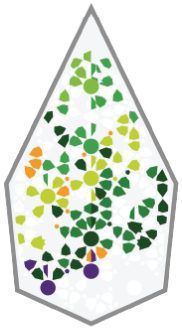
AVICANNA INC.



AVICANNA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

November 12th, 2021

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 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. See "Risk Factors" below.

This MD&A was prepared by management as of November 12, 2021 and is supplemental to and should be read in conjunction with the Company's condensed consolidated interim financial statements (the "Financial Statements") for the three and nine months ended September 30, 2021 and the accompanying notes thereto. The information contained in this MD&A is presented as of the date of the MD&A and is current to that date unless otherwise stated. The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors on November 12, 2021.

The Company does not, directly or indirectly, have any business operations in jurisdictions where cannabis or hemp is not federally legal.

Introduction

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

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

2. *Part 2 – Results of Operations.* This section provides an analysis of operations for the three and nine months ended September 30, 2021.

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

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

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

Part 1 – Business Overview

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

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

Medical Cannabis & Wellness Products

Marketed under the RHO Phyto™ brand, or Magisterial Preparations, these medical and wellness products are an advanced line of pharmaceutical-grade cannabis products containing varying ratios of cannabidiol ("CBD") and tetrahydrocannabinol ("THC"). The product portfolio contains a full formulary of products including oral, sublingual, topical, and transdermal deliveries that have controlled dosing, enhanced absorption and stability studies supported by pre-clinical data. The advanced formulary is marketed with consumer, patient and medical community education and training. Avicanna's medical and wellness product portfolio also forms the foundation of the Company's pharmaceutical pipeline with the contribution of the formulations that form the basis of the products as well as the data generated from sales and participation of the products in real world evidence studies.

Market opportunity

RHO Phyto is currently available nationwide to patients in medical channels across Canada through a partnership with Medical Cannabis by Shoppers™, a subsidiary of Shoppers Drug Mart Inc.™, as well as the Odette Cancer Centre pharmacy of Sunnybrook Health Science Centre, a major hospital group in Canada. and the products are also sold in adult-use sales channels through provincial retailers in 5 provinces, establishing RHO Phyto as the leading brand of medical products in the Canadian market and one with significant support from the medical community. The products have also expanded into the much larger adult use market in 2021 to provide easier access to patients and consumers seeking medical and wellness products.

These advanced products are expanding into other international markets and are also commercialized in Colombia under the magisterial legislation supported by comprehensive programs including education and patient support. The products are taken through Avicanna's vertical integration which includes Good Production Practices ("GPP") allowing the program to be expanded into other Latin American countries, as regulations permit.

CBD Derma-Cosmetic Products

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

Market opportunity

Currently available nationwide across Canada in medical sales channels in partnership with Medical Cannabis by Shoppers™ and in adult-use sales channels through retailers in 4 provinces.

These products are also currently being sold nationwide in Colombia and Ecuador with anticipated product launches in the USA, the UK, and certain Latin American countries by the end of 2021.

Pharmaceutical Pipeline

Leveraging Avicanna's scientific platform, vertical integration, and real-world evidence, Avicanna has created a pipeline of patent-pending drug candidates which are indication-specific and in various stages of clinical development and commercialization. These cannabinoid-based drug candidates provide solutions for unmet medical needs in the areas of dermatology, chronic pain, and various neurological disorders. Avicanna's first pharmaceutical preparation (Trunerox) is in the drug registration stage in South America.

Market opportunity

These indication-specific drugs are intended to be marketed once drug applications have been submitted and approved by obtaining marketing authorizations from national drug agencies including the U.S. Food and Drug Administration ("FDA"), Health Canada, as well as Latin American health authorities including National Health Surveillance Agency ("ANVISA") in Brazil. Specific drugs from Avicanna's pharmaceutical pipeline including (Trunerox) have undergone Good Manufacturing Practice ("GMP") level pilot

production and analysis under International Council on Harmonisation ("ICH") guidelines for pharmaceutical products. These are necessary for generic and phyto-therapeutic drug registrations, which rely on existing clinical evidence for marketing authorization therefore providing a significant price and time to market advantage for the Company with initial approvals expected in the first half of 2022.

Cannabis Raw Materials, Seeds, and Bulk Formulations

Marketed under the Aureus™ brand, the Company's raw material business has successfully completed sales to 11 countries. Aureus offers cannabis dried flower, standardized seeds, full spectrum extracts, and cannabinoid distillates, isolated cannabinoids (CBD, THC, cannabigerol ("CBG") and other rare cannabinoids), and bulk formulations derived from hemp and cannabis cultivars through its sustainable, economical, and industrial-scale subsidiaries based in Colombia. The majority of the Aureus products are produced at Santa Marta Golden Hemp S.A.S. ("SMGH"), the Company's majority-owned subsidiary, which is also Good Agricultural and Collection Practices ("GACP") certified and United States Department of Agriculture ("USDA") National Organic Program certification for its hemp cultivar.

Market opportunity

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

The Company has formed several strategic supply relationships with global pharmaceutical companies and has exported raw materials and bulk formulations from Colombia into 11 countries including Canada, the USA, Argentina, South Africa, Germany, Austria, Chile, Uruguay, Brazil, Peru, and the UK to research and manufacturing companies. Recently the Company attained GACP certification for its cultivation practices which allows the Company to also export its dried flower and biomass into developed markets including the European Union. Avicanna's Aureus division is well positioned to supply the emerging cannabis sector with raw input materials for food, cosmetic, medical, wellness, and pharmaceutical use in addition to standardized seeds required for cultivation projects, particularly in South America.

Q3 2021 and subsequent event highlights

Q3 2021 highlights

- The Company continues to diversify its cannabis-only revenue streams by executing several business models across several geographical markets. These include revenue generated from seeds, extracts, cosmetics, medical and adult use products.

- The Company delivered 27,041 units of its cannabis 2.0 products branded as RHO Phyto and Pura Earth compared to 16,767 units in the second quarter of 2021 and 8,855 units in the first quarter of 2021. This represents a growth of 61% over the second quarter and 205% over the first quarter of 2021.

- By the end of the third quarter, the Company had a total of 25 listings (see *Key Revenue Metrics)* in Canada, compared to 17 listings in the second quarter of 2021 and 6 listings in the first quarter of 2021. This represents a growth of 47% over the second quarter and 316% over the first quarter of 2021.

- Gross revenue in the third quarter increased to $1,007,033 ($987,967 net) from $810,299 ($792,221 net) in the second quarter of 2021, and $279,516 ($270,908 net) in the first quarter of 2021. This represents an increase of 24% over the second quarter and 260% over the first quarter revenues. The majority of the Company's Q3 revenues are new or recurring orders from its finished product sales into the Canadian medical and adult use channels.

	For the Three Months Ending **March 31, 2021**	*For the Three Months Ending* **June 30, 2021**	*For the Three Months Ending* **September 30, 2021**
Gross Revenue	**$279,515**	**$810,299**	**$1,007,033**
North America	$183,659	$596,059	$687,996
South America	$82,340	$212,685	$319,037
Rest of the World	$13,516	$1,555	-
Product Sales - Final Product Units	**8,855**	**16,767**	**27,041**
North America	4,104	13,212	21,844
South America	4,751	3,555	5,197

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

- Registered and attained sales approval for four (4) Pura Earth branded SKUs for consumer cosmetics by the Ecuadorian health authorities, Agencia Nacional de Regulation, Control y Vigilancia Sanitaria ("ARCSA") and initial export of the products into Ecuador, where they will be distributed through a partnership with Spenta S.A.

- Entrance into new global markets and expansion of Aureus-branded products with exports of high CBD and THC cannabis extracts to Austria, Peru, and Brazil reaching a total of 11 countries across 4 continents.

- In July, the Company executed a multi-year supply agreement with a Brazilian pharmaceutical company to supply industrial volumes of high THC and high CBD full spectrum cannabis extracts. The Company is expecting revenue of up to $4.0M in fiscal 2022 from this agreement. On August 27, 2021 the Company successfully delivered the first commercial batches of CBD and THC to the pharmaceutical partner in Brazil.

- Exclusive intellectual property licensing and royalty agreement with Canadian licensed producer Heritage Cannabis Holdings Corp. ("Heritage"), for the commercialization of a variety of Avicanna's advanced CBD-based topical products under Heritage's medical cannabis brands, which will be distributed through non-competing channels in Canada.

