

# AVANT

October 10, 2024

## Management Discussion & Analysis

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Nine Months Ending  
August 31, 2024

(Expressed in Canadian Dollars)

## AVANT BRANDS INC.

### Management Discussion and Analysis

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This Management's Discussion and Analysis ("**MD&A**") of Avant Brands Inc. ("**Avant**" or the "**Company**") is for the nine-month period ended August 31, 2024. This MD&A should be read in conjunction with the unaudited condensed interim financial statements of the Company for the nine-month period ended August 31, 2024, and August 31, 2023, together with the notes thereto. The Company's Financial Statements are prepared in accordance with International financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board (the "**IASB**"). The condensed interim consolidated financial statements of the Company have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("**IASB**").

This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A, the Financial Statements, and other disclosures have been filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Additional information can also be found on the Company's website at [www.avantbrands.ca](http://www.avantbrands.ca).

All financial information in this MD&A, other than certain non-GAAP measures, have been prepared in accordance with IFRS, and all dollar amounts are expressed in thousands of Canadian dollars ("**\$**"), except for share and per share calculations, references to \$ millions, per gram ("**g**") or kilogram ("**kg**") of dried flower, unless otherwise stated.

This MD&A contains "forward-looking information" within the meaning of applicable securities laws, and the use of certain non-GAAP measures. Refer to "Cautionary Statement Regarding Forward-Looking Information" and "Cautionary Statement Regarding Certain non-GAAP Performance Measures" in this MD&A.

This MD&A is prepared as of October 10th, 2024.

## COMPANY OVERVIEW

Avant is an innovative leading producer of high-quality, handcrafted cannabis products. Avant has multiple licensed and operational production facilities across Canada producing Avant's premium consumer brands. Avant's recreational brand portfolio includes BLK MKT™, Tenzo™, Cognōscente™, Treehugger™ and Pristine™ Seeds, which are produced from unique cultivars, and sold internationally in countries such as Israel, Australia and Germany, and domestically in British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, Atlantic Canada and the Territories. The domestic markets represent approximately 78% of the total Canadian recreational cannabis market. Avant's medical cannabis brand, GreenTec™, is distributed nationwide, directly to qualified patients through its online portal and licensed partners.

Avant is a publicly traded corporation, listed on the Toronto Stock Exchange (the "**TSX**") (TSX: AVNT), and its common shares also trade on the OTCQX Best Market (OTCQX: AVTBF) and Frankfurt Stock Exchange (FRA: 1BU0). The Company is headquartered in Kelowna, British Columbia with operations in British Columbia, Alberta and Ontario.

Avant is focused on creating long-term value for its shareholders and establishing itself as a leading premium cannabis company. As such, the Company has established the following key strategic areas of focus for Fiscal 2024:

1. Innovate new products to sustain the Company's leading position in the premium recreational cannabis market.
2. Continue expansion into untapped global markets for cannabis exports, leveraging the Company's established reputation in key regions like Israel, Australia, and Europe.
3. Introduce new cultivars from Avant's extensive genetic library driving demand across all markets.
4. Explore diverse sales channels to optimize revenue streams from the Company's non-core inventory, such as trim, popcorn, and off-spec lots.
5. Maintain financial discipline and operational efficiency to maximize output and ensure sustainable growth.

## 2024 YTD CORPORATE HIGHLIGHTS

Adjusted EBITDA for the nine-month period ended August 31, 2024, was \$7.3 million, versus \$4.6 million in the comparative period of the prior year. (Note: Adjusted EBITDA is a non-GAAP performance measure and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" for further details).

The Company's cash flows from operating activities before working capital changes was \$8.8 million for the nine-month period ended August 31, 2024, versus \$4.2 million in the comparative period of the prior year. The cash inflow from operating activities after working capital changes was \$1.7 million compared to \$4.3 million in the comparative period of the prior year. (Note: Cash flows from operating activities before working capital changes is a non-GAAP performance measure and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" for further details).

Year to date net revenues of \$24.8 million demonstrated continued growth, versus \$21.5 million in the comparative period of the prior year. The Company's emphasis on increasing international and business-to-business ("**B2B**") sales was reflected in the reduced inventory available for sale for the balance of the fiscal year and is having a positive effect on the Company's available working capital.

**MENA Extension:** Avant entered into a promissory note extension agreement (the "**Extension Agreement**"), with MENA Investment Network Inc. ("**MENA**") pursuant to which certain amendments were made to the terms of the original promissory note dated July 31, 2023 (collectively, the "**Note**"). The Extension Agreement benefited the Company as the Note's \$720,000 balance, originally due on January 12, 2024, was paid through monthly installments until the amended maturity date of July 12, 2024. The Note bore interest at a rate of 12% percent per annum. As consideration for entering into the Extension Agreement, Avant: (i) issued 22,430 common shares of the Company to MENA; and (ii) issued 23,810 shares as part of the final settlement payment.

**F-20 Amendment:** Avant entered into a partial equity conversion agreement (the "**Equity Conversion Agreement**") with F-20 Developments Corp. ("**F-20**") reducing Avant's quarterly payments to F-20 by more than \$1.25 million. Additionally, Avant and F-20 executed an amended

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and restated convertible debenture (the "**Convertible Debenture A**"), replacing in its entirety the debenture dated February 1, 2023 (the "**Original Debenture**"). In accordance with the Equity Conversion Agreement, Avant made a voluntary prepayment to F-20 against the principal balance of \$4.75 million in the amount of \$1.4 million through the issuance of 545,171 common shares of the Company. Additionally, Avant issued 45,833 common share purchase warrants to acquire common shares of the Company at an exercise price of \$7.50 on or before February 23, 2026, subject to acceleration by the Company in the event that the 20-day VWAP of the Common Shares on the TSX exceeds \$25.50. Terms of the Convertible Debenture A include: a maturity date extension to October 29, 2025; monthly amortized payments of approximately \$150; and the amended note shall bear an interest rate of 15% per annum.

On March 1, 2024, Jeremy Wright, CPA, CMA, who previously served as the Company's founding CFO from September 2017 to August 2019, rejoined the Company as its Chief Financial Officer.

On March 1, 2024, Tyson Macdonald joined the Company's Board of Directors. Tyson brings over 20 years of C-suite expertise in investment and transactions across diverse markets and sectors.

On April 3, 2024, Sukhie Chahal joined the Company as Vice President of Revenue Strategy, who previously served as Revenue Management & Sales Strategy at Canopy Growth Corp.

On July 5, 2024, David Lynn, Chief Operating Officer, resigned from the Company.

On June 3, 2024, the Company closed its non-brokered private placement, in the amount of \$2,393 through the issuance of 938,562 units, each unit consisting of one common share and one-half warrant, at a combined purchase price of \$2.55 per unit. Each full warrant entitles the purchasers to acquire one common share at a price of \$3.60 per share for a period of three years from the date of issue. An additional 5,333 in non-transferable warrants were issued as finders' fees which are exercisable on the same terms as the subscribing investors.

On July 26, 2024, the Company issued convertible debentures ("**Convertible Debenture B**") in exchange for gross proceeds of \$3,900 under the following terms: (i) a maturity date of July 26, 2028; (ii) an interest rate of 10% per annum, payable quarterly (first payment starting December 2024 with final payment on maturity); (iii) issue 1,300,000 warrants exercisable at \$3 per share till maturity of the debt instrument and (iv) debt is convertible at \$3 per share. The Creditor shall have the right, at its option at any time and from time to time during which the principal sum remains outstanding under this debenture, to convert any part of the outstanding sum at the conversion price of \$3 per share.

