INNOCAN PHARMA CORPORATION

Management's Discussion and Analysis
For the year ended December 31, 2024

1. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is management's assessment of the results and financial condition of Innocan Pharma Corporation (the "**Company**").

The following information should be read in conjunction with the notes to the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2024.

The date of this management's discussion and analysis ("**MD&A**") is March 31, 2025. The Company's amounts in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All dollar amounts are stated in United States dollars ("**US$**") unless otherwise indicated (for reference, "**C**" means Canadian dollars).

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information within the meaning of applicable Canadian securities legislation ("**forward-looking information**"). Such forward-looking information involves 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 information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues", "plans", "aim", "seek" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on current expectations and projections about future events and financial trends that they believe may affect the Company's financial condition, results of operations, business strategy and financial needs.

Forward-looking information contained herein is given as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking information 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 information. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see the section titled "Risks and Uncertainties" herein.

2. DESCRIPTION OF BUSINESS

Company Overview

Innocan Pharma Corporation was incorporated under the *Canada Business Corporations Act* on May 31, 2018. The Company's registered office is 1015, 926 – 5 Avenue SW Calgary, Canada and its corporate website is www.innocanpharma.com. The Company is publicly listed on the Canadian Securities Exchange trading under the symbol INNO, and is quoted in the United States on the OTCQB venture market under the symbol INNPF, and is listed for trading in Germany on the Frankfurt stock exchange under the symbol IP4. The Company is the parent company of Innocan Pharma Ltd. ("**Innocan**").

Innocan is an innovator in the pharmaceuticals and wellness sectors. In the pharmaceuticals sector, Innocan developed a CBD-loaded liposome drug delivery platform with exact dosing, prolonged and controlled release of synthetic cannabidiol ("CBD") for non-opioid pain management. The liposome delivery platform ("LPT") research is in the preclinical trial phase for chronic pain management. Innocan is at a pre-clinical stage and is expected to conduct activities mainly in the United States (US), Canadian and European (EU) markets. Innocan's operations and research and development activities are based in Israel.

In the wellness sector, Innocan develops and markets a wide portfolio of innovative and high-performance self-care products to promote a healthier lifestyle. Under this segment Innocan has established a joint venture by the name of B.I. Sky Global Ltd. ("B.I.") that focuses on developing advanced targeted online sales.

B.I. engages in the development, manufacture and marketing of high-performance non-CBD personal care and beauty products in the United States. It currently operates in online marketplaces, with plans to expand to direct-to-consumer sales, and finally evolving to physical storefronts. Innocan holds 60% of B.I.'s shares, while Brandzon Co. Ltd. ("Brandzon") holds the remaining 40% of B.I.'s shares.

On May 26, 2021, Innocan entered into a founder's agreement with Brandzon to establish a joint venture by the name of BI that focuses on the development of beauty microbrands for online platforms such as Amazon, and other e-commerce and online marketplaces.

In bringing together a unique combination of experts in online marketplaces, e-commerce, logistics, operations and finance, BI is focusing on advancing online sales for microbrands.

References throughout to "Innocan" and the "Company" refer generally to the collective activity and operations of both entities, in aggregate. Innocan consolidates B.I. activity and operations.

Description of the Company's Principal Businesses and Operations

Company's Activity Under Research Agreements

On February 26, 2024, the Company announced the latest findings from the Company's pharmacokinetic study of its liposome CBD platform ("LPT-CBD") platform in rabbits. The fundamentals of LPT-CBD lay in its ability to slowly release CBD into the blood stream. Studies conducted in various animal models including mice, dogs, goats, and sheep showed long pharmacokinetics of CBD that persisted up to several weeks. In the Company's latest study conducted on rabbits, the results showed additional supportive data for the long exposure of CBD obtained following a single subcutaneous LPT-CBD injection. The results from studies of several organisms injected with the Company's liposomal CBD –have consistently demonstrated that a detectable CBD level could be maintained for weeks following one injection.

On March 5, 2024, the Company announced the results of a recent tissue distribution study of its LPT-CBD, that indicated the potential of LPT-CBD to support a new therapeutic venue for neurological disorders. In the Company's latest study, CBD was found to be in the brains of both mice and rabbits weeks after LPT-CBD was subcutaneously injected to them. These results show a strong correlation between the prolonged blood exposure of CBD and its brain distribution. LPT technology provides a long presence of CBD in the blood enabling CBD to pass the blood brain barrier and deliver long brain exposure.

On March 25, 2024, the Company announced the signing of an agreement with the Hebrew University, which will facilitate Innocan to initiate the Food and Drug Administration (FDA) approval process for its liposome CBD platform in accordance with FDA's Chemistry Manufacturing Control (CDC) Guidelines.

On April 22, 2024, the Company announced that is has submitted its letter of application for a Pre-investigational new drug ("Pre-IND") meeting, the first phase in the FDA approval process in the United States for Innocan's liposome-cannabidiol injectable treatment of chronic pain.

Innocan's therapy has shown consistent efficacy in multiple pre-clinical trials in recent years of its LPT-CBD injectable treatment through prolonged and controlled release of CBD in animals with chronic pain conditions. Innocan's Pre-IND meeting request letter to the FDA is a key milestone and important first step in seeking approval of its LPT-CBD therapy for use in humans. At the Pre-IND meeting, the objective will be to obtain guidance from the FDA on the preclinical and clinical development plan, enabling the initiation of an investigational new drug ("IND") program in the United States.

On May 9, 2024, the Company announced the successful pre-clinical treatment with a liposomal-CBD injection in a female donkey. Innocan's innovative therapy provided immediate noticeable pain relief and improved mobility.

On May 21, 2024, the Company announced significant advancements in the regulatory process for its liposome-cannabidiol technology, which provides an innovative solution in non-opioid pain management. The U.S. Food and Drug Administration ("FDA") has granted Innocan an IND number and approved an initial meeting with the Company to discuss the strategic path forward. The meeting with the FDA was on July 31, 2024, where Innocan presented its preclinical results and proposed clinical development plan. This meeting is key to launching human clinical trials for

the LPT-CBD injectable drug, developed to provide a novel treatment option for chronic pain. The Company is expecting a formal letter from the FDA by the end of August.

On June 11, 2024, the Company announced the success and conclusion of a preliminary safety evaluation of Innocan's single injection and sustained-release LPT-CBD conducted on minipigs. The animals demonstrated excellent drug tolerance and did not exhibit any drug-related adverse events. Recognized by the FDA as an excellent model for toxicology, small breeds of miniature domestic pigs known as minipigs share strong similarities with humans in crucial aspects such as drug metabolism, skin structure, genetics, and physiological mechanisms. In this preliminary safety study, minipigs received a single subcutaneous injection of LPT-CBD and were closely monitored for pharmacokinetics and basic safety parameters over one month. The animals all exhibited good drug tolerance and did not manifest any drug-related adverse reactions.