- Further progress on its drug pipeline and clinical development including the filing of a US Patent Application for a novel cannabinoid formulation for reducing incidence of seizures and sudden unexpected death in epilepsy. Research findings originated from cannabinoid-based collaborations with leading epilepsy researcher, Dr. Peter Carlen, at University Health Network ("UHN"). Avicanna's proprietary formulation showed promising pre-clinical results in reducing seizures and will continue to undergo preclinical and clinical development as a potential drug candidate.

- The OSC revoked the cease trade order previously imposed on the Company and trading of the Company's shares resumed on the TSX after the Company changed its auditors and brought its continuous disclosure record up to date.

- Adjusted EBITDA for the nine months ending was ($7,279,966), compared with ($13,810,185) for the nine-month period ending September 30, 2020. This represents an improvement of 47% from the same period in the previous year.

- Loss per share for the nine months ended September 31, 2021 was ($0.29) per share, compared with ($0.82) per share for the nine-month period ending September 30, 2020. This represents an improvement of 64% from the same period in the previous year.

Other highlights subsequent to Q3 2021

- On November 9, 2021 the Company announced the Canadian launch of Viola- branded products in partnership with Medical Cannabis by Shoppers™. Through this partnership Canadian medical and adult use consumers will have access to products by the equity-focused brand for the first time. Founded by National Basketball Association ("NBA") veteran Al Harrington, Viola is a very well-established brand in the US with presence in 4 States. The products include live resin formats of vaporizers will be made available across adult use channels in the fourth quarter, initially in Ontario and New Brunswick.

- SMGH completed its first commercial export of feminized cannabis seeds from Colombia to Peru and Argentina. This milestone validates the Company's leadership in the breeding and stabilization of cannabis strains in South America's emerging industry.

- On October 19, 2021 the Company closed a non-brokered private placement at a premium to the market price (at the time of close), issuing 4,587,022 common share units at a price of $0.85 per unit for gross proceeds of $3,898,969.

- SMGH met global conformity standards of GACP, an international guide set forth by the European Medicines Agency. The certification will allow for the expansion of the Company's raw materials supply business to include organic and now GACP certified dried flower and biomass globally.

STRATEGY AND OUTLOOK

Summary of commercial activities and expected brand launches

The Company has continued to make commercial progress with a specific focus on the Canadian marketplace in medical, clinical, and adult use sales channels. In particular, the Company introduced its products into the $4 billion adult use market, with more than 21,000 units sold in Canada during the quarter, representing a significant increase in sales and number of provincial listings in the third quarter. The Company expects additional SKU listings in Canada, and an increase in the units sold during the fourth quarter, and into fiscal 2022. The Company also expects its advanced cannabis 2.0 finished product sales to continue to increase in existing and new markets under the RHO Phyto and Pura Earth brands.

As part of a strategic, multi-level partnership with NBA veteran Al Harrington, Avicanna has recently launched the Viola brand and is in the process of also launching rePLAY™, Al Harrington's THC-Free sports recovery topical brand. The Company expects both brands to be significant revenue drivers in the Canadian medical and adult use channels.

The Company's Aureus branded raw material business unit has also established significant supply relationships globally which include seeds and cannabis extracts. The Company expects growth in this business unit to continue into 2022 through increases of exports to existing customers, and entrance into new international markets.

Avicanna has established its commercialization strategy involving each of its individual product lines in respective geographical markets. Additionally, the Company has laid the technical and regulatory foundation for commercialization of its medical and pharmaceutical products in key Latin American markets and is expecting commercial traction by 2022.

Product Line & Brand	Canada - Medical	Canada - Adult Use	USA	Colombia	UK	Ecuador	Brazil	Mexico	Chile	Peru
RHO Phyto / Magisterial Medical	✔	✔		✔	2022					
Pharmaceutical Products	2024		2024	2022	2024	2022	2022	2022		2022
Pura H&W/Earth Dermacosmetics	✔	✔	Q4-21	✔	Q4-21	✔				
re+PLAY	Q4-21	Q4-21	Q4-21[1]							
Viola	✔	Q4-21								
Aureus IP and/or Seeds			✔	✔	✔	Q4-21	✔	2022	✔	✔

Note: The above table indicates expected launch dates, which are subject to regulatory approvals in each of the indicated countries, among other factors. See "Risk Factors".
(1) Strategic partnership with Red White & Bloom Brands Inc.

Strategic partnerships

Avicanna has entered several strategic commercial partnerships that the Company believes will validate and enhance its credibility and scientific leadership while providing opportunities for revenue generation across direct sales and royalty agreements.

Partnership with Al Harrington's brands, re+PLAY™ and Viola

In the first quarter of 2021, Avicanna signed agreements with two companies founded by former NBA star Al Harrington for the use of his brands, re+PLAY™ and Viola™, in connection with specific formulations developed by Avicanna that are intended to be commercialized in the US and Canada, which are expected to commence in Q4 2021.

The agreement with Harrington Wellness Inc. ("Harrington Wellness"), for the re+PLAY™ brand, focuses on the commercialization of a CBD topical product line targeting athletes and active consumers in Canada and the U.S. Avicanna and Harrington Wellness have worked together extensively on researching, developing, and optimizing a bespoke line of CBD-based topicals designed specifically for the athletic and sports community. These CBD-based topicals utilize Avicanna's proprietary deep tissue technology for cannabinoid delivery and have been curated with the support of Harrington Wellness' deep understanding of the needs of professional athletes. The initial 3 SKU's have been produced in the US by Harrington wellness and by Avicanna in Canada in preparation for their commercialization end of 2021.

Viola, a social equity focused consumer retail brand that was founded by Al Harrington in 2021 with sales in 4 US States, is licensed to Avicanna for commercialization of ultra-premium products in the Canadian cannabis market. Founded by NBA veteran Al Harrington, Viola is leading the charge on minority participation and social equity in the US cannabis industry through its social equity and education initiative "Viola Cares". Through this partnership, Avicanna has managed the commercialization of both Viola ™ and re+PLAY™ branded products in Canada and has

already completed the tech transfer and manufacturing process with initial listings in both the medical and adult use channels.

Viola was initially launched nationwide in Canada in partnership with Medical Cannabis by Shoppers™ online portal where two live terpene disposable pens will be launched in November 2021, and the Company expects to add additional SKUs including vaporizers and concentrates by the end of the year in medical and provincial channels.

Partnership with Red White & Bloom

In the fourth quarter of 2021, Avicanna expects to commence sales of its advanced and clinically backed CBD-based cosmetic and topical products Pura H&W™ by Red White & Bloom ("RWB") in the US pursuant to the exclusive distribution agreement the parties entered in August 2020.

The $532 billion beauty industry in the US continues growing rapidly and new trends such as the introduction of CBD cosmetics is anticipated to establish a strong market presence in markets that permit retail sales such as the United States. The Pura H&W branded products utilize hemp-derived CBD, the non-psychoactive and non-controlled cannabinoid, which allows for cosmetic designation and retail sales in the US.

RWB is a US multi-state operator that is well positioned to drive market penetration of Avicanna's CBD derma-cosmetic products in the US. Avicanna and RWB are working together for the end of year launch of the Pura products across e-commerce, traditional retail sales channels, and traditional cannabis sales channels where RWB has an established footprint.

Partnership with Sunnybrook Hospital

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

Medical Cannabis & Wellness Products

In the second half of 2020, the Company launched its RHO Phyto brand of products nationwide through an exclusive partnership with Medical Cannabis by Shoppers Drug Mart™, where it has been established as one of the leading brands with consistent increase in units sold. Currently, in Canada, there are approximately 300,000 registered medical cannabis patients.

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

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

Avicanna's education and commercial plans include information related to the line's potential in treating a wide range of clinical indications and more specifically specific common symptoms as pain, sleep, appetite, anxiety, and depression that are prevalent in wide range of medical conditions. Avicanna's approach to evidence-based products with accurate dosing, established product stability, and optimized formulation to increase product efficacy, safety, in addition to its approach to training the medical community has resonated well with the medical community where select pharmacists, clinics, physicians and medical institutions have supported the RHO Phyto brand as their choice for medical cannabis.

