
Professional fees	401,122	197,121
Board fees	6,699	26,369
Salaries and wages	930,702	211,741
Write off of biological asset	158,407	-
Selling, marketing and promotion	101,513	38,165
Share-based compensation	1,044,639	97,642
Depreciation and amortization	56,295	23,263
Total expenses	**(3,788,140)**	**(1,371,516)**
Other income (loss)		
Foreign exchange gain (loss)	(133,078)	33,768
Gain on acquisition	-	1,129,976
Gain on revaluation of derivative liability	4,134	-
Loss attributed from equity accounted investee	-	(27,607)
Interest income	7,585	5,949
Net loss	(3,885,476)	(195,923)
Non-controlling interest	(175,987)	(13,112)
Net loss attributable to shareholders of the Company	**(3,709,489)**	**(182,811)**
Exchange differences on translating foreign operations	(32,538)	(18,611)
Net comprehensive loss	(3,918,014)	(214,534)
Weighted average number of Common Shares outstanding – basic and diluted	15,885,863	11,268,271
Loss per share – basic and diluted	(0.25)	(0.02)

Revenue

Revenue for the three months ended March 31, 2019 was $24,023, compared to $33,507 for the same period in the prior year. The decrease in revenue is due to the legalization of recreational cannabis in Canada which has reduced demand for the services that My Cannabis provides.

Expenses

Expenses increased for the three months ended March 31, 2019, compared to the same period in 2018. The increase was driven by the following items:

- With the acquisition of Sativa Nativa S.A.S. ("Sativa Nativa") and Santa Marta Golden Hemp S.A.S ("SMGH") and the formation of Avicanna LATAM S.A.S. ("LATAM"), operational expenses in Colombia are included in the results for the three months ended March 31, 2019. When compared to the same period in 2018, SMGH and LATAM are excluded and only one month of Sativa Nativa's results are included as the acquisition was completed on February 28, 2018;

- The increase in general and administrative expenses is largely due to an increase in office, rent and travel costs. When compared to the same period in prior year, the Company incurred higher expenditures as a result of its ongoing efforts to expand its facilities in Colombia. Additionally, as mentioned above, the current period includes the consolidated results for the full three months ended as at March 31, 2019 for Sativa Nativa and SMGH, whereas the prior period only includes one month results from date of acquisition to March 31, 2018 for Sativa Nativa;

- Consulting expenses decreased for the current period when compared to the same period in prior year. The decrease is due to the Company hiring full time employees that were previously consultants for the Company;

- Research and development costs increased for the current period. The Company entered into key partnerships in 2019 when compared to the same period in 2018. In addition, the Company's internal research and development activities increased substantially in 2019, which included the purchase of supplies and tools;

- The increase in professional fees is due to the Company incurring higher costs as a result of its go public transaction when compared to the same period in the prior year;

- The increase in salaries and wages is driven by the Company's expansion efforts which has resulted in the Company incurring higher personnel costs. Additionally, certain personnel that were consultants in the same period of the prior year were hired as full time employees of the Company in the current period; and

- The increase in share based compensation is driven by the vesting of previously issued options and shares provided to consultants for services performed.

Other Items

Non-controlling interest represents the proportionate share of Sativa Nativa's and SMGH's minority interest shareholders. Losses arising from non-controlling interest increased during current period as the balance reflects the results of the operations of Sativa Nativa and SMGH. When compared to the same period in fiscal 2018, non-controlling interest only includes one month of results from Sativa Nativa as the Company did not acquire control of Sativa Nativa until February 28, 2018. The Company conducts business in US dollars, Canadian Dollars and Colombian Pesos. Gains and losses arise from time to time as a result of foreign currency exchange transactions conducted in the ordinary course of the Company's business.

REVIEW OF FINANCIAL POSITION AS AT MARCH 31, 2019 AND DECEMBER 31, 2018

The following provides a summary of the financial position of the Company as at March 31, 2019 and December 31, 2018.

	As at March 31, 2019 $	As at December 31, 2018 $
Assets		
Cash	483,318	69,295
Trade and other receivables	198,753	258,608
Prepaid assets	1,576,844	863,624
Property and equipment	16,675,615	16,256,136
Intangible assets	10,726,200	10,733,266
Investments	72	72
Total Assets	**29,660,802**	**28,181,001**
Liabilities and equity		
Amounts payable	2,485,738	1,455,565
Shareholder advance	331,320	331,320
Advance subscription	831,554	-
Convertible debentures	678,669	-
Derivative liability	97,335	-
Term loan	14,441	14,441
Total liabilities	4,439,057	1,801,326
Shareholder's equity	25,221,745	26,379,675
Total liabilities and shareholder's equity	**29,660,802**	**28,181,001**

Total Assets

Total assets as at March 31, 2019 were $29.66 million, compared to $28.20 million as at December 31, 2018. The increase in total assets between December 31, 2018 and March 31, 2019 was due to the following:

- Property and equipment increased by $419,479 from December 31, 2018 due to the development of Sativa Nativa's and SMGH's cultivation facilities, which resulted in adding certain equipment for research and development activities; and

- Prepaid assets increased during the three months ended March 31, 2019 by $713,220 from December 31, 2018 due to the prepayment of services to contractors for the development of the Sativa Nativa's and SMGH's cultivation sites, and down payments for additional extraction and laboratory equipment.