On July 2, 2024, the Company announced that it engaged Past President of the Eastern Pain Association, Dr. William K. Schmidt, to support its LPT-CBD submission process to the FDA for chronic pain.

On July 26, 2024, the Company announced that the FDA's Center for Veterinary Medicine ("CVM") has granted the Company a sponsor fee waiver and assigned an Investigational New Animal Drug ("INAD") number for its LPT-CBD product. This represents a significant step for the Company, as an INAD designation facilitates correspondence and data exchange with CVM to support LPT-CBD development as a new veterinary drug. The Company further announced that following the assessment of LPT-CBD's scientific package, the CVM recognized Innocan's contribution to pursuing innovative animal drug products and technology and granted the Company a sponsor fee waiver for fiscal year 2024. Innocan's LPT-CBD is a proprietary drug delivery platform designed to provide prolonged-release CBD for chronic pain and well-being management in animals. Over the past year, repeated administration of LPT-CBD in dogs and other animals has demonstrated both efficacy and tolerability, providing sufficient evidence for the INAD application.

On Aug 22, 2024, the Company announced that its subsidiary, B.I., successfully completed the registration of all its products under the FDA's Modernization of Cosmetics Regulation Act of 2022 ("MoCRA"). The Company further announced that following a thorough evaluation of B.I.'s manufacturing controls and raw materials, all its products successfully met the stringent quality standards set by the FDA, fulfilling all compliance requirements necessary for the completion of MoCRA registration. MoCRA mandates that all facilities involved in the manufacturing and processing of cosmetic products for sale in the United States must register with the U.S. Food and Drug Administration (FDA). This enforces rigorous quality standards and ensures that only high-quality cosmetic brands can be sold in the U.S. market.

On September 3, 2024, the Company announced that it received a positive response from the FDA following Innocan's successful pre–Investigational New Drug (pre-IND) Type B meeting with the FDA held in July, for its lead drug product LPT-CBD. The FDA has agreed for LPT-CBD's submission under the 505(b)(2) New Drug Application (NDA) by establishing a scientific bridge to the reference listed drug. The 505(b)(2) abbreviated pathway, as it is often described, typically enables a faster route to patent utilization and commercial approval. This pathway is a significant milestone for Innocan, as it may pave the way for a streamlined and accelerated FDA approval process for LPT-CBD, while allowing Innocan to advance its patent protected innovation. In

addition, Innocan has reached an alignment with the FDA on both its non-clinical development plan and the clinical study design for LPT-CBD's proposed IND filing for a Phase I clinical study.

On October 9, 2024, the Company announced that Dr. Joseph V. Pergolizzi, Jr., M.D., a member of Innocan's Scientific Advisory Board, has been recognized among the top 2% most-cited scientists in the world in a new list published by Stanford University. This achievement underscores Dr. Pergolizzi's long-term contribution to medical science and his influential role in shaping global healthcare practices. Dr. Pergolizzi was appointed to Innocan Scientific Advisory Board in September 2023. His role focuses on promoting pharmaceutical human product R&D and supporting the Company's planned FDA filing for new medications. His expertise in pain management, critical care medicine, and regulatory processes are key in advancing Innocan's pharmaceutical developments.

On October 11, 2024, the Company announced results from a multi-year compassionate therapy using repeated LPT-CBD injections for pain relief in dogs with naturally occurring osteoarthritis. The therapy consistently demonstrated pain reduction and improved mobility, with effects lasting for several weeks after each injection as expected. These results further demonstrate that LPT-CBD can be a viable treatment option for managing chronic pain and enhancing the quality of life in animals. In two ongoing cases, dogs suffering from osteoarthritis who were treated with LPT-CBD after failing to respond to non-steroidal anti-inflammatory drugs (NSAIDs) and oral CBD, showed noticeable pain relief, substantially improved mobility and increased well-being. Both dogs remained on LPT-CBD treatment for two and two-and-one-half years, respectively after their owners reported significant improvement in quality of life, receiving the treatment in addition to other conventional treatments.

On November 11, 2024, the Company announced that following the positive response of the FDA regarding the LPT-CBD product reported in September 2024, as well as the continued progress of the LPT-CBD project and significant addressable market potential for LPT-CBD, Innocan has decided to shift its focus and resources in its pharmaceutical division to the LPT-CBD project, thereby winding down its Cannabinoid-Loaded Exosome project conducted with Ramot of Tel Aviv University ("Ramot"). A notice of termination of its sponsored research agreement dated April 17, 2020 and its research and funding agreement with Ramot dated December 6, 2021 has been delivered, concluding this collaboration.

On November 26, 2024, the Company reported positive results from a basic safety assessment study, evaluating LPT-CBD administered as a single injection in Göttingen minipigs. The drug was administered in three ascending doses, and the animals were closely monitored over a 28-day period for key safety parameters. These included clinical observations, vital signs, blood parameters, and local injection site reactions. Encouragingly, no adverse events were recorded during the study. All animals exhibited normal weight gain and demonstrated excellent tolerance to the drug, with no local reactions observed at any of the administered dose sites. Minipigs are breeds of miniature domestic pigs which are recognized by the FDA as a robust translational model due to their anatomical, physiological, and biochemical similarities to humans. They provide valuable insights into pharmacokinetics, toxicity, and drug efficacy.

On December 12, 2024, the Company shared its annual "State of Research and Development" update for 2024. This year, the Company achieved significant milestones in advancing research and development for its drug delivery platforms as well as its intellectual property portfolio.

During 2024, Innocan achieved significant milestones in both scientific and regulatory domains. Preclinical studies of its liposome-cannabidiol technology (LPT-CBD) demonstrated high CBD bioavailability, along with long-lasting pain relief and improved well-being in various animal models. Building on this compelling data, the Company secured agreement from the FDA on the preclinical and Phase 1 clinical development plan to advance LPT-CBD as a treatment for chronic pain in humans. Additionally, the FDA acknowledged LPT-CBD's development under the 505(b)(2) regulatory pathway, which provides Innocan with an accelerated route to patent utilization and commercialization.

On the veterinary front, LPT-CBD's innovation was recognized by the FDA's Center for Veterinary Medicine ("CVM"), which granted Innocan a fee waiver for 2024 and issued a number that identifies an INAD. This designation allows Innocan to facilitate correspondence and data exchange with the CVM to support the development of LPT-CBD as a new veterinary drug.

The table below provides a description of each of Innocan's major projects. More stages are required in order to receive full regulatory approval. Forward-looking information is based on estimations at the time of this report. Actual results may vary.