Clinical offerings

Additionally, through partnerships with leading clinical institutions including UHN and Sunnybrook Hospital, Avicanna's RHO Phyto products are the standard of care for physicians and KOL's who can directly prescribe the products to their patients. This further validates Avicanna's leadership position within the Canadian medical community as the Company's products are a leading brand choice by the prescribing physicians.

RHO Phyto product offerings

- **Micro Drops:** Offered in a blood orange flavour and metered dosing for easy titration. These advanced formulations are designed to provide higher and faster cannabinoid absorption compared to basic MCT (medium-chain triglyceride) oil products available in the market. RHO Phyto's unique combination of ingredients helps maintain the stability of the cannabinoids to ensure more consistent dosing over the course of treatment.

- **Rapid Act Sprays:** Offered in lemon-mint flavour, are administered under the tongue to provide more direct absorption into the bloodstream by avoiding first pass metabolism by the gut and liver. RHO Phyto's Rapid Act Sprays are optimized for increased absorption and faster onset in comparison to basic MCT (medium-chain triglyceride) sublingual sprays. Rapid Act Sprays are discreet, easy to use, and convenient. Rapid Act Spray is also available in a tetrahydrocannabinol (THC)-Free formula. It is designed to limit side-effects commonly associated with THC and provide an alternative for users that would like to avoid products containing THC.

- **Deep Tissue Gel:** RHO Phyto Deep Tissue Gel combines unique ingredients and natural polyphenols in an advanced emulsion formulation to consistently deliver the same amount of CBD in every pump. Years of research and development have optimized this formulation for improved stability and faster absorption of cannabinoids into the deeper layers of the skin. RHO Phyto's Deep Tissue Gel is stored in pharmaceutical grade airless packaging, which provides protection from light and air to preserve the integrity of the product. This quick absorbing gel comes in a mint scent and delivers a cooling effect.

- **Capsules:** RHO Phyto's Quick Dose THC Capsules are designed for proven immediate release and enhanced bioavailability through a natural emulsion technology. In addition, the advanced emulsion is designed to maintain the stability of cannabinoids for consistent potency and accurate dosing over time. RHO Phyto products are part of a formulary of advanced cannabinoid medical products.

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

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

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

Product and brand attributes

- *A comprehensive, consistent, and scientifically- advanced medical cannabis line of formulations in Canada*
- *Inhalation free, discrete, and pleasantly flavored products designed for wellness and medical users.*
- *Pipeline of over 20 SKUs including oral, sublingual, transdermal and topical deliveries offered with various CBD-THC and THC-Free formulations.*
- *Accurate dosing and consistent delivery with demonstrated shelf-life stability.*
- *Evidence-based, scientific approach to product development and drug delivery.*
- *Supported with education and training for patients, physicians, consumers, and retailers.*
- *Available nationally from Medical Cannabis by Shoppers's Drug Mart, a major Canadian hospital and across adult use channels*

The Company is expecting sales to continue to increase, based on a few key elements of Avicanna's strategy.

- **Expansion into adult use markets:** Expansion into adult use channels through provincial boards and retailers which are projected to surpass $4B market by the end of 2021. Initial sales commenced in the first quarter of 2021 in Alberta, Ontario, Manitoba, Saskatchewan, and New Brunswick. The Company has expanded the units, number of SKUs, and number of listings significantly in 2021 and is expecting to continue its expansion in 2022.
- **Establishment of the wellness category:** In partnership with provincial boards and distinct premium retailers in Canada, Avicanna's product lines are laying the foundation and establishing the wellness category, where consumers will have access to standardized and non-inhalation cannabis products without the requirements of medical documentation. Avicanna's team is working closely with retailers to provide in store assets and

training required to slowly establish the category and place its products as the gold standard for the growing segment. This in turn will expand the market size and expand the potential consumers for retailers from the "cannabis connoisseurs" to a wider audience interested in the wellness benefits of cannabis products.

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

- **Expansion of SKUs:** Since the initial launch of RHO Phyto in Canada with 2 SKUs of micro drops in the third quarter of 2020, the Company has consistently expanded the product offerings, to a current total of 7 SKUs, and continues to introduce additional doses and deliveries of products desired by the medical community and patients.

Magisterial Preparations model in Colombia – RHO Phyto formulations

The Company has launched its RHO Phyto line of products in the Colombian marketplace through a compound pharmacy model known as *Formulaciones Magistrales* or Magisterial Preparations. Selling under this model requires that medical professionals prescribe RHO Phyto products for their patients. The comprehensive medical program includes education and training physicians, an advanced formulary of over 10 medical products and complete patient support program marketed as AviCare, which also allows the Company to generate indication-specific real world evidence data on specific doses and deliveries. The business unit operates in an arm's length, ethically sound relationship with the medical community in which the products are available for direct sale to patients through supply agreements with medical institutions. Notably, Avicanna is the only company with medical cannabis sales in both Canada and Colombia to date, and the only Colombian medical cannabis supplier with oral, sublingual, topical and transdermal products.

The program is a part of Avicanna's vertical integration, including the source of the raw materials which are from SMGH, the Company's subsidiary, its own Good Production Practices (GPP) certified compound pharmacy laboratory and the Company's own education and patient support teams.

Potential markets

The RHO Phyto products have been successfully commercialized in Canada and Colombia, establishing a proof of concept in both North and South America where patient, consumer and medical community adoption has been meaningful. The Company will look to expand its product offering in Canada and into other potential markets in 2022 and beyond.

CBD Derma-Cosmetic Products

Marketed under the Pura H&W™ brand[1], or private-label brands, the Company's consumer retail products form a unique line of premium and natural skincare products utilizing the benefits of hemp-derived CBD with synergistic natural ingredients. This line of products is believed to be one of the first known CBD-based skincare lines that includes

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

the participation of three products in human studies, each with approximately 50 subjects where both safety and efficacy were assessed. The results of the studies are positive – please see "Cosmetic clinical trials" below.

Pura product offerings are categorized in 4 distinct groups where several SKUs are available in specific markets:

- **Beauty line**
    - **Anti-aging cream -** Luxurious combination of CBD and Japanese cedar bud extract that floods the skin with moisture to visibly improve natural lifting, toning and smoothing effects.
    - **Anti-aging serum –** A clinically backed emulsion gel that combines CBD with stem cells from a rare variety of Swiss apple to deliver powerful ingredients to the skin. A refreshing and fast absorbing formula maximizes results for bouncy, glowing skin.
    - **Under eye cream –** A formulation of CBD and ash tree bark extract gently moisturizes the delicate area under your eyes and may help reduce the appearance of dark circles.
    - **Dark spots cream -** The triple effect of CBD, kiwi and sophora root extract is formulated to help reduce the appearance and number of dark spots.
- **Specialized care line**
    - **Clear skin gel –** A clinically backed formulation combining CBD with rosemary extract, tea tree oil and other ingredients to help manage oil and provide fresher looking skin.
    - **Intensive moisturizing cream** – A clinically backed and rich combination of CBD and colloidal oatmeal designed to help soothe extremely dry skin.
- **Wellness Line**
    - **Cooling gel -** Go-to essential combines CBD [& CBG] with menthol, clove and other unique ingredients and natural polyphenols in an advanced emulsion formulation. This non-greasy formula is ideal for those moments when you need to cool sore spots after physical activity.
- **Moisture and protection line**
    - **Skin protecting facial lotion PM -** Overnight cream that combines CBD, pro-retinol, and vitamin E, which work together to hydrate your skin while you rest.
    - **Skin protecting facial lotion AM -** Lightweight moisturizer combines CBD and vitamin E, which protects against drying effects and to boost skin's glow.
    - **Skin protecting body lotion -** Fast absorbing creamy lotion with CBD a touch of shea butter for total body application.

Cosmetic clinical trials

The first clinical trial completed by Avicanna evaluated Pura H&W topical cream containing 0.5% cannabidiol and 1% hemp seed oil on 49 adults. The study achieved its primary endpoint of increased skin hydration in people with dry

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

Potential Markets

Certain products of the CBD derma-cosmetic product line have been commercialized in Ecuador, Colombia[3] and in Canada. In Canada, sales initially commenced in the adult use sales channels and are expected to commence in the medical sales channels in Q2 2021. The Company expects to launch the CBD derma-cosmetic products in the US and the UK by the end of 2021. Specific products have been registered in the European Union through the European Commission's Cosmetic Product Notification Portal in anticipation of regulatory clarifications regarding CBD cosmetics.