On August 30, 2024, the Company completed a thirty (30) for one (1) common share consolidation of all its outstanding common shares, warrants, options and other convertible securities. As a result, the total number of issued and outstanding common shares decreased from 316,342,373 to 10,544,741.

## CORPORATE OUTLOOK

The Company has achieved notable increases in total production output throughout Fiscal 2023, continuing through Fiscal 2024. Expectations for further growth in available products and sales stem from ongoing expansion and optimization of its genetics library, set to introduce high-performing strains that excel in yield, cannabinoids, terpenes, and overall appeal.

The Company's core objective revolves around the sale of branded cannabis products both domestically in Canada and internationally. Avant places a strong emphasis on brand loyalty and continuous product innovation tailored for the Canadian adult-use market. Leveraging its expertise in cultivation and existing brand equity, Avant forms strategic partnerships to produce concentrates under its adult-use brands.

Avant has established robust global distribution networks, with key markets including Israel, Australia, and Germany. The Company is committed to sustaining and expanding its market share and brand recognition in these markets, while also exploring opportunities in other legal cannabis markets.

The Company's export shipments demonstrate its ability to acquire the necessary accreditation (ICANN-GAP via IQC) and develop the necessary export processes. More importantly, it illustrates that the competitive advantage generated by the Company's premium flower has the potential to drive success in both domestic and international markets. The Company executed and fulfilled significant sales to Israel and Australia in the year ended November 30, 2023, and is preparing to fulfill further orders with our existing export clients in addition to discussions with new potential clients. Furthermore, the Company made its first shipment to Germany in December 2023.

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**FINANCIAL HIGHLIGHTS**

	<b>Q3 YTD 2024</b>	<b>Q3 YTD 2023</b>	<b>% Change</b>
Revenue	<b>\$27,903</b>	\$24,387	<b>14%</b>
Excise tax	<b>(3,072)</b>	(2,881)	<b>(7%)</b>
<b>Net Revenue</b>	<b>24,831</b>	21,506	<b>15%</b>
Recreational revenue <sup>(1)</sup>	<b>9,490</b>	12,881	<b>(26%)</b>
Domestic wholesale revenue <sup>(1)</sup>	<b>2,812</b>	589	<b>377%</b>
Export wholesale revenue <sup>(1)</sup>	<b>12,106</b>	7,768	<b>56%</b>
Medical revenue <sup>(1)</sup>	<b>61</b>	133	<b>(54%)</b>
Management fees and other revenue <sup>(1)</sup>	<b>362</b>	135	<b>168%</b>
Gross margin adjusted for fair value adjustments <sup>(2)</sup>	<b>11,957</b>	7,641	<b>56%</b>
Gross margin % adjusted for fair value adjustments <sup>(3)</sup>	<b>48%</b>	36%	<b>33%</b>
Gross profit	<b>78</b>	11,385	<b>(99%)</b>
Operating expenses from continuing operations <sup>(4)</sup>	<b>9,295</b>	9,866	<b>(6%)</b>
Other income (expenses)	<b>(1,504)</b>	(986)	<b>(53%)</b>
Net (loss) income before income tax	<b>(10,721)</b>	533	<b>(2111%)</b>
Adjusted net income (loss) <sup>(5)</sup>	<b>3,176</b>	(1,831)	<b>273%</b>
Adjusted EBITDA <sup>(6)</sup>	<b>7,336</b>	4,629	<b>58%</b>
Cash flows from operating activities before working capital changes <sup>(7)</sup>	<b>8,824</b>	4,173	<b>111%</b>
Net cash flows from operating activities	<b>1,741</b>	4,250	<b>(59%)</b>
Kilograms of cannabis flower sold	<b>8,580</b>	5,658	<b>52%</b>
Kilograms of cannabis produced	<b>9,858</b>	7,911	<b>25%</b>

(1) Recreational revenue, domestic wholesale revenue, export wholesale revenue, medical revenue and management fees and other revenue are non-GAAP performance measures and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of this MD&A for further details.

(2) Gross margin adjusted for fair value adjustments is a non-GAAP performance measure and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of this MD&A for further details.

(3) Gross margin % adjusted for fair value adjustments is a non-GAAP performance ratio and may not be comparable to similar financial ratios disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of this MD&A for further details.

(4) Operating expenses from continuing operations is a non-GAAP performance measure and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of this MD&A for further details.

(5) Adjusted net income (loss) is a non-GAAP performance measure and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of this MD&A for further details.

(6) Adjusted EBITDA is a non-GAAP performance measure and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of this MD&A for further details.

(7) Cash flows from operating activities before working capital changes is a non-GAAP performance measure and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of this MD&A for further details.

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**CULTIVATION FACILITIES**

	<b>Avant Brands</b>	<b>3PL Ventures Inc.</b>	<b>The Flowr Group Okanagan Inc.</b>	<b>Avant Craft Cannabis Inc.</b>	<b>Grey Bruce Farms Inc.</b>	<b>Tumbleweed Farms Corp.</b>	<b>Greentec Bio-Pharmaceuticals Inc.</b>
<b>Location</b>	Canada	Vernon British Columbia	Kelowna British Columbia	Edmonton AB	Tiverton ON	Chase BC	Kelowna BC
<b>Total Size (Sq ft)</b>	179,000	60,000	80,000	14,000	15,000	10,000	20,000
<b>Status</b>		Complete	Complete	Complete	Complete	Complete	Construction in Progress
<b>Licence(s)</b>		Cultivation Processing, Sales	Cultivation Processing, Sales	Cultivation Processing, Sales	Cultivation Processing	Cultivation Processing, Sales	-

**3PL Ventures Inc. (“3PL”)**

3PL has a fully built and operational 60,000-square-foot cannabis production facility in Vernon, BC that sells to the provincial liquor boards, other domestic Licensed Producers (“LPs”), and export customers.

**The Flowr Group (Okanagan) Inc. (“Flowr Okanagan” or “FGO”)**

Flowr Okanagan operates a fully built and operational 80,000-square-foot cannabis production facility in Kelowna, BC. Flowr Okanagan sells to the provincial liquor boards, other domestic LPs, and export customers.

**Avant Craft Cannabis Inc. (“ACC”)**

ACC has a fully built and operational 14,000-square-foot cannabis production facility located in Edmonton, AB. ACC sells products into provincial recreational supply chains and facilitates direct sales to medical cannabis clients. In May 2022, ACC received a license amendment from Health Canada to facilitate sales of edibles and concentrates to provincial liquor boards.

**Grey Bruce Farms Incorporated (“GBF”)**

GBF has a fully built and operational 15,000-square-foot cannabis production facility located in Tiverton, ON on six acres of land with significant future expansion capabilities. GBF sells dried cannabis to provincial liquor boards and export customers.

**Tumbleweed Farms Corp. (“TWF”)**

TWF has a fully built and operational 10,000-square-foot cannabis production facility located in Chase, BC on 23 acres of land with significant future expansion capabilities. TWF sells to the provincial liquor boards.