Milestones	Milestone status	Expenditures Incurred to Date (December 2024) (US$)	Estimated Costs to Achieve Milestone (US$)	Expected Time Period
Project: CBD Loaded Liposomes Technology (the "LPT Project")				
Development of initial matrix of liposomal formulations of cannabidiol	Concluded	Part of the payment to Yissum. See Yissum Research costs below.	Part of the payment to Yissum. See Yissum Research costs below.	
Characterization of the physicochemical properties, drug loading, short-term stability and release in the presence of serum	Concluded	Part of the payment to Yissum. See Yissum Research costs below.	Part of the payment to Yissum. See Yissum Research costs below.	
Small animal study	concluded	Part of the payment to Yissum. See Yissum Research costs below.	Part of the payment to Yissum. See Yissum Research costs below.	
Animal study of different indications	On-going	Part of the payment to Yissum. See Yissum Research costs below.	Part of the payment to Yissum. See Yissum Research costs below.	Q1 25-Q3 25
FDA Submission	On-Going (Contract Research Organization (CRO)	223,000	1,777,000	Q1 25-Q1 27
Production Scale-up +Analytica	On going (contract development and manufacturing organization (CDMO))	24,000	1,776,000	Q2 25- Q2 26
GLP safety studies in large animals (including Pharmacokinetic, and toxicity)	Waiting for scaleup and GMP production	97,000	403,000	Q1 26- Q2 27

Milestones	Milestone status	Expenditures Incurred to Date (December 2024) (US$)	Estimated Costs to Achieve Milestone (US$)	Expected Time Period
Yissum Research		5,642,000	298,000	The Company and Yissum entered negotiations for a new research and license agreement for the next phase of the research. The Company is intending to sign a sub-licensing agreement before reaching Phase II.
Total Pre-Clinical (including safety)		**5,986,000**	**4,254,000**	
Veterinary application PK and safety in lab dogs		169,000	1,031,000	Q1 25- Q3 25

Project: CBD - Topicals (the "Topicals Project")

	Production & registration submission done	1,374,000	Budget depends on many parameters, such as nature of distribution agreements to be signed, COVID-19 effect on the market, regulatory changes.	On-Going
	Marketing & brand recognition	1,093,000	7,000	On-Going
	Efficacy studies	65,000	65,000	On-Going

In general, and as is the case for each of the LPT Project, in order to develop a new treatment, drug or medical procedure in a clinical research and development context, the following phases are required:

Preclinical: this phase involves the testing in non-human subjects to gather information regarding efficacy, toxicity and pharmacokinetic data; particularly bioavailability, half-life, maximum blood concentration and safety assessment of the given drug or treatment. Studies completed during this phase intend to support FDA submission to obtain approval to enter clinical phase in humans.

Chemistry Manufacturing Control (CMC): This phase is conducted in parallel to the preclinical phase and involves development and control of the drug manufacturing process, including formulation characterization, qualification, and validation of analytical methods and manufacturing scale-up in accordance with Good Manufacturing Practice (GMP) standards.

Phase I: this phase introduces "dose-ranging" on healthy volunteers or genuine patients (this depends on the indication, but could also be considered Phase I/II); the purpose of this phase is to evaluate safety.

Phase II: this phase involves further testing of the given drug or treatment on participants to assess efficacy and monitor for any side effects.

Phase III: this phase expands testing of the given drug or treatment on participants in larger numbers to similarly assess for efficacy, effectiveness and safety.

Phase IV: Post marketing surveillance in public.

With respect to each of the LPT Project, the Company is in the Preclinical phase of the research and development. In order to commercialize the LPT Project, each of the above-noted phases will need to be completed. The timeline for completion LPT Project is unknown at this time.

Regarding the known costs of the LPT Project and Topicals Project, the Company projects the following, as related to its commitments to fund research and development over the next five years:

Business activity	Term of signed agreement/commitment	Expected US$ commitment for the term	Two-year expected budget[1,3]	Expected five year status[2]
LPT	Yissum (Hebrew University of Jerusalem) – current until Q4 23	N/A	4,500,000	At least one licensing agreement, clinical stage
Topicals	No signed agreements carrying any financial commitment	N/A	see comment	Budget depends on many parameters, such as nature of distribution agreements to be signed, and regulatory changes.

Notes:

(1) This budget is a forward-looking budget. Actual budget may vary, as the project develops.

(2) The status of the project depends on actual achievements of the research. Actual results may vary, based on the research and development success and the Company's ability to translate those achievements into licensing agreements and/or sales.

(3) Amounts may vary based on signing of future licensing agreements.

Sales, Marketing and Business Development

The expenses addressed below are to be incurred to broadly develop general brand recognition of the Company and its products in a number of jurisdictions (principally, the US and EU). These costs also relate to the development of relationships with potential third-party distributors, licensees and wholesalers at the production and distribution end of the product chain, developing relationships with third parties potentially utilizing the Company's services, and promoting product awareness and product attributes with medical, pharmaceutical and other healthcare individuals and enterprises, as well as consumers.

Business Objective	Estimated Cost Related to Business Objectives (US$)	Time Period
Continuing building brand and reputation awareness	~562,500	2025 and 2026
Online and offline marketing	~262,500	2025 and 2026
Distributors marketing support	~262,500	2025 and 2026
Personnel	~1,050,000	2025 and 2026
Public relations	~150,000	2025 and 2026
Business development	~150,000	2025 and 2026
Total:	**$2,437,500**	

Other Businesses and Operations

On February 20, 2024, the Company announced participation in the White Label World Expo on February 27-28, 2024.

On March 15, 2024, the Company announced that it had closed a non-brokered private placement offering of units of the Company (the "March 2024 Units"), pursuant to which the Company issued 7,952,840 March 2024 Units at a price of C$0.25 per March 2024 Unit for aggregate gross proceeds of C$1,988,210. Each March 2024 Unit is comprised of one Common Share of the Company and one Common Share purchase warrant of the Company (each a "March 2024 Warrant"). Each March 2024 Warrant entitles the holder thereof to purchase one common share at an exercise price of C$0.32 for a period of four (4) years from the date of issuance.

On August 29, 2024, the Company announced that it had closed a non-brokered private placement offering of units of the Company (the "August 2024 Units"), pursuant to which the Company issued 5,025,725 August 2024 units at a price of C$0.22 per unit for aggregate gross proceeds of C$1,105,659.50. Each August 2024 Unit is comprised of one Common Share of the Company and one common share purchase warrant of the Company (each a "August 2024 Warrant"). Each August 2024 Warrant entitles the holder thereof to purchase one common share in the capital of the Company (a "Common Share") at an exercise price of C$0.32 for a period of four (4) years from the date of issuance.