Pharmaceutical pipeline and products

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

- ***Marketing authorization and commercial pathways***:
    - **Generic pharmaceutical** (LATAM market - expected commercialization Q1-2022)
    - **Natural drug or Phyto-therapeutic designations** (LATAM market - expected commercialization 2022)
    - **Rare disease pharmaceutical pipeline** (Canada, USA, EU, LATAM markets - expected commercialization 2024)
    - **Over the counter** (LATAM markets - expected commercialization 2023; Canada, USA, EU markets - expected commercialization 2024)
- **Trunerox ™ – 10% CBD (100 mg/ml Cannabidiol)**
    - Pharmaceutical preparation under GMP standards with completed technical dossier
    - Expected marketing authorization during 2022 in Colombia, Ecuador, Argentina, Mexico and Brazil
    - Utilizing Avicanna's proprietary formulation and vertical integration to deliver a pharmaceutical CBD preparation with affordable pricing into the Latin American Markets.

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

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

Scientific platform

With 4+ years of R&D, preclinical and clinical studies on medical cannabis, and a pipeline development of pharmaceutical products, Avicanna's dedication to researching the potential role of cannabinoids for therapeutic and/or symptom management while optimizing product delivery forms has been at the core of the Company's vision since its inception. The Company has successfully developed and delivered 30+ commercial products from its scientific platform which is established in its R&D headquarters in the **Johnson & Johnson Innovation Centre**, JLABS @ Toronto, in the MaRS Discovery District. Key attributes of Avicanna's platform include:

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

Pre-Clinical and Clinical Development

Avicanna's preclinical and clinical development pipeline is conducted in collaboration with leading university and hospital partners. Several collaborations have been granted various peer-reviewed government funding for projects and student grants. All formulations developed and data generated in collaboration with our partners are considered Avicanna Intellectual Property and can be submitted for patent filing at any time. Highlighted below are some of the Company's ongoing research projects.

- At the University of Guelph in collaboration with Dr. Jibran Khokhar, RHO Phyto products are undergoing secondary pharmacokinetic and behavioral evaluation with comparison to basic MCT oil products. The results of this study, along with previous investigation of pharmacokinetic profiles of products, will help generate dosing guidance for Health Care Providers. Additionally, various cannabinoid ratios and terpenes are being

evaluated in Avicanna optimized formulation in animal models of addiction and withdrawal from alcohol and nicotine, and neuropathic pain for pharmaceutical development.

- Our collaboration with the University Health Network and Dr. Peter Carlen is focused on evaluating various cannabinoid and terpenes ratio in optimized Avicanna formulation for reduction in seizure frequency and severity in various preclinical models of epilepsy for pharmaceutical development.
- In collaboration with Thompson River University and Dr. Kingsley Donkar and team, we are evaluating optimal cannabinoid and terpenes ratios for its effect on various bacteria and fungi, and for its anti-inflammatory effects on tissue models of lung, nasal and airway caused by the COVID-19 virus.
- At Charles River, Avicanna's topical pharmaceutical candidate is being evaluated for attenuating pain and inflammation in animal model of osteoarthritis at Charles River. Ongoing formulation optimization including evaluating various cannabinoid and terpene ratios will continue over various phases of the study.

Partner Institution & Researcher	Project Highlights	Project Status
University of Guelph - Dr. Jibran Khokhar	Preclinical Pharmacokinetic and behavioral analysis of RHO Phyto Products and comparison to MCT based products. Drug discovery for cannabinoid-based products in animal model of alcohol and nicotine addiction for attenuating withdrawal side effects. Drug discovery for cannabinoid-based products for decreasing pain in preclinical model of neuropathic pain.	Studies ongoing – anticipating completion of studies and analysis by H2 2021. Model Development Ongoing Expected completion of studies by end of year 2021. Model Development H2 2021 Study Completion H1 2022
University Health Network - Dr. Peter Carlen	Epilepsy research program including in vitro and in-vivo analysis of cannabinoid ratios and formulations for seizure frequency and severity reduction.	Commenced Q4 2021. Ongoing series of studies to be completed over 2022.
Charles River	Evaluating RHO Phyto Deep Tissue gel and other drug candidates for attenuating pain and inflammation in animal model of osteoarthritis	Commenced Q1 2021. Completed.
Thompson Rivers University	Evaluation of cannabinoids for antibacterial effects and evaluation of cannabinoid-based products in tissue model of inflammation.	Commenced Q1 2021. Estimated completion Q4 2021.

The Real-World Evidence Opportunity

Leveraging from the Company's relationship with the Canadian medical community, the commercial availability of RHO Phyto in Canada and magisterial preparations in Colombia, and the product line's consistency in dosing and quality, the Company has a timely opportunity to include certain of the RHO Phyto products in real-world evidence ("RWE") trials on specific therapeutic indications and patient populations.

Certain of the Company's RHO Phyto formulary of 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, and anxiety. The study will track patients' use and symptoms over a 6-month period.

Data derived from RWE trials in Canada and from patient support programs in Colombia 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, prioritization of pharmaceutical trials, and educational materials for the medical community.

Pharmaceutical trials

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

Epidermolysis Bullosa: The Company is continuing discussions with Health Canada in relation to the submissions required for the clinical trial to study the effects of its 3% CBD cream on pediatric patients suffering from Epidermolysis Bullosa and working with Dr. Elena Pope and the Hospital for Sick Children on the next phase of the studies.

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

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

Intellectual Property

As the Company continues to expand its research and development activities and further establish its scientific platform, the expectation is to grow its intellectual property (IP) portfolio through patent and trademark applications and other available IP protection mechanisms. To date, the Company has eight 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 81 trademark filings covering Avicanna's logos, word marks, design marks and drug names in over a dozen countries in North and South America, Europe, Africa, Australasia, and Asia.

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

The Company's cultivation and extraction subsidiaries, SMGH and Sativa Nativa S.A.S. ("Sativa Nativa"), are located in Santa Marta, Colombia. SMGH and Sativa Nativa serve two critical purposes in the Company's supply chain: (i)supply quality API's for the Company's products, and (ii) allow the Company to vertically integrate by controlling the costs at each stage of a product's life cycle. Additionally, the Company's products are made available to the Company's partners globally with over 11 markets already opened. The Company has 480,000 square feet of cultivation capacity with production capacity of over 25,000 kg of biomass per year with complete extraction, analytical testing and manufacturing infrastructure.

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

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

Milestones and highlights

- First commercial export of high CBD full spectrum and THC cannabis extracts into Brazil in connection with a three year master supply agreement that SMGH executed with a leading Brazilian pharmaceutical company.
- Completed over thirty harvests under a low-cost cultivation model and over 20 cultivation and breeding R&D experiments
- USDA National Organic Program certification for a hemp cultivar and recently attained GACP certification.
- Avicanna was ranked highest amongst global cannabis companies in the SAM Corporate Sustainability Assessment ("CSA") in the 2020 Sustainability Yearbook, a sustainability index that has become the basis for numerous S&P Global ESG indices.
- First known export of CBG – a rare cannabinoid – into the United States.
- Realized commercial sales of CBD, CBG and THC under the Aureus™ brand with exports made into eleven countries.
- Currently has over thirty federally registered and registerable genetics in SMGH and Sativa Nativa.
- Coupled with the new regulatory framework recently announced in Colombia which would authorize the export of flower; the Company will be able to export GACP and organic certified flower from our greenhouse and outdoor modalities to the global market in 2022.

Cultivation capacity and operations

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

SMGH

SMGH continued its indoor, greenhouse and outdoor cultivation at about 30% of its capacity during the quarter. It focused on the production of CBD and THC biomass and THC seeds. SMGH currently operates cultivation facilities that includes 340,000 square feet of shadehouse and outdoor space and 20,000 square feet of customized greenhouse space.

Sativa Nativa

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

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

Summary of Cultivation Operations *(Units as indicated)*	As at September 30, 2021	As at December 31, 2020
Santa Marta Golden Hemp		
Total Square Feet	360,000	360,000
Annual Yield (kg)	26,400	26,400
Cost per Gram (Dried Flower)	$0.09	$0.11
Extraction Capacity - Dried Flower per Day (kg)	300	300
Sativa Nativa		
Total Square Feet	120,000	120,000
Annual Yield (kg)	4,500	4,500
Cost per Gram (Dried Flower)	nil	$0.11

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2020, is available under the Company's SEDAR profile at www.sedar.com.