**GreenTec Bio-Pharmaceuticals Inc. (“GBP”)**

The GBP facility was originally intended to be 80,000 square feet, with the first phase of development to be 20,000 square feet (“**GBP Phase One**”). The facility is located in Kelowna, BC and was intended to serve as Avant’s flagship cultivation facility with an anticipated opening in late 2019. After completing an extensive financial review, the Company suspended construction, in order to redirect capital to other priorities. The estimated cost to complete construction is approximately \$2.2 million.

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**FINANCIAL RESULTS**

	Three months ended August 31		Nine months ended August 31	
	2024	2023	2024	2023
Revenue	\$ 9,551	7,547	\$ 27,903	24,387
Excise taxes	(1,086)	(1,056)	(3,072)	(2,881)
Net revenue	8,465	6,491	24,831	21,506
Cost of sales	(4,276)	(4,458)	(12,874)	(13,865)
Gross profit before fair value changes	4,189	2,033	11,957	7,641
Unrealized gain on changes in fair value of biological assets	6,476	11,095	11,715	19,882
Change in fair value of biological assets realized through inventory sold	(9,662)	(8,081)	(23,594)	(16,138)
<b>Gross profit</b>	<b>1,003</b>	<b>5,047</b>	<b>78</b>	<b>11,385</b>
<b>Operating expenses</b>				
Administration and general	347	351	1,212	989
Business fees and licenses	705	636	1,334	1,137
Consulting fees	512	217	1,074	461
Depreciation and amortization	154	543	707	1,604
Marketing and advertising	24	80	132	242
Professional fees	652	686	1,568	1,479
Salaries and wages	787	928	2,440	2,397
Share based payments	298	285	725	1,380
Travel	38	40	103	177
	3,517	3,766	9,295	9,866
<b>Net (loss) income from operations</b>	<b>(2,514)</b>	<b>1,281</b>	<b>(9,217)</b>	<b>1,519</b>
<b>Other income (expense)</b>				
Unrealized gain on marketable securities and derivatives	11	-	61	3
Financing costs	(4)	(77)	(18)	(168)
Interest and accretion	(275)	(263)	(1,028)	(835)
Loss on debt modification	-	-	(614)	-
Loss on debt settlement	(163)	-	(163)	-
Other income	-	-	261	2
Fair value gain on acquisition	-	-	-	27
Foreign exchange loss	-	(10)	(3)	(15)
<b>Net (loss) income before income tax</b>	<b>\$ (2,945)</b>	<b>931</b>	<b>\$ (10,721)</b>	<b>533</b>
Current income tax recovery	-	-	1,293	-
Deferred income tax expense	-	-	-	-
<b>Net (loss) income and comprehensive loss</b>	<b>(2,945)</b>	<b>931</b>	<b>(9,428)</b>	<b>533</b>
<b>Attributable to:</b>				
Equity holders of the parent	(2,945)	931	(9,428)	637
Non-controlling interests	-	-	-	(104)
<b>(Loss) income per common share</b>				
Basic	\$ (0.28)	0.11	\$ (0.96)	0.07
Diluted	(0.28)	0.11	(0.96)	0.06
<b>Weighted average shares outstanding</b>				
Basic	10,456,120	8,596,797	9,793,877	8,100,643
Diluted	10,456,120	8,711,191	9,793,877	8,215,037

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#### **DISCUSSION OF FINANCIAL RESULTS**

##### ***Nine Month Period Ended August 31, 2024***

###### **Net Revenue**

The Company recognized net revenue of \$24.8 million in the nine-month period ended August 31, 2024, from the sale of 8,580 kg of cannabis, which was a \$3.3 million increase over the \$21.5 million of net revenue in the comparative period of the prior year from the sale of 5,658 kg of cannabis.

Recreational revenue accounted for 38% of net revenues during the nine-month period ended August 31, 2024, with domestic wholesale revenue comprising 11% and export wholesale revenue comprising 49% of net revenues. This compares to 61% for recreational revenue in the comparative period of the prior year, with the remainder coming from domestic wholesale revenue at 1% and export wholesale revenue at 36%. Recreational revenue decreased from the comparative prior period due to price compression, increased competition in the premium segment and the Company's focus on growing export wholesale revenues (Note: Recreational revenue, domestic wholesale revenue, export wholesale revenue, medical revenue and management fees and other revenue are non-GAAP performance measures and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of this MD&A for further details.)

###### **Cost of Sales**

Cost of sales decreased to \$12.9 million in the nine-month period ended August 31, 2024, compared to \$13.9 million in the comparative period of the prior year. This decrease was due to reductions in cannabis operations costs, incremental improvements in operational processes, and reductions in facility costs. Cannabis operations cost of sales were comprised of the purchase of materials, testing, packaging, freight, wages and salaries, including benefits, and an allocation of other operating expenses, including facility overhead and depreciation costs.

###### **Gross Margin**

Gross margin before fair value adjustments was \$12 million, or 48% of net revenue in the nine-month period ended August 31, 2024, compared to \$7.6 million, or 36% of net revenue in the comparative period of the prior year. This increase in gross margin dollars was due to the increased sales versus the comparative period of the prior year. The increase in gross margin as a percentage of net sales was due to growth in high margin export wholesale revenue, and production improvements leading to increased yields and lower average cost per gram. (Note: Gross margin before fair value adjustments and export wholesale revenue are non-GAAP performance measures and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" for further details).

###### **Operating expenses from continuing operations**

Operating expenses from continuing operations for the nine-month period ended August 31, 2024, decreased by \$0.6 million or 6% less than the comparative period of the prior year. The decrease was a result of a decrease in depreciation and amortization and share-based payments. (Note: Operating expenses from continuing operations is a non-GAAP performance measure and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" for further details).

###### **Adjusted EBITDA and Adjusted Net Income (Loss)**

Adjusted EBITDA was \$7.3 million in the nine-month period ended August 31, 2024, compared to \$4.6 million in the comparative period of the year. Adjusted Net Income was \$3.2 million in the nine-month period ended August 31, 2024, compared to \$1.8 million Adjusted Net Loss in the comparative period of the prior year (Note: Adjusted EBITDA and Adjusted Net Income (Loss) are non-GAAP performance measures and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" for further details).

##### ***Three Month Period Ended August 31, 2024***

###### **Net Revenue**

The Company recognized net revenue of \$8.5 million in the three-month period ended August 31, 2024, from the sale of 3,087 kg of cannabis, which is a \$2.0 million increase over \$6.5 million of net revenue in the comparative period of the prior year from the sale of 1,558 kg of cannabis.

Recreational revenue accounted for 33% of net revenues during the three-month period ended August 31, 2024, with domestic wholesale revenue comprising 7% and export wholesale revenue comprising 60% of net revenues. This compares to 61% for recreational revenue in the comparative period of the prior year, with the remainder coming from export wholesale revenue at 36% with domestic wholesale revenue, medical revenue and management fees and other revenue at 1% each. Recreational revenue decreased from the comparative prior period due to price compression, increased competition in the premium segment and the Company's focus on growing export wholesale revenues (Note: Recreational revenue, domestic wholesale revenue, export wholesale revenue, medical revenue and management fees and other revenue are non-GAAP performance measures and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of this MD&A for further details).

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#### Cost of Sales

Cost of sales decreased to \$4.3 million in the three-month period ended August 31, 2024, compared to \$4.5 million in the comparative period of the prior year. This decrease was due to reductions in cannabis operations costs, from incremental improvements in operational processes and reductions in facility costs. Cannabis operations cost of sales were comprised of the purchase of materials, testing, packaging, freight, wages and salaries, including benefits, and an allocation of other operating expenses, including facility overhead and depreciation costs.