On December 31, 2024, the Company announced that it had closed a non-brokered private placement offering of units of the Company (the "December 2024 Units"), pursuant to which the Company issued 3,177,223 December 2024 Units at a price of C$0.20 per Unit for aggregate gross proceeds of C$635,444.60. Each December 2024 Unit is comprised of one common share of the Company and one common share purchase warrant of the Company (each a "December 2024 Warrant"). Each December 2024 Warrant entitles the holder thereof to purchase one Common Share in the capital of the Company at an exercise price of C$0.28 for a period of four years from the date of issuance. The Company paid an arm's length finder a cash fee of C$13,500 and issued to the finder 67,500 warrants attributable to investors introduced to the Company by the finder within three months following such introduction (the "Finder Warrants"). Each Finder Warrant entitles the finder to purchase one Common Share at an exercise price of C$0.28 for a period of four years from the date of issuance.

Significant Financial Developments during the Period

On March 6, 2024, Innocan entered the seventh amendment to the research and license agreement with Yissum Research Development Company of the Hebrew University of Jerusalem ("Yissum"). As part of the amendment Innocan agreed to finance additional research with the aim of meeting the FDA guidance on liposome drug-products in a total amount of approximately $264 thousand.

On October 15, 2024, Innocan entered the eighth amendment to the research and license agreement with Yissum Research Development Company of the Hebrew University of Jerusalem ("Yissum"). As part of the amendment Innocan agreed to finance additional research with the aim of meeting the FDA guidance on liposome drug-products in a total amount of approximately US$121,000.

The total expense due to research activity by Yissum incurred during the year ended December 31, 2024, amounted to US$388,000.

Recent Developments

On January 29, 2025, the Company announced that B.I. successfully completed the Human Repeated Insult Patch Test ("HRIPT") for Sensitization and Irritation Testing, which is related to ensuring the safety of the Company's cosmetic products. HRIPT is the personal care industry's standard safety test for cosmetic, OTC drug, and topical medical devices. The Company also announced that B.I. reached an average sale volume of 5,000 units per day in 2024, which is the minimum annual total for most cosmetic products, and significantly exceeds the requirements for annual production agreements with key third-party manufacturing companies.

On February 10, 2025, the Company announced the successful outcome from the compassionate treatment of a female donkey with its LPT-CBD platform. The therapy provided quick and sustained pain relief, significantly improved mobility in the subject animal, which was suffering from osteoarthritis.

On February 18, 2025, the Company announced that it had been granted its first patent in India, which covers the Company's LPT-CBD platform, which is designed to deliver precise dosing and sustained release of synthetic CBD into the bloodstream.

On February 27, 2025, the Company announced that it intended to complete an offering of a debenture unit of the Company to its largest shareholder, Tamar Innovest Ltd. for gross proceeds of US$1,000,000 (the "Tamar Debenture"). The Tamar Debenture unit consists of: (a) one secured convertible debenture of Innocan in the principal amount of US$1,000,000; and (b) 5,555,555 common share purchase warrants (each, a "Tamar Warrant"). The Tamar Debenture matures two years from the date of issuance, will bear interest at the rate of 10% per annum and is convertible into common shares of Innocan prior to the maturity date at a price of C$0.21 per share (based on a foreign exchange rate on the day prior to the date of conversion). The Tamar Debenture will be secured by a general security agreement and related security interest filed under the laws of the Province of Alberta as well as pledge of Innocan's shares of its Israeli subsidiary, Innocan Pharma Ltd. Each Tamar Warrant is exercisable into one common share at a price of C$0.26 for a period of four years from the date of issuance.

On March 7, 2025, the Company announced that is closed the Tamar Debenture offering on the above-noted terms.

Financial Review

The following financial data was prepared in accordance with IFRS and is presented for the years ended December 31, 2024 and December 31, 2023. See below discussion for period over period variations.

Summary of quarterly results (US$ in thousands, except for per share data):

	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Revenues	5,401	8,624	8,644	6,768	4,893	4,083	3,121	1,560
Selling, marketing and distribution expenses	(4,182)	(6,170)	(6,101)	(5,314)	(3,945)	(3,358)	(2,290)	(1,314)
Research and development expenses	(323)	(377)	(425)	(424)	(504)	(431)	(257)	(604)
General and administrative expenses	(823)	(880)	(940)	(1,475)	(733)	(1,081)	(545)	(718)
Total operating profit (loss)	(919)	352	532	(1,212)	(895)	(1,206)	(436)	(1,266)
Total finance income (expenses), net	922	350	902	(8)	312	(621)	40	38
Total profit (loss)	(48)	284	956	(1,454)	(797)	(1,827)	(396)	(1,228)
Basic profit (loss) per share	(0.0002)	0.001	0.001	(0.005)	(0.003)	(0.007)	(0.002)	(0.005)
Diluted profit (loss) per share	(0.0002)	0.001	0.001	(0.005)	(0.003)	(0.007)	(0.002)	(0.005)

	Year ended December 31,	
	2024	2023
	USD in thousands	
Revenues	29,437	13,657
Gross profit	26,187	11,978
Selling, marketing and distribution expenses	21,767	10,907
Research and development expenses	1,549	1,796
General and administrative expenses	4,118	3,078
Operating loss	1,247	3,803
Financial income (expenses), net	2,166	(231)
Total comprehensive loss	262	4,248

	Year ended December 31,		
	2024	2023	2022
	USD in thousands		
Total current assets	9,147	6,804	6,878
Total non-current assets	113	136	98
Total current liabilities	2,238	2,543	731
Total non-current liabilities	-	11	20
Total revenues	29,437	13,657	2,559
Total loss attributed to the owners of the parent	1,834	4,700	3,764
Basic and diluted loss per share	(0.01)	(0.02)	(0.02)

The Year Ended December 31, 2024, compared to the Year Ended December 31, 2023

Revenues

For the year ended December 31, 2024, revenues amounted to US$29,437,000 compared to US$13,657,000 for the year ended December 31, 2023. The increase in revenues of US$15,780,000 is mainly attributed to the increase in revenues from online sales platforms of B.I., due to the addition of new products, which have led to brand awareness and additional new sales of B.I.'s products.

Selling, Marketing and Distribution Expenses

For the year ended December 31, 2024, selling, marketing and distribution expenses amounted to US$21,767,000 (US$396,000 is share-based compensation expenses) compared to US$10,907,000 (US$96,000 is share-based compensation expenses) for the year ended December 31, 2023.