Total Liabilities

Total liabilities as at March 31, 2019 were $4,393,057 compared to $1,801,326 as at December 31, 2018. The difference is due to the following:

- Accounts payable increased significantly at March 31, 2019 due to accruals made for professional fees related to legal and accounting fees;

- During the period the Company issued convertible debentures that had a carrying amount of $678,669 and a derivative liability of $97,335 as at March 31, 2019; and

- During the period the Company collected $831,554 in advance subscription related to our special warrant offering (see subsequent events);

Shareholder's Equity

While the deficit from operations increased for the three months ended March 31, 2019 compared to the year ended December 31, 2018, the Company raised approximately $1.6 million as a result of the exercise of options and warrants. Additionally, the Company issued approximately $256,624 worth of shares to consultants for services provided. Furthermore, $914,415 worth of options were issued and vested during the period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows for the three months ended March 31, 2019 and March 31, 2018

Cash from Operating Activities

For the three months ended March 31, 2019 the Company generated a cash flow deficit from operations of $(2,313,872). Higher expenditures during this period resulted in the deficit.

Cash used in Investing Activities

For the three months ended March 31, 2019, cash flows used in investing activities was $(468,708). The cash flow deficit is due to expenditures related to capital asset purchases. The majority of the capital purchases relate to the construction of the cultivation facility.

There are currently two major projects that the Company is in the process of completing. The Company is constructing two cultivation facilities at the sites of SMGH and Sativa Nativa in Santa Marta, Colombia. Once the initial phase of construction is complete the Company will have approximately 120,000 square feet of indoor and outdoor greenhouse space at Sativa Nativa and approximately 270,000 square feet of indoor and outdoor greenhouse space at SMGH. The following breaks down the total expended to date and estimated funds remaining to complete the initial phase. The Company is anticipating the initial phase to be completed in the third quarter of 2019 and extraction to commence at that point.

		Expended to Date (as at March 31, 2019)		Remaining to Complete Initial Phase
Purchases made in connection with cultivation facilities	$	5,480,936	$	4,098,904

Based on the above, the Company is estimated to spend a total of $9,579,840 on the cultivation facilities. Once the initial phase is complete we commence extraction activities, which is anticipated in the third quarter of 2019.

In addition to the cultivation facilities, the Company is engaged in substantial research and development activities. The following summarizes amounts expended on commitments to key research partners to date and estimated amounts remaining over the next 12 months.

		Expended to Date (as at March 31, 2019)		Remaining spend – next 12 months as of March 31, 2019
Amounts expended for R&D partnerships	$	358,204	$	1,388,164

Based on the above the Company is expected to spend approximately $1,746,368 in total on its research and development commitments through its research partnerships over the next 12 months.

Cash from Financing Activities

Cash generated from financing activities totalled $3,196,603 for the three months ended March 31, 2019. The increase in cash generated from financing activities was the result of the Company issuing convertible debentures and proceeds from the exercise of warrants and options.

Liquidity and Capital Resources

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations and capital expenditures. As at March 31, 2019, the Company had working capital deficit of approximately $(1,389,697), with current assets of approximately $2.26 million and current liabilities of approximately $3.65 million. The Company is not planning to commence commercial activities until Q4 of fiscal 2019; therefore, in the interim period, the Company will not require significant working capital for inventory. As the Company continues to grow at a rapid pace, it requires funding for ongoing working capital, and to fund the capital projects underway in its subsidiaries. This funding need will continue to increase in the interim period. As such, the Company plans to raise additional funds by selling equity, and potentially liquidating some of its assets.

The anticipated cash required over the next 12 months includes the following:

Capital expenditures related to the construction of the cultivation facilities	$	4,098,904
Working capital requirements for tech transfers		299,500
General and administrative expenses		8,410,598
Total working capital and capital required		12,809,002

As noted above the Company will need to fund its activities over the next 12 months by raising additional capital for future plans. On April 15, 2019 the Company successfully completed the second tranche of a special warrant offering whereby the Company issued 2,228,328 Special Warrants at $8.00 each for aggregate gross proceeds of $17,826,624. The Company anticipates that this funding will allow it to operate for a 15 month period, prior to having to raise any additional funds.