Part 2 – Results of Operations

The following table sets forth selected consolidated financial information for the three and nine months ended September 30, 2021 and 2020.

Selected Consolidated Financial Information (Canadian Dollars)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2021	2020	2021
Revenue	$1,007,033	$881,956	$2,096,847	$1,852,327
Sales Discounts	($19,066)	-	($45,752)	-
Net Revenue	$987,967	$881,956	$2,051,095	$1,852,327
Gross Margin Before Biological Assets Adjustment	$136,326	($169,248)	$711,867	$566,835
Net Impact, Fair Value of Biological Assets	$370,844	($1,141,728)	$432,017	$115,991
Gross Margin	$507,170	($1,310,976)	$1,143,884	$682,826
Operating Expeses	($3,021,640)	($6,879,358)	($9,419,460)	($16,109,789)
Operating Loss	($2,514,470)	($8,190,334)	($8,275,576)	($15,426,963)
Net Loss and Comprehensive Loss	($2,944,747)	($9,243,716)	($11,158,952)	($20,869,539)
Loss per Share - Basic and Diluted	($0.07)	($0.35)	($0.29)	($0.82)

Revenues

We report revenues in three key segments: North American, South America, and the rest of world. North America includes sales of the Company's pharmaceutical and health products as well as revenue generated from the licensing of intellectual property and research and development services, all developed in North America and serving customers within Canada and the United States. South America includes sales of the Company's pharmaceutical and health products and sales of API to customers worldwide, all grown and developed in Colombia. Rest of world includes sales of products to customers in Europe and Central America.

The following table presents revenue by these segments for the three and nine months ended September 30, 2021 and 2020.

Revenue by Segment (Canadian Dollars)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
North America	$687,995	$791,878	$1,467,713	$1,304,281
South America	$319,038	$90,078	$614,063	$548,046
Rest of the World	-	-	$15,071	-
Gross Revenue	**$1,007,033**	**$881,956**	**$2,096,847**	**$1,852,327**
Sales Discounts	($19,066)	-	($45,752)	-
North America	**$987,967**	**$881,956**	**$2,051,095**	**$1,852,327**

North American gross revenue totaled $687,996 for the three months ended September 30, 2021, compared to $791,878 for the three months ended September 30, 2020. Revenue totaled $1,467,731 for the nine months ended September 30, 2021, compared to $1,304,281 for the nine months ended September 30, 2020. The Company's medical cannabis revenues in Canada have steadily increased over the last 12 months. Units delivered have consistently increased as the Company continues to gain market share and introduce additional SKUs. Sales discounts were offered to the Company's customers during the second and third quarter of fiscal 2021 to account for certain pricing adjustments.

Revenues from South American sources increased to $319,037 for the three months ended September 30, 2021 compared to $90,078 for the three months ended September 30, 2020. The Company realized an increase in sales of API and seeds from its Colombian subsidiary SMGH. Revenues increased to $614,063 for the nine months ended September 30, 2021 from $548,046 for the nine months ended September 30, 2020. The increase was as the result of increased sales from API and seeds in SMGH.

Revenue from other (rest of world) sources was $nil for both the three months ending September 30, 2021 and the three months ended September 30, 2020. For the nine months ended September 30, 2021 revenue increased to $15,071 from nil for the nine months ending September 30, 2021. The Company completed its first sale to the European Union (Austria) in the second quarter of 2021.

Key Revenue Metrics

The following table summarizes the number of SKUs of the Company's products listed for sale (the "Listings") in the Canadian markets, the total units sold in the Canadian market, and provides a summary of the international revenue streams for the three and nine months ended September 30, 2021 and 2020.

Key Revenue Metrics *(Units as Indicated)*	**For the Three Months Ended**		**For the Nine Months Ended**	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Canadian Revenue Channels				
Medical (Listings)	10	4	10	4
Adult Use (Listings)	15	-	15	-
Canadian Finished Goods Sold (Units)	21,844	1,680	39,160	1,680
International Revenue Channels				
Finished Products Sold (Units)	5,197	600	13,503	964
Sale of API (kg)	36	324	116	370
Sale of Seeds (Units)	85,717	-	115,974	7,102,500

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

For the nine months ended September 30, 2021, the Company had 10 SKUs in the medical sales channel and 15 SKUs in the adult use sales channel listed for sale in Canada. The Company sold 21,844 units in the Canadian channel for the three months ended September 30, 2021. Internationally, the Company sold 13,503 units of its derma cosmetic line of products and Magisterial Preparations model through its subsidiary, Avicanna LATAM S.A.S. The Company sold 964 units of finished products on a consolidated basis during the same period in 2020.

The Company realized sales of 116 kilograms of API and 115,974 units of seeds for the nine months ended September 30, 2021, compared to 370 kilograms and 7,102,500 units for the nine months ended September 30, 2020.

Gross Margins

The following outlines the gross margin by segment for the three and nine months ended September 30, 2021 and 2020.

Gross Margins *(Canadian Dollars)*	*For the Three Months Ended September 30,*		*For the Nine Months Ended September 30,*	
	2021	**2020**	**2021**	**2020**
North America	($154,074)	$434,682	$324,640	$891,452
Gross Margin %	*(23%)*	55%	(23%)	68%
South America	$661,244	($1,745,658)	$808,046	($208,626)
Gross Margin %	*207%*	*(1,938%)*	*132%*	*(38%)*
Rest of the World	-	-	$11,198	-
Gross Margin %	-	-	*74%*	-
Total Gross Margin	**$507,170**	**($1,310,976)**	**$1,143,884**	**$682,826**

Gross margins for the North American segment totaled ($154,074) for the three months ended September 30, 2021, compared to $434,682 for the three months ended September 30, 2020. In addition, gross margins for the nine months ended September 30, 2021 totaled $324,640 compared to $891,452 for the nine months ended September 30, 2020. The reduction in margin in 2021, particularly for the three months ended, was the result of the Company utilizing higher priced input materials in its manufacturing and production. The Company expects margins to increase in the fourth quarter, and moving forward, as production costs decrease.

Gross margins for the South American segment totaled $661,244 for the three months ended September 30, 2021, compared to ($1,745,658) for the three months ended September 30, 2020. In addition, gross margins for the nine months ended September 30, 2021 totaled $808,046 compared to ($208,626) for the nine months ended September 30, 2020. The increase in margin in 2021 was as the result of (downward) adjustments to fair values of inventory and biological assets being much more significant in fiscal 2020.

Gross margins for the nine months ended September 30, 2021 was $11,198 for international sales, compared to nil for the three months ended September 30, 2020. The increase in margins was the result of a sale into the European Union.

Operating Expenses

The following table presents operating expenses for the three and nine months ended September 30, 2021, and 2020.

Operating Expenses *(Canadian Dollars)*	*For the Three Months Ended September 30,*		*For the Nine Months Ended September 30,*	
	2021	**2020**	**2021**	**2020**
General and Administrative	$471,345	$1,038,269	$1,859,585	$2,848,201
Selling, Marketing and Promotion	$162,454	$160,300	$367,721	$282,922
Consulting Fees	$287,696	$523,057	$1,210,670	$1,182,064
Professional Fees	$708,283	$355,098	$1,214,612	$1,181,768
Salaries and Wages	$1,104,261	$702,660	$3,327,033	$3,290,127
Research and Development	$28,871	$175,054	$142,981	$279,761
Selling, General and Administrative Expenses	**$2,762,910**	**$2,954,438**	**$8,122,602**	**$9,064,843**
Share Based Compensation	$155,025	$839,954	$556,036	$2,455,916
Depreciation and Amortization	$210,532	$419,914	$665,442	$1,259,742
Expected Credit Loss	($46,802)	$145,955	($5,163)	$145,955
Loss (gain) on Revaluation of Derivative Liability	($60,025)	($1,285)	$80,543	($23,894)
Impairment of Goodwill	-	$2,520,382	-	$3,207,227
Total Operating Expenses	**$3,021,640**	**$6,879,358**	**$9,419,460**	**$16,109,789**

General and Administrative expenses

For the three months ended September 30, 2021, the Company incurred general and administrative expenses totaling $471,345 compared to $1,038,269 for the same period in the prior year. For the nine months ended September 30, 2021, the Company incurred general and administrative expenses totaling $1,859,585, compared to $2,848,201 for the same period in the prior year. These decreases were primarily attributed to:

- Purposeful reduction in expenses in the fiscal 2020 in cultivation operations which have been reflected in expenses for the first nine months of fiscal 2021, but not fully for the nine months ended September 30, 2021.
- Reduction in general and administrative expenses for other international operations.