The main factors contributing to the increase of US$10,860,000 included:

- An increase of US$6,734,000 was attributed to online platforms and related fees with respect to the operational subsidiary B.I..
- An increase of US$3,713,000 was attributed to advertising fees with respect to the operational subsidiary B.I..
- An increase of US$300,000 was attributed to an increase in share-based compensation expenses mainly as a result of RSUs that were granted in March 2024 and as a result more

options that were vested during the year ended December 31, 2024 (to selling and marketing service providers and employees of the Company) compared to the year ended December 31, 2023. This expense is a non-cash item and does not influence the cash flow of the Company nor results in negative cash flow.

Research and Development Expenses

For the year ended December 31, 2024, research and development expenses amounted to US$1,549,000 compared to US$1,796,000 for the for the year ended December 31, 2023. The decrease, of US$247,000, is attributed mainly to the following changes:

- A decrease in research and development expenses of US$455,000 related to the research and license agreement with Yissum.
- A decrease in other expenses of US$39,000 in the year ended December 31, 2024, compared to the year ended December 31, 2023.
- A decrease in Salary and related expenses of US$42,000 in the year ended December 31, 2024, compared to the year ended December 31, 2023.

  On the other hand:

  - Services providers expenses increased by US$141,000 in the year ended December 31, 2024, compared to the year ended December 31, 2023.
  - Share based compensation expenses increased by US$148,000 in the year ended December 31, 2024, compared to the year ended December 31, 2023, as a result of more options having vesting during the year ended December 31, 2024 (to research and development employees of the Company) compared to the year ended December 31, 2023. This expense is a non-cash item and does not influence the cash flow of the Company nor results in negative cash flow.

General and Administrative Expenses

For the year ended December 31, 2024, general and administrative expense amounted to US$4,118,000 (US$1,411,000 is share-based compensation expense) as compared to US$3,078,000 (US$656,000 is share-based compensation expense) for the year ended December 31, 2023. The increase of US$1,040,000 in general and administrative expenses compared to year ended December 31, 2023, is attributed mainly to the following changes:

- Share based compensation expenses increased by US$755,000 in the year ended December 31, 2024 compared to the year ended December 31, 2023, mainly as a result of RSUs that were granted in March 2024 and as a result of more options having vested during the year ended December 31, 2024 (to general and administrative service providers and employees of the Company) compared to the year ended December 31, 2023. This expense is a non-cash item and does not influence the cash flow of the Company nor results in negative cash flow.
- Professional services expenses increased by US$167,000 in the year ended December 31, 2024, compared to the year ended December 31, 2023.

- An increase in Salary and related expenses of US$164,000 in the year ended December 31, 2024, compared to the year ended December 31, 2023.

Finance Income (expense)

For the year ended December 31, 2024, net finance income amounted to US$2,166,000 as compared to a net finance expense of US$231,000 for the year ended December 31, 2023. The change in finance expense and income, was mainly a result of changes in fair value of warrants outstanding during the year ended December 31, 2024, compared with the changes in fair value of warrants outstanding during the year ended December 31, 2023. This change in fair value of warrants outstanding is mainly affected by the share price of the Company (the decrease in the share price during the year ended December 31, 2024 was significant compared to the year ended December 31, 2023) and the amount of warrants outstanding. The number of warrants outstanding increased from December 31, 2023, to December 31, 2024, as a result of granting of warrants. The decrease in net finance income or the increase in the net finance expenses resulting from changes in fair value, is a non-cash item, and does not affect the cash flows of the Company or result in any negative cash flow.

Further details on changes in expenses for the previous year presented in the table above can be found at relevant Management Discussion and Analysis documents and Management Information Circulars, that have been filed with Canadian securities regulatory authorities and are available at www.sedarplus.ca.

3. LIQUIDITY AND CAPITAL RESOURCES

On each of March 14, 2024, August 29, 2024 and December 31, 2024, the Company completed a private placement, the proceeds of which are being used to fund the research, development and commercialization of the Company's technology and marketing activities (the "March 2024 Private Placement", "August 2024 Private Placement" and "December 2024 Private Placement", respectively). Should the Company be unable to continue to obtain financing and or commence earning revenue to sustain a commercial operation, the Company may be unable to continue as a going concern.

During the year ended December 31, 2024, the Company had a negative cash flow from operation of $1,579,000. Additionally, the Company generated $34,908,000 accumulated deficit since inception. Management plans to address these conditions by raising additional funds. However, there is no assurance that such funding will be available to the Company or that it will be obtained on terms favourable to the Company or will provide the Company with sufficient funds to meet its objectives, or that the Company will successfully generate sufficient revenues to meet its objectives. Moreover, and while the Company's negative cash flows from operations decreased during the year ended December 31, 2024, the Company expects its negative cash flows from operations to significantly increase in the foreseeable future due to increase in R&D and R&D related expenses to be incurred as a result of commencement of clinical trials.

These factors raise material uncertainties that may cast significant doubt

about the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

As of December 31, 2024, the Company had working capital of US$8,444,000, compared with US$6,207,000 as of December 31, 2023, which consisted of current assets of cash and cash equivalents, trade receivables, other accounts receivable and inventory, and trade accounts payable,

other accounts payable. The working capital above is a non-GAAP measure since it does not include the balance of the warrants under current liabilities. The warrants balance was not included since it has no effect on the future cash flow of the Company, and not current or future payments are required to be made by the Company.

As of the date of this MD&A, the Company anticipates raising additional funds in the future to support additional research and development costs and to have sufficient resources to support its operations, including the payment of current and non-current liabilities, as they become due.

The Year Ended December 31, 2024, compared to the Year Ended December 31, 2023

During the year ended December 31, 2024, the Company's overall position of cash and cash equivalents increased by US$1,123,000, compared to a decrease of US$1,062,000 in the year ended December 31, 2023. This increase in cash and cash equivalents can be mainly attributed to the following:

- the Company's net cash used in operating activities during the year ended December 31, 2024, amounted to US$1,579,000 as compared to US$3,904,000 for the year ended December 31, 2023. The decrease in net cash used in operating activities in year ended December 31, 2024, is mainly attributed to a decrease in spending on business development consultant services and the revenues increase of the subsidiary B.I.;
- the Company's net cash provided by financing activities during the year ended December 31, 2024, amounted to US$2,704,000 as compared to net cash provided by of US$2,917,000 for the year ended December 31, 2023. This decrease in cash provided by financing activities during the year ended December 31, 2024, is attributed to decrease in cash flows from Private Placements during the year 2024.
- Exchange rate fluctuations caused the Company's overall position of cash and cash equivalents to decrease by US$56,000.

4. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Company's senior management, who are considered to be key management personnel by the Company.

Parties are also related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following table sets forth information concerning the total compensation paid to the named executive officers (the "**Named Executive Officers**") of the Company and related corporate entity for the year ended December 31, 2024 and December 31, 2023.