COMMITMENTS AND CONTINGENCIES

Commitments

The Company has rental leases and other agreements for select research activities for which as at March 31, 2019 the Company is committed to pay the following amounts:

2019	$	410,081
2020		343,689
2021		238,689
2022		179,017
	$	1,171,476

In order to fund the above commitments and contingencies the Company plans to raise additional capital through equity issuances and potentially selling a stake in its assets. The Company currently has research agreements in place that will require funding per the terms of the agreements.

Contingencies

In the ordinary course of business and from time to time, Avicanna is involved in various claims related to operations, rights, commercial, employment or other matters. Although such matters cannot be predicted with certainty, management does not consider Avicanna's exposure to these claims to be material to these Financial Statements. As at March 31, 2019 and December 31, 2018 to the Company's knowledge, there were no claims against Avicanna.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than those described under commitments and contingencies above.

RELATED PARTY BALANCES AND TRANSACTIONS

Compensation expense for Avicanna's key management personnel for the three months ended March 31, 2019 and year ended December 31, 2018 is as follows:

	For the three months ended March 31, 2019	December 31, 2018
Salaries and benefits	162,500	671,433
Share-based compensation	-	34,000

Additionally, at the end of March 31, 2019 a minority shareholder of SMGH, Inmobiliaria Bondue S.A.S. ("Bondue") advanced funds in the amount of $331,320. Bondue is owned by Mr. Char who is also a director of the Company. The purpose of the advance was to fund the Company's working capital requirements.

CRITICAL ACCOUNTING ESTIMATES

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:

[i] Useful lives and impairment of property and equipment

Depreciation of property, plant and equipment is dependent upon management's estimate of the assets' useful lives. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

[ii] Share-based compensation

In calculating the share-based compensation expense, key estimates such as the value of the common shares, the rate of forfeiture of options granted, the expected life of the option, the volatility of the value of the Company's common shares and the risk free interest rate are used.

FINANCIAL INSTRUMENTS AND 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.

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

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
Amounts payable	$ 2,485,738	$ 2,485,738	$ 2,485,738	$ -	$ -
	$ 2,485,738	$ 2,485,738	$ 2,485,738	$ -	$ -

Market risk

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

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian dollars, which is also the Company's functional currency. [1]

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.

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 at March 31, 2019 and December 31, 2018.

Fair values

The carrying values of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables and funds held for investment 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 a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the 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. The hierarchy prioritizes the inputs used by the

[1] See "Other Items" in Selected Financial Information, which states: "The Company conducts business in US dollars, Canadian dollars and Colombian Pesos. At September 30, 2018, the Company held a significant amount of US dollars and Colombian Pesos."

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 three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

SUBSEQUENT EVENTS

On April 5, 2019, Mountain Valley MD Inc. ("MVMD") subscribed to and purchased 25% of the issued and outstanding shares of Sativa Nativa. As part of the transaction, MVMD directly subscribed for 17,892,248 shares of Sativa Nativa for an aggregate purchase price of $2.8 million. The remaining 15% interest was purchased from existing shareholders of Sativa Nativa, the Company not being one. Following the close of the transaction, the Company's interest in Sativa Nativa was diluted to 63% of the then total issued and outstanding shares.

On April 15, 2019 (the "Second Tranche Closing Date"), the Company completed the second tranche of a special warrant offering whereby the Company issued 2,228,328 Special Warrants at $8.00 each for aggregate gross proceeds of $17,826,624. As part of this transaction the Company incurred an issuance cost of $670,800. Each Special Warrant holder is entitled to receive upon conversion one unit (each, a "unit") of the Company with each unit consisting of one common share ("Common Share") in the capital of the Company and one half of one Common Share purchase warrant (each whole warrant, a "Warrant" and together with the common shares, "Underlying Securities") with each Warrant entitling the holder thereof to purchase one common share in the capital of the Company at a price of $10.00 for a period of two years after the closing date; subject to the Company's right to accelerate the expiry date of the Warrants upon thirty (30) days' notice in the event that the Common Shares become listed on a recognized stock exchange in Canada and the volume weighted average trading price of the Common Shares is equal to or exceeds $12.50 for a period of ten (10) consecutive trading days on such exchange. The Special Warrants issued will be automatically exercised into Underlying Securities, without any action, including additional payment, on the part of the Special Warrant holder, upon the earlier to occur of: (i) the date that is three business days following the date on which the Company obtains a receipt, from the applicable securities regulatory authorities, for the Prospectus, and (ii) the date that is 120 days following the Second Tranche Closing Date. Additionally, pursuant to the agency agreement, the Company issued to Sprott Capital Partners LP and Paradigm Capital Inc. 129,290 compensation units. Each compensation unit entitles the holder to acquire one Common Share and one half of one common share purchase warrant on the same terms as the units issuable on the automatic exercise of the Special Warrants. The Company received funds in advance of the Second Tranche Closing Date which gave rise to an advance subscription in the amount of $831,554.