#### Gross Margin

Gross margin before fair value adjustments was \$4.2 million, or 49% of net revenue in the three-month period ended August 31, 2024, compared to \$2.0 million, or 31% of net revenue in the comparative period of the prior year. This increase in gross margin dollars was due to the increased sales versus the comparative period of the prior year. The increase in gross margin as a percentage of net sales was due to growth in high margin export wholesale revenue, and production improvements leading to increased yields and lower average cost per gram. (Note: Gross margin before fair value adjustments and export wholesale revenue are non-GAAP performance measures and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" for further details).

#### Operating Expenses from continuing operations

Operating expenses from continuing operations for the three-month period ended August 31, 2024 amounted to \$3.5 million, decreased by \$0.3 million or 8% less than the comparative period of the prior year. Increases in administration and general, salaries and wages and consulting fees were offset by decreases in depreciation and amortization and share based payments. (Note: Operating expenses from continuing operations is a non-GAAP performance measure and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" for further details).

#### Adjusted EBITDA and Adjusted Net Income (Loss)

Adjusted EBITDA was \$2.1 million in the three-month period ended August 31, 2024, compared to \$0.9 million in the comparative period of the prior year. Adjusted Net Income was \$0.5 million in the three-month period ended August 31, 2024, compared to \$1.8 million Adjusted Net Loss in the comparative prior period of the prior year (Note: Adjusted EBITDA and Adjusted Net Income (Loss) are non-GAAP performance measures and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" for further details).

#### Summary of Quarterly Results

	Q3 24	Q2 24	Q1 24	Q4 23	Q3 23	Q2 23	Q1 23	Q4 22
<b>Revenue</b>	\$9,551	\$9,422	\$8,930	\$5,783	\$7,547	\$8,966	\$7,874	\$8,837
Excise tax	(1,086)	(1,132)	(854)	(945)	(1,056)	(980)	(845)	(915)
<b>Net Revenue</b>	8,465	8,290	8,076	4,838	6,491	7,986	7,029	7,922
Cost of sales	(4,276)	(5,241)	(3,357)	(3,398)	(4,458)	(5,303)	(4,104)	(4,926)
Gross margin adjusted for fair value adjustments <sup>1</sup>	4,189	3,049	4,719	1,440	2,033	2,683	2,925	2,996
Net change in fair value of biological assets & impairment	(3,186)	(4,871)	(3,822)	(393)	3,014	665	66	(2,584)
<b>Gross margin</b>	1,003	(1,822)	897	1,047	5,047	3,348	2,991	412
Operating expenses	3,517	3,230	2,548	4,017	3,766	3,083	3,017	2,951
<b>Net (loss) income from operations</b>	(2,514)	(5,052)	(1,651)	(2,970)	1,281	265	(26)	(2,539)
Other income (expense)	(431)	27	(1,100)	(559)	(350)	(655)	18	1,107
<b>Net (loss) income before income tax</b>	(2,945)	(5,025)	(2,751)	(3,529)	931	(390)	(8)	(1,432)
Current income tax	-	1,293	-	(1,798)	-	-	-	-
Deferred income tax	-	-	-	(380)	-	-	-	(364)
<b>Net (loss) income from continuing operations</b>	(2,945)	(3,732)	(2,751)	(5,707)	931	(390)	(8)	(1,796)

(1) Gross margin adjusted for fair value adjustments is a non-GAAP performance measure and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of this MD&A for further details.

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**LIQUIDITY AND CAPITAL RESOURCES**

The following table provides a summary of the Company's cash flows for the nine-month periods ended August 31, 2024, and August 31, 2023:

	Nine months ended	
	August 31, 2024	August 31, 2023
<b>Cash from/used in operating activities</b>		
- Cash flows from operating activities before working capital changes <sup>(1)</sup>	<b>\$8,824</b>	\$4,173
- After changes in non-cash working capital	<b>1,741</b>	4,250
<b>Cash flows from investing activities</b>	<b>(19)</b>	(6,388)
<b>Cash flows from financing activities</b>	<b>647</b>	(2,928)
<b>Net cash flows</b>	<b>2,369</b>	(5,066)
<b>Cash</b>	<b>\$3,141</b>	\$1,698

(1) Cash flows from operating activities before working capital changes is a non-GAAP performance measure and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of this MD&A for further details.

Management intends to finance operating costs over the next twelve months with current cash on hand and cash flow from operations.

The cash balance of \$3.1 million increased from cash of \$0.8 million on November 30, 2023. The Company produced strong cash inflow from cash flows from operating activities before working capital changes of \$8.8 million for the nine-month period ended August 31, 2024, compared to \$4.2 million in the comparative period of the prior year (Note: Cash flows from operating activities before working capital changes is a non-GAAP performance measure and may not be comparable to similar financial measures disclosed by other issuers. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of this MD&A for further details). The cash inflow from operating activities after working capital movements was \$1.7 million compared to \$4.3 million in the comparative period of the prior year.

**Liquidity and Capital Recourse**

The Company manages its capital structure based on the funds available to the Company for operations. The Company's board of directors (the "Board") does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business. The Company defines capital that it manages as shareholders' equity. The Company has historically relied on a combination of income from operations, the equity markets and debt financing to fund its activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

**FINANCIAL POSITION**

The following table provides a summary of the Company's financial position as at August 31, 2024, and November 30, 2023:

	August 31, 2024	November 30, 2023
Total assets	<b>\$72,560</b>	\$82,552
Total liabilities	<b>26,476</b>	33,224
Share capital & contributed surplus	<b>120,978</b>	115,241
<b>Deficit</b>	<b>\$(74,894)</b>	\$(65,913)

**AVANT BRANDS INC.**  
**Management Discussion and Analysis**

**PROPERTY, PLANT AND EQUIPMENT**

The following table provides a summary of the Company's property, plant and equipment as at August 31, 2024:

	ACC	GBF	TWF	GBP	TFGOK	3PL	Corporate	TOTAL
Land	\$-	\$195	\$160	\$18	\$-	\$975	\$-	<b>\$1,348</b>
Buildings	-	3,267	3,238	-	-	-	-	<b>6,505</b>
Growing & processing equipment	741	533	246	1,139	3,142	3	2,808	<b>8,612</b>
Other	7	13	12	-	1	6	-	<b>39</b>
Right-of-use assets	474	-	-	-	2,840	165	3,925	<b>7,404</b>
Leasehold improvements	-	-	-	-	-	-	3,708	<b>3,708</b>
Construction in process	-	-	-	6,984	-	-	-	<b>6,984</b>
	<b>\$1,222</b>	<b>\$4,008</b>	<b>\$3,656</b>	<b>\$8,141</b>	<b>\$5,983</b>	<b>\$1,149</b>	<b>\$10,441</b>	<b>\$34,600</b>

**SHAREHOLDERS' EQUITY**

The Company has an unlimited number of common shares without par value authorized for issuance. The Company also has an unlimited number of preference shares without par value authorized for issuance.