(US$ in thousands)	Year ended December 31,	
	2024	**2023**
Management compensation	566	618
Share-based compensation	1,173	226
Services fees	14	55

The Company has transactions with key management personnel.

	As of December 31, 2024 (US$ in thousands)	As of December 31, 2023 (US$ in thousands)
Balances owing to the CEO	62	53
Balances owing to the VP Business development	-	28
Balances owing to the Board of directors Chairman	-	1
Balances owing to the CFO	3	3
Balances owing to the COO	19	14

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK EXPOSURES

The Group's financial instruments are its cash and cash equivalents, other current assets, warrants, lease liability and trade and other accounts payable and, unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Management understands that the Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates as its operations are located in Israel, and the Company's functional and presentation currency is the US$. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board of directors of the Company (the "**Board of Directors**") approves and monitors the risk management process. The overall objectives of the Board of Directors are to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The type of risk exposure and the way in which such exposure is managed is as follows:

- ***Credit Risk*** **–** The Group's main financial assets are cash and cash equivalents and other current assets and represent the Group's maximum exposure to credit risk in connection with its financial assets.***Liquidity Risk*** **–** The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due by raising sufficient funds. As of December 31, 2024, the Company had a US$8,444,000 working capital balance (December 31, 2023 – US$6,207,000, see comment under

"liquidity and capital resources" section above), and the Company has little exposure to liquidity risk, as it will balance expenditures with available working capital.

- ***Market Risk –*** Competitive Conditions – The pharmaceutical industry is characterized by extensive research efforts, rapid technological change and intense competition. Competition can be expected to increase as technological advances are made and commercial applications for pharmaceutical products increase. Competition in the pharmaceutical industry is based primarily on the following: product performance, efficacy, safety, ease of use and adaptability to various modes of administration, patient compliance, price, acceptance by physicians, marketing and distribution.
    - The availability of patent protection in the pharmaceutical market, including the USA, the European Union, Canada and other jurisdictions of commercial interest and the ability to obtain governmental approval for testing, manufacturing and marketing are also important factors. The Company faces competing forces in each of its markets, however, owing to their sheer size, each market provides ample opportunity for a new player offering novel solutions to consumers of said market, to carve out a foothold, which it can use as a springboard for capturing additional market share and for extending into other related markets.
- ***Interest Rate Risk –*** The Company has no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors its cash activity and is satisfied with the credit ratings of its banks.
- ***Foreign Currency Risk –*** The Company is exposed to foreign exchange risk as its operations are conducted primarily in US dollars.
- ***Fair Values –*** The carrying values of other receivables approximate their fair values due to their short terms to maturity. The cash is valued using quoted market prices in active markets.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements to which this MD&A applies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

Below is a list of the critical accounting estimates and judgments applied in this MD&A which may have a significant effect on the figures recognized in the financial statements.

1. Share-based Compensation

   We have a share-based plan for our employees and service providers. When share based payment awards are granted to employees and service providers, we record a non-cash expense and a corresponding increase in capital reserve or share premium, as if such awards were issued in consideration of cash to then be paid as compensation to the respective

employee or service provider. We measure these non-cash expenses based on the fair value of these equity awards at the date of grant and recognize the expense over the requisite underlying service period. We use the Black Scholes Merton model to determine the fair value of these awards, which is based on several assumptions, the most sensitive of which with respect to the fair value estimate of the award are the underlying share price at the date of grant and the share price volatility. We used our quoted share price at the date of our grant and the volatility of similar comparable companies as inputs in these fair value determinations.

2. Warrants Issued to Investors

We issued warrants to investors in several financing rounds, primarily during 2023 and 2024. As these warrants contain certain provisions that prohibit equity classification in accordance with IFRS, including cashless exercise provisions and contractual exercise price that is denominated in Canadian dollars, which is not our functional currency, these warrants are classified as liabilities and are measured at the fair value at each cutoff date, with difference in the fair value of these warrants being recorded as non-cash finance income or expense. The fair value of these warrants at the date of exercise together with the exercise price to be paid, are to be classified to share premium at the date of exercise. Similar to share-based compensation expense, we use the Black Scholes Merton model to determine the fair value of these warrants, which is based on several assumptions, the most sensitive of which with respect to the fair value estimate of these warrants are the underlying share price at the date of grant and the share price volatility. We used the quoted share price at the date of our grant and the volatility of similar comparable companies as inputs in these fair value determinations.

Additionally, certain of these warrants include automatic exercise if our quoted share price exceeds a certain dollar amount. For these awards we estimate the fair value using a binomial lattice model. The fair values used in this model are further sensitive to probabilities of scenarios under which our quoted share price exceeds the contractual threshold that triggers automatic exercise. Given the buffer between historic share price and the contractual threshold for automatic exercise, the fair value estimated using the binominal lattice model did not result in a fair value estimate that is significantly different than the fair value that would have been estimated using the Black Scholes Merton model.

7. SEGMENT REPORTING

Innocan has two main divisions:

1. Online sales – B.I. operations, which engages with the development of non-CBD personal care and beauty products in the United States for online platforms such as Amazon, and other e-commerce retail sales.
2. Other operations - the development of several drug delivery platforms, combining cannabinoids with other pharmaceutical ingredients as well as the development and sale of CBD-integrated topical products.

   Commencing 2023, management has concluded that beauty online sales segment should be reported separately, as operations volume has increased significantly, and it is closely monitored by management as a potential growth business segment.

8. ACCOUNTING STANDARDS ISSUED

The following amendments are effective for the period beginning January 1, 2024:

- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)

The adoption of the above-noted standards did not have a material impact on the consolidated financial statements of the Company.

9. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that Innocan has decided not to adopt early.

- IFRS 18 "Presentation and Disclosure in Financial Statements" (IFRS 18)

Innocan is currently assessing the impact of these new accounting standards and amendments. Innocan does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on Innocan.

10. FINANCIAL COMMITMENTS

As of December 31, 2024, there is a restricted deposit in the amount of US$39,000, which has been pledged as security to an Israeli bank to secure a credit line from the bank. In addition, deposits in the amount of US$13,000, US$9,000, US$17,000 were paid to secure rent, car lease and lab rent obligations, respectively.

In addition, the Company has research agreements with Yissum. Under these agreements, the Company is committed to pay additional amounts during the term of the agreements, as detailed below:

Business activity	**Agreement**	**Commitment Remaining**
LPT	Yissum Research & License Agreement	Agreement concluded. New agreement is currently under negotiation.
Topicals	No signed agreements carrying any financial commitment	N/A

11. OTHER INFORMATION

The following details the Common Shares and warrants outstanding as of the date of this MD&A:

Common Shares – As of March 31, 2025, 291,226,605 Common Shares were issued and outstanding.