Selling, Marketing and Promotion

For the three months ended September 30, 2021, the Company incurred selling, marketing and promotional expenses totaling $162,454 compared to $160,300 for the same period from the prior year. Both quarters remained relatively consistent. In addition, for the nine months ended September 30, 2021, the Company incurred selling, marketing and promotional expenses totaling $367,721 compared to $282,922 for the same period from the prior year. The increase is as the result of increased marketing and promotional costs in Canada in the current fiscal year given the increased commercialization and distribution of its products.

Consulting Fees

For the three months ended September 30, 2021, the Company incurred consulting expenses totaling $287,696 compared to $523,057 in the same period from prior year. For the nine months ended September 30, 2021, the Company incurred consulting expenses totaling $1,210,670 compared to $1,182,064 in the same period from prior year. The increase was primarily attributed to:

- Increased expenses for capital market consulting services for the nine months ended September 30, 2021.
- The Company retained healthcare consultants to support its Canadian and Colombian commercial launches and ongoing commercial activities.

Professional Fees

For the three months ended September 30, 2021, the Company incurred professional fees of $708,283 compared to $355,098 for the same period last year. The increase in professional fees for the three months ended September 30, 2021, is the result of increased legal and advisory fees related to the delay in the audit of the Company's fiscal 2020 financial statements as well as increased legal fees related to a financing completed in August 2021, and a subsequent one done in October 2021. For the nine months ended September 30, 2021, the Company incurred professional fees of $1,214,612 compared to $1,181,768 for the same period last year. Fees remained relatively stable for this period.

Salaries and Wages

For the three months ended September 30, 2021, the Company incurred salaries and wages of $1,104,261 compared to $702,660 for the same period last year. For the nine months ended September 30, 2021, the Company incurred salaries and wages of $3,327,033 compared to $3,290,127 for the same period last year. These increases are attributed to certain staff elected to take part of their salaries in restricted stock units ("RSUs") in the first, second and third quarters for fiscal 2020, which was not the case for the same periods in fiscal 2021. As a result, salaries and wages were lower as additional expense was recorded as share-based compensation. There was no such election made in fiscal 2021.

Research and Development

For the three months ending September 30, 2021, the Company incurred research and development expenses of $28,871 compared to $175,054 for the same period last year. The slight decrease is as the result of timing. Certain research and development activities are scheduled to commence in the third quarter of fiscal 2021. For the nine months ending September 30, 2021 research and development expenses totaled $142,981 compared to $279,761 for the same period of fiscal 2020. The slight increase in fiscal 2021 is mainly due to timing, and the commencement of certain research and development activities.

Share-based Compensation

For the three months ended September 30, 2021, the Company incurred share-based compensation expenses of $155,025 compared to $839,954 for the same period last year. For the nine months ended September 30, 2021 the Company incurred share-based compensation expenses of $556,036 compared to $2,455,916 for the same period last year. Due to staff electing to take temporary reductions in salary, the Company awarded additional share-based compensation within the three and nine months ended September 30, 2020.

In addition, given the Company's Management Cease Trade Order, the Company was unable to settle or issue any new securities to management or employees within the three and nine months ended September 30, 2021.

Depreciation and amortization

Depreciation and amortization for the three months ending September 30, 2021 was $210,532 compared to $419,614 for the three months ended September 30, 2020. In addition, depreciation and amortization for the nine months ending September 30, 2021 was $665,442 compared to $1,259,742 for the same period in fiscal 2020. The decrease in depreciation is as the result of the Company writing off certain intangibles assets, for which no depreciation was taken in fiscal 2021, but taken in fiscal 2020.

Expected Credit Loss

For the three and nine months ended September 30, 2021, the Company recognized an expected credit recovery of $46,802 and $5,163, respectively. For the three and nine months ended September 30, 2021, the Company recognized an expected credit loss of $145,955, for both periods. The Company improved collections during the current quarter, leading to a recovery. In fiscal 2020 the Company had several older receivables.

Loss (gain) on revaluation of Derivative Liability

For the three months ended September 30, 2021, the Company recognized a gain on the revaluation of a derivative liability of $60,025, compared to a gain of $1,285 for the same period in 2020. For the nine months ended September 30, 2021, the Company recognized a loss on the revaluation of a derivative liability of $80,543, compared to a gain of $23,894 for the same period in 2020. The gains and losses recognized are based on the fair value of the derivative liability at September 30, 2021.

Impairment of Goodwill

For the three and nine months ended September 30, 2021, impairment on goodwill was $nil, compared to $2,520,382 and $3,207,227 for the three and nine months ended September 30, 2020, respectively. All goodwill was written off in fiscal 2020, therefore there is no impairment consideration for fiscal 2021.

Other

Other income (expenses)

The following table presents other income and (expense) items for the three and nine months ended September 30, 2021 and 2020.

Other Income (Expenses) *(Canadian Dollars)*	*For the Three Months Ended September 30,*		*For the Nine Months Ended September 30,*	
	2021	**2020**	**2021**	**2020**
Foreign Exchange Loss	($6,186)	$25,441	($31,309)	$48,860
Other Income (Expense), Net	$55,427	$545,023	$81,487	$473,589
Interest Income (Expense), Net	($205,612)	($47,282)	($369,691)	($141,210)
Loss on Revaluation of Derivative Asset	-	-	-	($2,279,426)
Gain on Disposable of Capital Assets	-	-	$51,975	-
	($156,371)	**$523,182**	**($267,538)**	**($1,995,907)**

Other income and expenses (net) was ($156,371) and ($267,538) for the three and nine months ended September 30, 2021, respectively. Other income and expenses (net) was 523,182 and ($1,995,907) for the three and nine months ended September 30, 2020, respectively. The increases in net other income (expenses) is as the result of:

- The Company sold a piece of its equipment in its subsidiary, Santa Marta Golden Hemp S.A.S. during the three and nine months ended September 30, 2021.
- The Company recognized other income for the three and nine months ended September 30, 2021 related to referral fees from a customer, and didn't have as many other expenses as the same period in 2020.
- For the three months ended September 30, 2020, the Company wrote down a substantial amount of a derivative asset, accounting for the large increase in other expenses for the three and nine months ended September 30, 2021.
- The additional interest expense for the three months ended September 30, 2021 compared with the three months ended September 30, 2020 is the result of the Company carrying additional debt from its November 2020 convertible debt financing; however the large decrease for the three months ended September 30, 2021 was as the result of several debt conversions in March 2021 and during the second quarter of 2021.

Adjusted EBITDA

The following table presents Adjusted EBITDA for the nine months ended September 30, 2021 and 2020:

Adjusted EBITDA *(Canadian Dollars)*	*For the Nine Months Ended September 30,* 2021	2021	$ Change	% Change
Net Comprehensive Loss	**($11,158,952)**	**($20,869,539)**	**$9,710,587**	**(47%)**
Exchange Differences on Translation	$2,615,838	$3,446,669	($830,831)	(24%)
Share-Based Compensation	$556,036	$2,455,916	($1,899,880)	(77%)
Depreciation and Amortization	$665,442	$1,259,742	($594,300)	(47%)
Other (Income) Expenses, Net	$267,538	$1,995,907	($1,728,369)	(87%)
Revaluation of Derivative Liability	$80,543	($23,894)	$104,437	(437%)
Goodwill Impairment	-	$3,207,227	($3,207,227)	-
Non-Recurring Expenses[2]	$227,087	-	$227,087	-
Unrealized Chanes in Biological Assets	($533,498)	($723,361)	$189,863	(26%)
Adjusted EBITDA[1]	**($7,279,966)**	**($9,251,333)**	**$1,971,367**	**(21%)**

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

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

The Adjusted EBITDA loss for the nine months ended September 30, 2021 was ($7,279,966) million as compared to an Adjusted EBITDA loss of ($9,251,333) for the nine months ended September 30, 2020. The increase in EBITDA was the result of further reductions in general and administrative expenses and growth in revenue.