On August 30, 2024, the Company executed a 1 for 30 reverse stock split of all outstanding warrants, options and other convertible securities ("**Reverse Stock Split**"). As a result of the reverse split, the total number of issued and outstanding shares decreased from 316,342,373 to 10,544,741. All references to share and per-share information, warrants, options, restricted stock units ("**RSUs**"), and Deferred Stock Units ("**DSUs**") in these financial statements have been adjusted to reflect the effects of the Reverse Stock Split. The number of common shares without par value and number preference shares without par value authorized for issuance has remained the same. No fractional shares have been issued and all fractional balances have been rounded. The table below outlines the number of issued and outstanding common shares ("**Common Shares**"), stock options ("**Options**"), RSUs, DSUs and share purchase warrants ("**Warrants**") of the Company:

	August 31, 2024	November 30, 2023
Common shares	<b>10,544,741</b>	8,636,280
Warrants	<b>2,045,447</b>	1,452,208
RSUs and DSUs	<b>263,983</b>	123,190
Options – vested and exercisable	<b>447,704</b>	435,703

**Escrow shares**

On March 12, 2024, the Company entered into a cultivar supply agreement. Under the agreement, the supplier will provide the Company with cultivars on an exclusive basis until December 15, 2026, in exchange for 150,000 common shares. Common shares were issued in two tranches of 75,000 common shares each. Under the first tranche:

- (i) 33,333 common shares issued before being released on July 19, 2024
- (ii) 20,833 common shares issued and were held in escrow until August 15, 2024 before release; and
- (iii) 20,834 common shares issued and will be held in escrow until December 15, 2024.

The second tranche of 75,000 common shares issued will be held in escrow and released conditional on testing of the cultivars for commercialization. In relation to this agreement, 36,190 common shares previously held in escrow were returned to treasury. As of August 31, 2024, the Company has 10,544,741 issued common shares, with 95,834 common shares being held in escrow.

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**Warrants**

As at August 31, 2024, the following Warrants were outstanding:

<b>Number of Warrants</b>	<b>Exercise price per share</b>	<b>Expiry date</b>
166,667	\$15.00	February 1, 2025
45,833	\$7.50	February 23, 2026
58,333	\$9.00	July 14, 2026
474,614	\$3.60	June 3, 2027
1,300,000	\$3.00	July 26, 2028
<b>2,045,447</b>		

**RSUs and DSUs**

As at August 31, 2024, the following RSUs and DSUs were outstanding:

<b>Number of RSUs and DSUs</b>	<b>Grant date</b>
78,500	March 1, 2022
4,412	December 28, 2022
31,481	January 9, 2023
22,728	February 23, 2024
26,667	March 18, 2024
34,524	July 5, 2024
45,671	July 29, 2024
20,000	August 6, 2024
<b>263,983</b>	

**Options**

At August 31, 2024, the following Options were outstanding:

<b>Number of options</b>	<b>Options Vested</b>	<b>Exercise price per share</b>	<b>Expiry date</b>
3,333	3,333	\$9.00	September 25, 2024
12,917	12,917	\$9.00	October 23, 2024
6,667	2,000	\$1.80	January 22, 2025
168,667	168,667	\$8.10	February 28, 2025
200,000	160,000	\$5.40	January 9, 2026
100,787	100,787	\$6.00	March 14, 2026
<b>492,371</b>	<b>447,704</b>		

**AVANT BRANDS INC.**  
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**RELATED PARTY TRANSACTIONS**

**Key management compensation**

All transactions with related parties have occurred in the normal course of operations. Key management is comprised of directors and executive officers. Key management compensation for the periods ended August 31, 2024, and August 31, 2023, consists of the following:

	Three months ended		Nine months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Salaries and wages	\$508	\$304	\$730	\$667
Director fees	81	45	126	130
Share-based payments <sup>(1)</sup>	260	176	385	1,164
<b>Total</b>	<b>\$849</b>	<b>\$525</b>	<b>\$1,241</b>	<b>\$1,961</b>

(1) Share-based payments are the fair value of Options, RSUs and DSUs granted and vested to key management of the Company under the Company's incentive plans.

On January 24, 2024, the Company issued 53,571 common shares with a fair value of \$225 to one of its officers in lieu of the bonus payable.

Certain key management personnel services are provided by a third party. The Company incurred \$126 for the nine-month period ended August 31, 2024 and \$47 for the three month period ended August 31, 2023 (August 31, 2023: \$nil) for the provision of key management personnel services provided by the third party.

**Related party balances**

As at August 31, 2024, accounts payable and accrued liabilities included \$83 (November 30, 2023: \$45), which was due to directors of the Company in connection with directors' fees, and \$492 due to officers of the company.

Additionally, on May 8, 2024, the Company entered into a loan agreement with a related party in the amount of \$200. The loan is repayable on demand. The loan bears interest at a rate of 8.5% per annum and has been fully repaid by the Company.

**Related party transactions**

During the year ended November 30, 2017, the Company entered into a share purchase agreement to purchase 100% interest in GBP. The entity was under common control with two of the Company's executive officers. Certain milestones within these agreements remain outstanding and are disclosed under "GBP commitment" below.

On January 31, 2024, the Company entered into a loan agreement with a related party in the amount of \$150. The loan bore interest at a rate of 8.5% per annum and was due on demand. The loan was paid back on February 22, 2024.

On June 3, 2024, the Company closed a private placement (Note 15.a) which was used to offset accounts payable and accrued liabilities which was due to directors of the Company in connection with directors' fees and executive officers' compensation in the amount of \$318. Related parties also contributed \$47 in cash through the private placement.

**AVANT BRANDS INC.**  
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**COMMITMENTS**

The following table summarizes the maturities of the Company's financial liabilities as at August 31, 2024, based on the undiscounted contractual cash flows:

	Carrying value	Contractual cash flows	Less than 1 year	1 - 5 years	>5 years
Accounts payable and accrued liabilities	\$8,654	\$8,654	\$8,654	\$-	\$-
Lease liabilities	8,250	18,753	1,186	4,242	13,325
Secured credit facility	2,579	3,096	1,461	1,635	-
Convertible debenture A	2,038	2,245	1,796	449	-
Convertible debenture B	3,455	4,795	1,075	3,720	-
	<b>\$24,976</b>	<b>\$37,543</b>	<b>\$14,172</b>	<b>\$10,046</b>	<b>\$13,325</b>

From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company. As of August 31, 2024, the Company has accrued a provision of \$100 related to certain legal proceedings for which the outcome is uncertain at this time.

Additionally, the Company may enter into contracts for services in the normal course of operations. The Company's current contractual commitments vary in terms and can be terminated upon sufficient notice. The Company has the following outstanding commitments based on achieving certain milestones.

**GBP commitment**

As at August 31, 2024, the Company has committed to issue Common Shares valued at \$2.5 million contingent on future events as follows:

**Trigger event**

Completion of GBP construction of a Health Canada approved cannabis production facility in compliance with the <i>Cannabis Act</i> and the regulations promulgated thereunder (collectively, the "CA&R")	\$500
GBP obtaining a license to sell cannabis under the CA&R	500
GBP having sold an aggregate of 3,000kg of dried cannabis	750
GBP completing construction of an expansion to its production facility to increase production by at least 8,500kg per annum and receiving an amendment to its production and sales licenses	750
	<b>\$2,500</b>

On March 13, 2020, the Company entered into an amending agreement with the vendors of GBP, amending certain terms and conditions of the definitive share purchase agreement dated November 15, 2017.