Share Purchase Warrants

Investors	Number Of Warrants		Exercise Price	Exercisable at December 31, 2024		Expiry Date
October 2021 Common Warrants	9,679,000		C1.10	9,679,000		October 13, 2026[(1)]
February 2023 Warrants (Class A)	991,000		C0.31	991,000		February 16, 2025[(2)]
February 2023 Warrants (Class B)	991,000		C0.44	991,000		February 16, 2026[(3)]
August 2023 Warrants (Class A)	4,204,867		C0.29	4,204,867		August 3, 2026[(4)]
August 2023 Warrants (Class B)	4,204,867		C0.40	4,204,867		August 3, 2028[(5)]
First Tranche October 2023 Broker Warrants	113,616		C0.30	113,616		October 12, 2026 [(6)]
First Tranche October 2023 Warrants	1,420,200		C0.36	1,420,200		October 12, 2026 [(7)]
Second Tranche October 2023 Broker Warrants	153,430		C0.30	153,430		October 20, 2026 [(8)]
October 2023 Broker Units	122,500		C0.36	122,500		October 20, 2026 [(9)]
Second Tranche October 2023 Warrants	4,005,408		C0.36	4,005,408		October 20, 2026 [(10)]
March 2024 Warrants	7,952,840		C0.32	7,952,840		March 14, 2028 [(11)]
August 2024 Warrants	5,025,725		C0.32	5,025,725		August 29, 2028 [(12)]
December 2024 Warrants	3,177,223		C0.28	3,177,223		December 31, 2028 [(13)]
December 2024 Finders Warrants	67,500		C0.28	67,500		December 31, 2028 [(14)]

Notes:

(1) Each October 2021 Common Warrant entitles the holder thereof to acquire one Common Share at an exercise price of C$1.10 for a period of 60 months following October 13, 2021.

(2) Each February 2023 Warrant (Class A) entitles the holder thereof to acquire one Common Share at an exercise price of C$0.31 for a period of two years from February 16, 2023.

(3) Each February 2023 Warrant (Class B) entitles the holder thereof to acquire one Common Share at an exercise price of C$0.44 for a period of three years from February 16, 2023.

(4) Each August 2023 Warrant (Class A) entitles the holder thereof to acquire one Common Share at an exercise price of C$0.29 for a period of three years from August 3, 2023.

(5) Each August 2023 Warrant (Class B) entitles the holder thereof to acquire one Common Share at an exercise price of C$0.40 for a period of five years from August 3, 2023.

(6) Each First Tranche October 2023 Broker Warrant consists of one Broker Unit Share and one Broker Unit Warrant. Each Broker Unit Warrant will entitle the holder thereof to purchase one Broker Unit Warrant Share at a price of C$0.3 for a period of three years from October 12, 2023.

(7) Each First Tranche October 2023 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of C$0.36 for a period of three years from October 12, 2023.

(8) Each Second Tranche October 2023 Broker Warrant consists of one Broker Unit Share and one Broker Unit Warrant. Each Broker Unit Warrant will entitle the holder thereof to purchase one Broker Unit Warrant Share at a price of C$0.30 for a period of three years from October 20, 2023.

(9) Each October 2023 Broker Unit is comprised of one Common Share of the Company and one Common Share purchase warrant of the Company. Each warrant shall entitle the holder thereof to purchase one Common Share at an exercise price of C$0.36 for a period of 36 months from the date of the closing of the Second Tranche.

(10) Each Second Tranche October 2023 Warrant entitles the holder thereof to acquire one Common Share at an exercise price of C$0.36 for a period of three years from October 20, 2023.

(11) Each March 2024 Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of C$0.32 for a period of four years from the date of issuance.

(12) Each August 2024 Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of C$0.32 for a period of four years from the date of issuance.

(13) Each December 2024 Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of C$0.28 for a period of four years from the date of issuance.

(14) Each December 2024 Finders Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of C$0.28 for a period of four years from the date of issuance.

Incentive Stock Options

The Company has adopted a stock option plan (the "**Plan**"), which is intended to provide an incentive to retain, persons of training, experience, and ability, to attract new employees, officers, directors, consultants and service providers, to encourage the sense of proprietorship of such persons, and to stimulate the active interest of such persons in the development and financial success of the Company by providing them with opportunities to purchase Common Shares of the Company pursuant to the Plan.

During the year ended December 31, 2024, the Company recorded an expense in the amount of US$591,000 (US$854,000 for the year ended December 31, 2023) with respect to the issuance of stock options under the Plan.

Restricted Stock Units

On March 14, 2024, the Company granted an aggregate of 7,140,483 restricted share units (each, an "RSU") to directors and officers of the Company. Each RSU entitles the recipient to receive one Common Share of the Company on vesting. A total of 3,807,150 RSUs vested on March 14, 2024, and 3,333,333 RSUs vest as follows: (i) one-third on March 14, 2024; (ii) one-third on September 14, 2024; and (iii) one-third on March 14, 2025. The RSUs and the underlying Common Shares are subject to a statutory hold period of four months and one day expiring on July 15, 2024.

On May 30, 2024, the Company granted an aggregate of 140,000 RSUs to a consultant of the Company. Each RSU entitles the recipient to receive one Common Share of the Company on vesting. A total of 140,000 RSUs vested on September 30, 2024.

During the year ended December 31, 2024, the Company recorded an expense in the amount of US$1,466,000 with respect to the issuance of restricted stock units under the Plan.

12. RISKS AND UNCERTAINTIES

Risks Related to our Business and Industry

Going Concern

Since inception, the Company has generated revenues, despite that, Innocan expects to continue to finance itself through raising adequate funds in the foreseeable future. During the year ended December 31, 2024, Innocan incurred negative cash flow from operations of US$1,579,000 for the year ended December 31, 2024 and generated US$34,908,000 of accumulated deficit since inception. Innocan currently has insufficient cash to fund its operations for the next 12 months. These material uncertainties may cast significant doubt upon Innocan's ability to continue as a going concern. In assessing whether the going concern assumption was appropriate, management

took into account all relevant information available about the future, which was at least, but not limited to, the twelve months period following December 31, 2024.

Innocan is currently implementing various financing strategies, including the following:

- Innocan is actively monitoring cash forecasts and managing performance against its forecasts.

- Innocan has identified various cost-reduction initiatives

- Innocan has a plan in place to issue additional shares under a non-brokered private placement to raise additional proceeds.

Innocan believes that based on the financial strength of its existing shareholder base, and previous success in raising capital, any shortfall in its operating plan may be met through one or more of the above strategies.