Summary of Quarterly Results

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

The following tables present our unaudited quarterly results of operations for the eight consecutive quarters ended September 30, 2021.

Quarterly Results *(Canadian Dollars)*	For the Three Months Ended September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Net Revenues	$987,967	$792,220	$270,908	($2,182)
Net Comprehensive Loss	($2,944,747)	($3,197,617)	($5,016,588)	($16,320,464)
Loss Per Share	($0.07)	($0.08)	($0.14)	($0.18)

Quarterly Results *(Canadian Dollars)*	For the Three Months Ended September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Net Revenues	$881,956	$709,468	$260,903	$122,715
Net Comprehensive Loss	($9,243,716)	($8,959,165)	($2,656,658)	($7,345,054)
Loss Per Share	($0.35)	($0.36)	($0.12)	($0.33)

Part 3 – Financial Liquidity and Capital Resources

The Company's primary liquidity and capital requirements are for capital expenditures, inventory, working capital and general corporate purposes. The Company currently has a cash and cash equivalents balance of $523,448 at September 30, 2021. The Company's ability to fund operating expenses and capital expenditures will depend on its future operating performance, and its ability to raise capital which will be affected by general economic conditions, financial, regulatory, and other factors, including factors beyond the Company's control.

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

The following table provides a summary of the cash flows for the nine months ended September 30, 2021 and 2020.

Cash Flows *(Canadian Dollars)*	*For the Three Months Ended September 30,* 2021	2020
Net Cash (Used In) Provided By:		
Operating Activities	($10,177,876)	($10,687,938)
Investing Activities	$707,958	($1,092,855)
Financing Activities	$6,977,476	$11,474,828
Net Decrease in Cash and Cash Equivalents	($2,492,442)	($305,965)
Effect of Exchange Rate on Cash and Cash Equivalents	$1,749,158	($34,704)
Cash, Beginning of Year	$1,266,732	$441,757
Cash, End of Year	**$523,448**	**$101,088**

Cash used in operations during the nine months ended September 30, 2021 was ($10,177,876), compared to ($10,687,938) for the same period in 2020. The decrease in cash used in operations is primarily due to increased sales for the period, and, in turn, lower losses.

Net cash flows from investing activities totaled $707,958 for the nine months ended September 30, 2021 compared to ($1,092,855) for the nine months ended September 30, 2020. The increase in cash flows from investing activities was as the result of the Company redeeming a $1,250,000 GIC and the selling of an asset in SMGH.

Net cash flow from financing activities totaled $6,977,476 for the nine months ended September 30, 2021 compared to $11,474,828 for the nine months ended September 30, 2020. The Company raised $5,600,000 in the first quarter of 2021 and an additional $1,700,000 in third quarter of fiscal 2021, which represented the large increase in cash flow from financing activities; however, the Company did three larger raises for the nine months ended September 30, 2020 which accounts for the difference between the two periods.

The following table provides information about the Company's remaining funds from the public offering that closed in December 2020 and the private placement that closed in March 2021 and the actual use of proceeds from those financings compared to the intended use of proceeds from the offerings. The remaining cash related to financings raised for general corporate and working capital needs are prorated based timing of funds raised and the current periods cash flow.

Date	Type	Gross Proceeds	Initially Intended Use of Proceeds	Actual Use of Proceeds
December 8, 2020 and Over-Allotment Closing on December 31, 2020	Underwritten Public Offering (See Below)	$5,832,645	The net proceeds generated from the public offering amounted to $5,413,305. The Company's stated intended use of the net proceeds were for personnel, commercialization, sales, development and research, working capital, and production.	The Company used the net proceeds as anticipated in respect of personnel, commercialization, sales, and development and research, however, management determined that additional funds beyond those anticipated and disclosed in the Company's short form prospectus dated November 27, 2020 (the "Prospectus") were required to be allocated towards general working capital, in order to enable the Company to complete its year end filings. Other additional sources of funds were allocated for such working capital purposes. After applying the net proceeds of the offering towards the specified uses thereof as set out in the Prospectus, together with the Company's net loss and funds required for general working capital needs in the three month period ended March 31, 2021, such proceeds had been fully utilized as at September 30, 2021.
March 4, 2021	Private Placement Offering (See Below)	$5,600,000	The net proceeds generated from the public offering amounted to $5,350,050. The Company's stated intended use of the net proceeds were for general working capital.	Management has not adjusted its originally intended use of the net proceeds of the financing. As at September 30, 2021 all funds have been fully allocated and deployed.
August 18, 2021	Term Loan	$1,800,000	The Company's stated intended use of the net proceeds were for general working capital.	Management has not adjusted its originally intended use of the net proceeds of the financing. As at September 30, 2021 all funds have been fully allocated and deployed.

December 2020 Public Offering

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

March 2021 Private Placement

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

August 2021 Term Loan

On August 18, 2021, the Company entered into a term loan agreement for principal of $2,118,000, issued at a discount. Gross funding from the term loan was $1,800,000. The loan incurs interest at a rate of 5% for a term of 13 months. The loan principal is to be repaid in 12 equal monthly payments, beginning 2 months after the issuance date.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Balances and Transactions

Compensation expense for Avicanna's key management personnel for the nine months ended September 30, 2021 and 2020 are as follows:

	For the Nine Months Ended September 30	
(Canadian Dollars)	**2021**	**2020**
Salaries and Benefits	$570,000	$474,492
Share-Based Compensation	$186,644	$521,894
	$756,644	**$996,386**

Additionally, as at September 30, 2021, the Company received advances from certain related parties who represent the minority shareholders of SMGH and SN in the amount of $4,175,074. 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.

Part 4 – Critical Accounting Policies and Estimates

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

Inventory valuation

Critical judgment. Inventory is valued at the lower of cost and net realizable value. The valuation of our inventory balances involves calculating the estimated net realizable value of our inventory and assessing it against the cost. A component of this analysis therefore involves determining whether there is excess, slow-moving or obsolete inventory on hand.

Assumptions and judgment. When determining whether there is excess, slow-moving or obsolete inventory, management makes assumptions around future demand and production forecasts, which are then compared to current inventory levels. Management also makes assumptions around future pricing and considers historical experience and the application of the specific identification method for identifying obsolete inventory.

Impact if actual results differ from assumptions. If the assumptions around future demand for our inventory are more optimistic than actual future results, the net realizable value calculated using these assumptions may be overstated, resulting in an overstatement of the inventory balance.

Biological Assets Valuation

Critical judgment. In calculating the fair value of the biological assets, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors.

Assumptions and judgment. Management uses available market information and transactional data to generate expectations of costs and prices. Estimates on the stage of growth and conversion factors are based on historical information from prior harvests. This information is compiled to determine the fair value of biological assets.

Impact if actual results differ from assumptions. The gain or loss on fair value of biological assets is included as part of gross margin. Differences between assumptions and results will be reflected on the profit and loss.

Estimated useful lives and depreciation and amortization of long-lived assets

Critical estimates. During the purchase or construction of our property and equipment, and during the acquisition or purchase of intangible assets, amounts are capitalized onto the statement of financial position. When the assets go into service, a useful life is assigned to determine depreciation and amortization expense. Useful lives are determined through the exercise of judgment.

Assumptions and judgment. The useful lives are determined based on the nature of the asset. Management considers information from manufacturers, historical data, and industry standards to estimate the appropriate useful life and salvage value. In certain cases, management may obtain third party appraisals to estimate salvage value.

Impact if actual results differ from assumptions. If actual useful lives differ from the estimates used, the timing of depreciation and amortization expense will be impacted.

Impairment of property and equipment and definite lived intangible assets

Critical estimates. Property and equipment and definite lived intangible assets need to be assessed for impairment when an indicator of impairment exists. If an indicator of impairment exists, further judgement and assumptions will be required in determining the recoverable amount.

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

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

Derivative asset fair value measurement

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

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

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

Derivative liability fair value measurement

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

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

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

Stock-based compensation

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

Assumptions and judgment. The option pricing model relies on key inputs such as rate of forfeiture, expected life of the option, the volatility of our share price, and the risk-free interest rate used.

Impact if actual results differ from assumptions. If key inputs differ, the fair value of options will be impacted. A higher fair value of the options will result in higher share-based compensation expense over the vesting period of the option.