The vendors of GBP agreed to reduce their entitlement to a portion of the purchase price such that the remaining payment obligations of the Company in connection with the acquisition of GBP were reduced by \$5,750. In addition to reducing the milestone payments, the vendors of GBP agreed to restructure the remaining milestones, as shown in the above table and raise the floor price of the common shares to be issued in connection with the new milestones to a deemed price per share equal to the greater of (A) the 10-day volume-weighted average trading price of the Company's common shares, and (B) \$30. Of the \$5,750 reduction to the Company's payment obligations, \$5,615 of the remaining milestone payments was waived by an executive officer of the Company.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make certain estimates and apply judgment affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period.

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### Management Discussion and Analysis

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The areas involving higher degrees of judgment, or areas where assumptions and estimates are significant to the financial statements, are:

#### Biological assets and inventory

The significant estimates and assumptions used to determine the fair value of the cannabis plants include:

- Estimated stage of growth of the cannabis up to the point of harvest
- Expected yield by strain of plant
- Fair value; and
- Selling costs

As of August 31, 2024, a change of 10% in the estimated yield per plant, growth cycle, and fair value less cost to sell of dry cannabis would result in the variances noted below to the fair value of biological assets:

Assumption	August 31, 2024	+/- 10%
Yield per plant	71 - 80 grams of flower and 13 – 21 grams of trim per plant	735
FV less cost to sell	\$3.68 per gram of flower	739
Estimated stage of growth	0% - 100% of Life Cycle per stage	735

On average, the growth cycle is between 14 to 17 weeks and the Company expects the average yield per plant to be between 71 to 80 grams of harvested flower and 13 to 21 grams of harvested trim.

The Company's estimates are, by their nature, subject to change and differences from anticipated yield, which will be reflected in the gain or loss on biological assets in future periods.

These inputs are Level 3 on the fair value hierarchy and are subject to volatility in market prices and several uncontrollable factors, such as: unexpected production problems; equipment unavailability; inflationary pressures; supply chain disturbances; contractual, labour or community disputes; and the unavailability of required skilled labour, which could significantly affect the fair value of biological assets in future periods.

#### Inventory

In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compare the inventory cost to estimated net realizable value. Cost is determined using the weighted average method. The capitalized cost of inventory includes the capitalization of pre-harvest costs initially capitalized to biological assets prior to transfer to inventory plus post-harvest costs. Any subsequent post-harvest costs such as packaging materials and labour are capitalized to inventory to the extent that cost is less than net realizable value. The costs capitalized include labour, depreciation expense for machinery, right-of-use assets and shop equipment. These costs are recognized within the cost of goods sold upon the sale of inventory.

#### Business combinations

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition.

Judgement exists when determining the acquirer. The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed and including any contingently payable purchase price obligation due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to acquired intangibles assets, property, plant and equipment and contingent consideration.

Management determines whether assets acquired, and liabilities assumed, constitute a business. A business consists of inputs and processes applied to those inputs that can create outputs. Acquisition-related costs are recognized in the consolidated statements of comprehensive loss as incurred.

#### Share based compensation

The fair value of options granted is determined based on the following factors:

- Company's share price at grant date;
- Exercise price;
- Expected volatility;
- Expected life;
- Forfeiture rate; and
- Risk-free interest rate.

Judgement is involved in analyzing the impact of non-vesting conditions such as requirements for employees to hold shares. Assumptions on the forfeiture rate at the time of grant are also subject to management estimates.

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#### Income tax

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions and carried forward tax losses against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

#### ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

##### New standards and interpretations not yet adopted:

Certain amendments to accounting standards have been published that are not mandatory for the current reporting period and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

##### New and amended standards adopted by the Company:

A number of amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

#### FINANCIAL INSTRUMENTS

Fair value measurement is based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value which are:

Level 1 - measurement based on quoted prices (unadjusted) observed in active markets for identical assets and liabilities.

Level 2 - measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset and liability.

Level 3 - measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

The convertible debenture conversion features A and B are level 3 securities measured at fair value using the Black-Scholes model. The Company has no level 2 financial instruments measured at fair value.

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	Amortized cost	Fair Value through Profit or Loss	Total
<b>Assets</b>			
Cash	\$3,141	\$-	\$3,141
Trade and other receivables	3,327	-	3,327
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$8,654	\$-	\$8,654
Secured credit facility	2,579	-	2,579
Lease liabilities	8,250	-	8,250
Convertible debenture A	2,038	-	2,038
Convertible debenture A - conversion feature	-	1	1
Convertible debenture B	3,455	-	3,455

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#### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information within the meaning of Canadian securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions.

Such forward-looking statements are based on numerous assumptions, including among others, the Company's ability to create long-term value for its shareholders and establish itself as a premier craft cannabis company; the Company's ability to grow market share; the Company's ability to develop new and innovative products; the Company's ability to expand into international cannabis export markets; the Company's ability to operate in a cost-efficient manner; the Company's ability to fulfill consumer demand in Canada and internationally; the Company's

## **AVANT BRANDS INC.**

### **Management Discussion and Analysis**

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expectations with respect to future increases in product output; the Company's expectations with respect to the expansion of its genetics library; the Company's ability to fulfill current and future orders; the Company's expectations with respect to continuing demand for its products; the Company's expectations with respect to the expansion of its cultivation facilities; the Company's ability to achieve positive cash flow from operations; the Company's ability to expand into new provincial and territorial markets; the Company's expectations with respect to maintaining a competitive advantage over competitors; the Company's ability to finance operating costs with current cash on hand and cash flow from operations; and the Company's expectations with respect to other economic, business, and/or competitive factors.

Forward-looking statements are not guarantees of future performance, but are instead based on the reasonable assumptions and estimates of management of the Company at the time they are made and involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements contained in this MD&A. Such factors include, but are not limited to, the factors discussed in the section entitled "Risks and Uncertainties" herein and in the section entitled "Risk Factors" herein and the section entitled "Risk Factors" in the Company's annual information form dated February 28, 2023 (the "AIF").

Forward-looking statements contained herein are made as of the date of this MD&A and, other than as required by law, the Company disclaims any obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information, future events or results or otherwise. There can be 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. Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive, and all forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements contained herein are based on information available as of August 31, 2024.

### **CAUTIONARY STATEMENT REGARDING CERTAIN NON-GAAP PERFORMANCE MEASURES**

This MD&A includes references to non-GAAP and other financial measures as defined in NI 52-112. These financial measures are used by the Company to evaluate its financial performance, financial position and cash flow and include non-GAAP financial measures, non-GAAP ratios, total of segments measures, capital management measures, and supplementary financial measures. These financial measures are not defined by IFRS and therefore are referred to as non-GAAP and other financial measures. The non-GAAP and other financial measures used by the Company may not be comparable to similar measures presented by other companies and should not be considered an alternative to or more meaningful than the most directly comparable financial measure presented in the financial statements, as applicable, as an indication of the Company's performance. Descriptions of the Company's non-GAAP and other financial measures included in this MD&A, and reconciliations to the most directly comparable GAAP measure, as applicable, are provided below.