Regulatory Risks

Successful execution of the Company's strategy is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products, including maintaining and renewing its licenses. The impact of regulations in the jurisdictions where the Company is looking to operate or sell its products, such as the compliance regimes under the Food and Drug Administration, European Medicines Agency, and Health Canada, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

Change in laws, regulations and guidelines

The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of pharmaceutical products but also including laws and regulations relating to drug, controlled substances, health and safety, the conduct of operations and the protection of the environment at the territories the Company is looking to be active. While to the knowledge of management, other than routine corrections that may be required by health authorities in the U.S., Canada and European Union from time to time, the Company is currently in compliance with all such laws. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations.

The Company endeavors to comply with all relevant laws, regulations and guidelines in the countries that the Company is looking to be active. To the Company's knowledge, it is complying or is in the process of being assessed for compliance with all such laws, regulations and guidelines as described elsewhere in this MD&A.

Reliance on Key Contracts

The Company is reliant on certain key commercial agreements, including the Yissum research and license agreement, in order to continue operations. These agreements may include options for termination by the other parties if the Company fails to meet certain development milestones, does not commercialize the products within a reasonable timeframe, or fails to file and maintain patents in certain jurisdictions. The loss of any of these key commercial agreements could materially adversely affect the Company's ability to execute its business plan and strategy, and it may not be able to find adequate replacements on a timely basis, or at all.

Medical research of phytocannabinoids

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated phytocannabinoids remains in their early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated phytocannabinoids. The statements made in this MD&A concerning the potential medical benefits of cannabinoids are based on published articles and reports with details of research studies and clinical trials, including those shown in the list of third-party studies summarized in the Company's initial public offering (IPO). As a result, the statements made in this MD&A are subject to the experimental parameters, qualifications and limitations in the studies that have been completed.

We rely on management and need additional key personnel to grow our business, and the loss of key employees or inability to hire key personnel could harm our business.

We believe our success has depended, and continues to depend, on the efforts and talents of our management team and employees. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. We do not maintain key person life insurance policies on any of our employees.

Factors which may prevent realization of growth targets

The Company is currently in the expansion stage from early development stage. There is a risk that expansion and development will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these Risks and Uncertainties and the following:

1. failure or delays in obtaining, or conditions imposed by, regulatory approvals;
2. environmental pollution; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output

or efficiency;
3. breakdown, aging or failure of equipment or processes;
4. contractor or operator errors;
5. operational inefficiencies;
6. labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and
7. major incidents and/or catastrophic events such as fires, explosions, or storms.

As a result, there is a risk that the Company may not have product or sufficient product available to meet the anticipated demand or to meet future demand when it arises.

Additional financing

There is no guarantee that the Company will be able to execute on its strategy. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of the current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company may require additional financing to fund its operations to the point where it is generating positive cash flow. Negative cash flow may restrict the Company's ability to pursue its business objectives.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Research and development and product obsolescence

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize the Company's business. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render the Company's products obsolete, less competitive or less marketable. The process of developing the Company's products is complex and requires significant continuing costs, development efforts and third party commitments The Company's failure to develop new

technologies and products and the obsolescence of existing technologies could adversely affect the business, financial condition and operating results of the Company. The Company may be unable to anticipate changes in its potential customer requirements that could make the Company's existing technology obsolete. The Company's success will depend, in part, on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of the Company's proprietary technology entails significant technical and business risks. The Company may not be successful in using its new technologies or exploiting its niche markets effectively or adapting its businesses to evolving customer or medical requirements or preferences or emerging industry standards.

Transportation risks

Due to the perishable and premium nature of the Company's products, the Company will depend on fast and efficient third party transportation services to distribute its product. Any prolonged disruption of third party transportation services could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the third party transportation services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Due to the nature of the Company's products, security of the product during transportation to and from the Company's facilities is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the business, financial condition and operating results of the Company. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada, could also have an impact on the Company's ability to continue operating under its licenses or the prospect of renewing its licenses.

We may be subject to unfavourable publicity or consumer perception

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Company's products specifically, or associating the consumption of medical cannabis with illness

or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

Product liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the products produced by the Company caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, financial condition and operating results of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the products produced by the Company are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Company were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products produced by the Company and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the operations of the Company by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on key inputs

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other

local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Dependence on suppliers and skilled labour

The Company is dependent on various suppliers for inputs for its commercial products, in particular, the availability of CBD will vary in various target markets, depending on national regulations and supply levels.

Difficulty to forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis pharmaceutical industry in North America and Europe. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Operating risk and insurance coverage

The Company has insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Management of growth

The Company may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the

Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or Companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

We are subject to environmental regulations and risks

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the business, financial condition and operating results of the Company.

Government approvals and permits are current and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of medical cannabis or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

In certain circumstances, the Company's reputation could be damaged

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regard to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the

Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Third party reputational risk

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical cannabis business activities. This may impact the Company's ability to retain current partners, such as its banking relationship, or source future partners as required for growth or future expansion in Canada or the USA. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Changes to safety, health and environmental regulations could have a material effect on future operations

Safety, health and environmental legislation affects nearly all aspects of the Company's operations including product development, working conditions, waste disposal and emission controls. Compliance with safety, health and environmental legislation can require significant expenditures and failure to comply with such safety, health and environmental legislation may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, clean-up costs resulting from contaminated properties, damages and the loss of important permits. Exposure to these liabilities arises not only from the Company's existing operations, but from operations that have been closed or sold to third parties. The Company could also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurances that the Company will at all times be in compliance with all safety, health and environmental regulations or that steps to achieve compliance would not materially adversely affect the Company's business.

Safety, health and environmental laws and regulations are evolving in all jurisdictions where the Company has activities. The Company is not able to determine the specific impact that future changes in safety, health and environmental laws and regulations may have on its operations and activities, and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent safety, health and environmental regulation. Further changes in safety, health and environmental laws, new information on existing safety, health and environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits, may require increased financial reserves or compliance expenditures or otherwise have a material adverse effect on the Company.

Disruption of Supply Chain

Conditions or events including, but not limited to, those listed below could disrupt the Company's supply chains, interrupt operations at its facilities, increase operating expenses, resulting in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred:

(a) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.;
(b) a local, regional, national or international outbreak of a contagious disease, including the

Coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity;

(c) political instability, social and labour unrest, war or terrorism; and
(d) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Information systems security threats

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.
The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Additional Risks

The Company notes that additional risks to the business are outlined in the Company's Annual Information Form for the year ended December 31, 2024, which is available on the Company's profile at www.sedarplus.ca.

Additional Information:

The Company files annual and interim financial reports, Management Discussion and Analysis, Management Information Circulars, and other information with certain Canadian regulatory authorities. Additional information relating to the Company is available at www.sedarplus.ca.

March 31, 2025

(s) "Iris Bincovich"