Income taxes

Critical estimates. Many of our normal course transactions may have uncertain tax consequences. We use judgment to determine income for tax purposes and this may impact the recognized amount of assets or liabilities, the disclosure of contingent liabilities or the reported amount of revenue or expense and may result in an unrealized tax benefit for transactions that have not yet been reviewed by tax authorities and that may in the future be under discussion, audit, dispute, or appeal.

Assumptions and judgment. We use historical experience, current and expected future outcomes, third-party evaluations and various other assumptions believed to be reasonable in making judgements.

Impact if actual results differ from assumptions. An unrealized tax benefit will be recognized when we determine that it is more likely than not that the tax position is sustainable based on its technical merits. In any case, if the outcome is different from our estimate this will impact our income taxes and cash flow.

Long-term investment

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

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

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

Provisions

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

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

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

Risk Management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

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

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows as at September 30, 2021:

Amounts Payable	Carrying Amount	Contractual Cash Flow	Year 1
Amounts Payable	$7,470,234	$7,470,234	$7,470,234
Customer Deposits	$191,696	$191,696	$191,696
Convertible Debentures	$289,807	$300,000	$300,000
Term Loan	$1,288,604	$2,118,000	$2,118,000
Lease Liability	$208,659	$224,950	$224,950
	$9,449,000	**$10,304,880**	**$10,304,880**

Market risk

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

- Currency risk

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

- Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any borrowings subject to a variable interest rate.

- Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as of September 30, 2021 and December 31, 2020.

OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares (each, a "Common Share"). As of the date of this MD&A, there are 45,858,596 Common Shares issued and outstanding. In addition, as of the date of this MD&A, there are 1,802,417 Common Shares issuable on the exercise of stock options of the Company, 14,864,615 Common Shares issuable on the exercise of warrants of the Company.

RISK FACTORS

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

Factors that could cause actual results to differ materially from those set forth in forward-looking information include, but are not limited to: the impacts of COVID-19 to our business; the future customer concentration; the ability to anticipate future needs of customers; no unusual delays to receive regulatory approvals for our clinical trials or cultivation quotas; our expectations with respect to the competitive landscape of the industry in which we operate and our present intentions to differentiate our business within that industry; the regulatory framework governing cannabis for recreational and medicinal use in Canada, Colombia, and any other jurisdiction in which we may conduct our business in the future; there being no significant delays in the completion of our cultivation facilities; there being no significant delays in the development and commercialization of our products; maintaining sufficient and effective production and R&D capabilities; our ability to analyze customer data; our ability to secure partnerships with manufacturers and distributors in international markets; the ability of our strategic partnerships to effectively operate; our ability to develop a brand to market our products successfully to consumers; future production and supply levels, and future consumer demand levels; the price of cannabis and cannabis related products; continuing to attract and retain key personnel; the demand for our products will grow for the foreseeable future; there being no significant barriers to acceptance of our products in the market; expected number of medical cannabis users and the willingness of physicians to prescribe medical cannabis to patients in the markets in which the Company operates; and, ability to access financing on commercially attractive terms.

As at September 30, 2021, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

The Company's overall performance and results of operations are subject to various risks and uncertainties which could cause actual performance, results and achievements to differ materially from those expressed or implied by forward-looking statements, including, without limitation, the following factors, some of which, as well as other factors, are discussed in the Company's Annual Information Form dated September 3, 2021 for the year ended December 31, 2020 available under the Company's profile on www.sedar.com, which risk factors should be reviewed in detail by all readers:

- our business segments are heavily regulated in Canada and Colombia;
- the regulatory regime is evolving and uncertainty exists regarding the impact of the regime on the Company;
- the political environment surrounding the cannabis industry is in flux and subject to change;
- the inability to successfully complete clinical trials or obtain regulatory approval of products;

- risks of foreign operations generally, including but not limited to agriculture and drug policies, nationalization, expropriation, contractual rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases, and risks of loss due to civil strife, acts of war, guerilla activities and insurrections;
- the potential inability to enforce judgments obtained in Canada against any person or company incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or that resides outside of Canada, even if the party has appointed an agent for service of process;
- the potential inability to obtain or retain licences required to grow, store and sell cannabis in Colombia,
- the potential inability to establish and maintain bank accounts;
- potential involvement in regulatory or agency proceedings, investigations and audits;
- compliance with evolving environmental, health and safety laws;
- the potential risk of exposure resulting from the control of foreign subsidiaries in Colombia;
- potential government policy changes or shifts in public opinion;
- exposure to foreign exchange risks;
- inflationary risks based on Colombia's historic experience of double digit rates of inflation;
- the potential that Colombia will impose repatriation of earnings restrictions in the future;
- Colombian political and economic conditions are subject to intervention and change;
- constraints on marketing of products;
- the cannabis industry and market is subject to general business risks, and those associated with agricultural and regulated consumer products;
- competitive conditions, consumer tastes, patient requirements and spending patterns remain relatively unknown;
- there are no assurances that the cannabis industry and market will continue to exist or grow as anticipated;
- the industry is changing at rapid speeds, and we may be unable to keep pace;
- the consumer perception of cannabis can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media, and other publicity;
- future clinical research into effective medical cannabis therapies could raise concerns regarding, and perceptions relating to, cannabis;
- limited history of operations;
- the inability to retain and attract employees and key personnel;
- potential for delays in obtaining, or restructuring conditions imposed by, regulatory approvals;
- potential increases in material and labour costs;
- we have incurred losses since inception and may continue to incur losses in the future;
- the ownership of the Common Shares is heavily concentrated among our directors and officers;
- the potential to experience difficulty developing new products and remaining competitive;
- the completion and commercial viability of new products in the prototype stage;
- construction risk in connection with the facilities in Colombia;
- potential for adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment;
- reliance on third-party manufacturers and distributors;
- there can be no assurances of profit generation or immediate results;
- risks against which we are unable or unwilling to insure against;
- shareholder dilution pursuant to additional financings;
- transportation disruptions to our courier services;
- the cost of our key inputs is unpredictable;
- compliance with laws relating to privacy, data protection, and consumer protection;

- potential for information systems security threats;
- we are reliant on key suppliers and skilled labour;
- inability to effectively implement quality control systems;
- there is a potential for conflicts of interest to arise among our key stakeholders;
- we may be unable to sustain our pricing models;
- we may not be able to successfully identify or complete future acquisitions;
- we may be unable to effectively protect personal information;
- exposure to product recalls, liability claims, regulatory action and litigation based on products;
- we may be unable to protect intellectual property in relevant markets;
- the market price for the Common Shares may be volatile and subject to wide fluctuations;
- we may not be able to effectively prevent fraudulent or illegal activities by our employees, contractors or consultants;
- we may not be able to effectively prevent security breaches at our facilities;
- management may not be able to effectively manage our growth;
- outside factors may harm our reputation;
- we may become subject to legal proceedings from time to time;
- management has limited experience managing public companies;
- we may be unable to effectively protect our trade secrets;
- securities analysts may publish negative coverage;
- our financial statements have been prepared on a going concern basis;
- we may be dependent on the performance of our subsidiaries;
- certain of our operating subsidiaries are not wholly-owned;
- there may be future sales of the Common Shares by directors, officers and principal shareholders; and
- interruptions or changes in the availability or economics of our supply chain.

For a discussion of the risks faced by the Company, please refer to the Company's Annual Information Form for the year ended December 31, 2020 and other public filings of the Company, each of which is available under the Company's profile on SEDAR, at *www.sedar.com.*

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

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

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

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

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

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

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

For the three months ended September 30, 2021, there were no changes made in the Company's design of internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

During the course of completing the fiscal 2020 audit, the Company's auditors identified two material control weaknesses, namely: i) controls around the record keeping and source documentation for the Company's property, plant and equipment; and ii) weaknesses around the recording and approval of manual journal entries. Management determined that these material weaknesses did not have any impact on the Company's financial reporting or its ICFR.

During the three months ended September 30, 2021, Management has taken the appropriate steps to address the weaknesses around the recording and approval of manual journal entries as of the date of this MDA. In addition, the Company has implemented a strategy to address the weaknesses around the record keeping and source documentation for the Company's property, plant and equipment and expects to have the appropriate controls in place by year end.

In addition, management intends to undertake a detailed review of its internal control environment, including engaging an advisor to complete an assessment and provide suggestions concerning these weaknesses identified and the Company's overall control environment.

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