#### **Adjusted EBITDA**

Adjusted EBITDA is a non-GAAP financial measure that is not a recognized, defined, or standardized measure under IFRS and may not be comparable to similar measures presented by other companies. It is intended to provide a proxy for the Company's operating cash flow and may be used by industry analysts to compare the Company to its competitors and derive expectations of the future financial performance of the Company. The Company considers Adjusted EBITDA a key measure in evaluating its performance by eliminating variability resulting from differences in capital structures, management decisions related to resource allocation, and the impact of fair value adjustments on biological assets and inventory, which may be volatile on a period-to-period basis. Management defines adjusted EBITDA as net income or loss before income tax, as reported, adjusted for depreciation and amortization including the amount capitalized to inventory excluding intangible amortization, equity loss on investment in associate, financing costs, gains and losses on sale of marketable securities, Canadian emergency wage subsidy, loss on debt settlement and modification, interest and accretion, share-based payments, change in fair value of biological assets realized through inventory sold, and unrealized gains and losses on changes in fair value of biological assets.

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	Nine months ended		Three months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
<b>Net (loss) income (loss) before income tax</b>	<b>\$(10,721)</b>	<b>\$533</b>	<b>\$(2,945)</b>	<b>\$931</b>
Depreciation and amortization <sup>(1)</sup>	3,691	5,460	1,116	2,359
Interest and accretion	1,028	835	275	263
Financing costs	18	168	4	77
(Gain) Loss on marketable securities and derivatives	(61)	(3)	(11)	-
Share based payments	725	1,380	298	285
Loss on debt settlement	163	-	163	-
Loss on debt modification	614	-	-	-
Change in fair value of biological assets realized through inventory sold	23,594	16,138	9,662	8,081
Unrealized (gain) loss on changes in fair value of biological assets	(11,715)	(19,882)	(6,476)	(11,095)
<b>Adjusted EBITDA</b>	<b>\$7,336</b>	<b>\$4,629</b>	<b>\$2,086</b>	<b>\$901</b>

(1) Includes the amount capitalized to inventory, excludes intangible amortization

**Change in Composition of Non-GAAP Financial Measure**

During the third quarter of 2024, the Company revised the composition of its Adjusted EBITDA non-GAAP financial measure to include Loss on debt settlement and debt modification. The revision will provide users a better representation of the Company's performance by reversing out the impact of these non-cash losses. The Company also revised the reconciliation from net income (loss) from continuing operations to net income (loss) before income tax. The revision was made to ensure that the exclusion of income tax is clear to readers. The composition of this measure has been updated for all periods presented.

**Adjusted Net Income (Loss)**

Adjusted net income is a non-GAAP financial measure that is not a recognized, defined, or standardized measure under IFRS and may not be comparable to similar measures presented by other companies. Management believes this measure provides useful information as it represents true normalized operating earnings. Management defines adjusted net income as income (loss) from continuing operations, as reported, adjusted for equity (gain) loss on investment in associate, Canadian emergency wage subsidy, share-based payments, fair value gain on acquisition, change in fair value of biological assets realized through inventory sold, and unrealized gains and losses on changes in fair value of biological assets.

	Nine months ended		Three months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
<b>Net (loss) gain from continuing operations</b>	<b>\$(9,428)</b>	<b>\$533</b>	<b>\$(2,945)</b>	<b>\$931</b>
Share based payments	725	1,380	298	285
Unrealized (gain) loss on changes in fair value of biological assets	(11,715)	(19,882)	(6,476)	(11,095)
Change in fair value of biological assets realized through inventory sold	23,594	16,138	9,662	8,081
<b>Adjusted net income (loss)</b>	<b>\$3,176</b>	<b>\$(1,831)</b>	<b>\$539</b>	<b>\$(1,798)</b>

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**Gross margin adjusted for fair value adjustments**

Gross margin adjusted for fair value adjustments is a non-GAAP financial measure that is not a recognized, defined, or standardized measure under IFRS. Management considers gross margin adjusted for fair value adjustments as an alternative representation of performance which excludes non-cash gains or losses based on the fair market value less cost to sell. Management believes this measure provides useful information to approximate gross margin less non-cash gains/losses.

	Nine months ended		Three months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
<b>Gross profit</b>	<b>\$78</b>	\$11,385	<b>\$1,003</b>	\$5,047
Unrealized (gain) loss on changes in fair value of biological assets	(11,715)	(19,882)	(6,476)	(11,095)
Change in fair value of biological assets realized through inventory sold	23,594	16,138	9,662	8,081
<b>Gross margin adjusted for fair value adjustments</b>	<b>\$11,957</b>	\$7,641	<b>\$4,189</b>	\$2,033

**Gross margin % adjusted for fair value adjustments**

Gross margin % adjusted for fair value adjustments is a non-GAAP financial ratio that is not recognized, defined, or standardized under IFRS. The ratio is calculated as Gross margin adjusted for fair value adjustments (as defined above) divided by net revenue.

	Nine months ended		Three months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
<b>Gross margin adjusted for fair value adjustments (refer to above)</b>	<b>\$11,957</b>	\$7,641	<b>\$4,189</b>	\$2,033
Net Revenue	23,594	16,138	9,662	8,081
<b>Gross margin % adjusted for fair value adjustments</b>	<b>51%</b>	47%	<b>43%</b>	25%

**Operating expenses from continuing operations**

Operating expenses from continuing operations is a non-GAAP financial measure that is not a recognized, defined, or standardized measure under IFRS and may not be comparable to similar measures presented by other companies. Management considers operating expenses from continuing operations as a proxy for the Company's true cost of operations.

Management defines operating expenses from continuing operations as Net income (loss) from operations, as reported, deducting gross profit (loss), as reported, to isolate for operating expenses from continuing operations. Management believes this measure provides useful information as it represents the cost of maintaining operations.

	Nine months ended		Three months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
<b>Net loss (income) from operations</b>	<b>\$2,514</b>	\$(1,281)	<b>\$9,217</b>	\$(1,519)
Gross profit	1,003	5,047	78	11,385
<b>Operating expenses from continuing operations</b>	<b>\$3,517</b>	\$3,766	<b>\$9,295</b>	\$9,866

**Operating expenses excluding non-cash items**

Operating expenses excluding non-cash items is a non-GAAP financial measure that is not a recognized, defined, or standardized measure under IFRS and may not be comparable to similar measures presented by other companies. Management considers operating expenses excluding non-cash items as a proxy for the Company's costs and removes non-cash operating expenses such as share-based payments and depreciation.

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Management defines operating expenses excluding non-cash items as operating expenses from continuing operations, as reported, adjusted for depreciation and amortization, share-based payments, and any other non-cash item that may be charged to operating expenses. Management believes this measure provides useful information as it is a measurement of cash-based operating expenses.

	Nine months ended		Three months ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
<b>Operating expenses from continuing operations</b>	<b>\$9,295</b>	\$9,866	<b>\$3,517</b>	\$3,766
Depreciation and amortization	(707)	(1,604)	(154)	(543)
Share based payments	(725)	(1,380)	(298)	(285)
<b>Operating expenses excluding non-cash items</b>	<b>\$7,863</b>	\$6,882	<b>\$3,065</b>	\$2,938

#### Cash flows from operating activities before working capital changes

Cash flows from operating activities before working capital changes is a non-GAAP financial measure that is not a recognized, defined, or standardized measure under IFRS and may not be comparable to similar measures presented by other companies. Management considers cash flows from operating activities before working capital changes as a proxy for the Company's operating cash flow and removes changes in working capital impacts.

Management defines cash flows from operating activities before working capital changes as net cash flows generated from operating activities, as reported, adjusted for trade and other receivables, prepaid expenses and deposits, biological assets, inventory, accounts payable and accrued liabilities and any other working capital change adjustments disclosed on the cash flow statement. Management believes this measure provides useful information as it is a measurement of true cash generated by the business.

See the table below for the determination of specific components of cash flows from operating activities before working capital changes:

	Nine months ended	
	August 31, 2024	August 31, 2023
<b>Net cash flows generated from operating activities</b>	<b>\$1,741</b>	\$4,250
Changes in working capital - Trade and other receivables	(520)	(472)
Changes in working capital – Prepaid expenses and deposits	(277)	(1,056)
Changes in working capital – Biological assets	11,191	(1,569)
Changes in working capital – Inventory	(6,345)	8,861
Changes in working capital – Accounts payable and accrued liabilities	3,034	(5,841)
<b>Cash flows from operating activities before working capital changes</b>	<b>\$8,824</b>	\$4,173

#### Recreational revenue, domestic wholesale revenue, export wholesale revenue, medical revenue and management fees and other revenue

Recreational revenue, domestic wholesale revenue, export wholesale revenue, medical revenue and management fees and other revenue are a non-GAAP financial measure that are not a recognized, defined, or standardized measure under IFRS and may not be comparable to similar measures presented by other companies. Management considers recreational revenue, domestic wholesale revenue, export wholesale revenue, medical revenue and management fees and other revenue as a more detailed method of breaking down revenues to reflect export and domestic wholesale revenues.

Management defines recreational revenue as revenue arising from domestically sold product (inside Canada) sold directly to retailers that is excise stamped. Management defines domestic wholesale revenue as revenue arising from domestically sold product (inside Canada) sold to intermediaries to be repackaged and is unstamped. Management defines export wholesale revenue as revenue arising from internationally sold product (outside Canada) that is sold to intermediaries and is unstamped. Management defines medical revenue as revenue arising from products sold for medicinal purposes to medicinal customers or medicinal distributors. Management defines management fees and other revenue as revenue arising from other sources that may not have been covered by the above categories such as licensing fees. The sum of the categories must sum to Net Revenue, as reported. Management believes this measure provides useful information as it provides a granular breakdown of all revenues generated by the business.

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See the table below for the reconciliation of each:

	Nine months ended	
	August 31, 2024	August 31, 2023
Recreational revenue	\$9,490	\$12,881
Domestic wholesale revenue	2,812	589
Export wholesale revenue	12,106	7,768
Medical revenue	61	133
Management fees and other revenue	362	135
<b>Net Revenue</b>	<b>\$24,831</b>	<b>\$21,506</b>

### COMPARATIVE FIGURES

Certain comparative figures as at August 31, 2023, were adjusted to reflect finalization of the estimates of the fair value of assets acquired and liabilities assumed for the acquisition of Avant K1 and reclassified to conform to the presentation in the current period.

### RISK FACTORS

There are several risk factors that could cause the Company's actual results, performance, and achievements to differ materially from those described herein. If any of these risks occur, the Company's business may be harmed, and its financial condition and results of operations may suffer significantly. Such risk factors include, but are not limited to, the following risk factors as well as those listed under the heading "Risk Factors" in the Company's AIF, which has been filed under the Company's profile on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca). For a more extensive discussion on risks and uncertainties, please refer to the AIF.

This section discusses factors relating to the business of the Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive, and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

#### Liquidity and Additional Financing

The Company has limited financial resources and revenues. There can be no assurance that additional funding will be available to the Company for further development of its assets or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could cause the Company to reduce or terminate its operations.

#### Reliance on Licenses

The Company's ability to cultivate, produce and sell cannabis in Canada is dependent on maintaining its license with Health Canada. All of the Company's licenses are or will be, subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the licenses, to maintain its licenses, and to renew the licenses after their expiry dates would have a material adverse impact on the business, financial condition and operating results of the Company.

Should Health Canada not extend or renew existing licenses, renew existing licenses on different terms, or refuse applications for new licenses, the business, financial condition and operating results of the Company would be materially adversely affected.

#### Change in Laws, Regulations and Guidelines

The Company's business is subject to particular laws, regulations, and guidelines. The production and distribution of cannabis is a highly regulated field, and although the Company intends to comply with all laws and regulations, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company may cause adverse effects to its operations.

#### Limited Operating History, History of Losses, and No Assurance of Profitability

The Company was incorporated and began operations in June 2017, and as of the date of this, MD&A has not generated material positive cash flow from operations. The Company is subject to all of the business risks and uncertainties associated with any early-stage enterprise, including under-capitalization, cash shortages, limitation with respect to personnel, financial and other resources, and lack of revenues.

The Company has incurred operating losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. There is no assurance that the Company will be successful in achieving a return on shareholders' investments, and the likelihood of success must be considered in light of the early stage of operations.

#### Litigation

The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business, which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert

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management's attention and resources and cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant, and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages.

#### **Fluctuating Prices of Raw Materials**

The Company's revenues are largely derived from the production, sale and distribution of agricultural products or products related to the growth of such agricultural products. The price of production, sale and distribution of these products will fluctuate widely and is affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of the Company's products and, therefore, the economic viability cannot accurately be predicted.

In addition, the current economic environment may result in significant inflationary pressures for the price of the Company's inputs and labour, which could have a material effect on the Company's business, financial condition or results of operations. The Company may not be able to fully offset such higher costs through price increases. The Company's inability or failure to do so could harm its business, financial condition and results of operations.

#### **Volatile Market Price of Common Shares**

The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of Common Shares to sell their securities for a profit or at all. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet expectations of securities analysts (including short-sellers) or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors.

Financial markets have historically, at times, experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Common Shares may be materially adversely affected.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

In the preparation of the Company's financial 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.

Pursuant to National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company is required to establish and maintain disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). DC&P are designed to provide reasonable assurance that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. ICFR is a process designed by, or under the supervision of, an issuer's certifying officers and effected by the issuer's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Pursuant to NI 52-109, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO" together with the CEO, the "Certifying Officers") of the Company are required to certify that they are responsible for establishing and maintaining the Company's DC&P and ICFR. In addition, the Certifying Officers are required to confirm that they have designed, or caused to be designed, the Company's DC&P and provide reasonable assurance that (i) material information relating to the Company was made known to the Certifying Officers by others, particularly during the period in which the Filings (as defined below) were prepared; and (ii) information required to be disclosed by the Company in the Filings was recorded, processed, summarized and reported within the time periods specified in securities legislation. Further, the Certifying Officers are required to confirm that they have designed, or caused to be designed, the Company's ICFR and provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Certifying Officers are also responsible for disclosing any changes in the Company's ICFR that occurred during the most recent period that has materially affected or is reasonably likely to materially affect, the Company's ICFR.

In accordance with NI 52-109, the Certifying Officers have certified that they have reviewed the Financial Statements and MD&A (collectively, the "Filings") and that, based on their knowledge and having exercised reasonable diligence, (i) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the Filings; and (ii) the Financial Statements together with the other financial information included in the Filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in the Filings.

The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may

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not prevent or detect all misstatements and fraud, which may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Management has used the Internal Control–Integrated Framework (COSO 2013 Framework) issued by the Committee of Sponsoring Organization of the Treadway Commission to assess the effectiveness of the Company's ICFR. There have been no changes in the Company's ICFR reporting during the nine-month period ended August 31, 2024, which have materially affected or are reasonably likely to materially affect, the Company's ICFR.

**Approval**

The Board oversees management's responsibility for financial reporting and internal control systems through the Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board. The Board has approved the financial statements and the disclosure contained in this MD&A.