

AVANT

February 28, 2024

Management Discussion & Analysis

For the Fourth Quarter
and Year Ended
November 30, 2023

(Expressed in Canadian Dollars)

AVANT BRANDS INC.

Management Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of Avant Brands Inc. (formerly, GTEC Holdings Ltd.) ("Avant" or the "Company") is for the year ended November 30, 2023. This MD&A should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended November 30, 2023, and 2022, together with the notes thereto. The Companies Financial Statements are prepared in accordance with International financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

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. Additional information can also be found on the Company's website at www.avantbrands.ca.

All financial information in this MD&A, other than certain non-IFRS measures, has 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-IFRS measures. Refer to "Cautionary Statement Regarding Forward-Looking Information" and "Cautionary Statement Regarding Certain non-IFRS Performance Measures" in this MD&A.

This MD&A is prepared as of February 28, 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, which produce 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 in British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, Atlantic Canada and the Territories. These 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 (TSX: AVNT), and cross trades on the OTCQX Best Market (OTCQX: AVTBF) and Frankfurt Stock Exchange (FRA: 1BU0). The Company is headquartered in Kelowna, British Columbia and has 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. Expand 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 to drive 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.

Fiscal 2023 CORPORATE HIGHLIGHTS

Adjusted EBITDA for the year ended November 30, 2023 was \$4.4 million, compared to adjusted EBITDA of \$1.9 million in the comparative period of the prior year.

The Company's cash inflow from operating activities before working capital was \$2.6 million for the year ended November 30, 2023, compared to operating cash inflow of \$2.2 million in the comparative period of the prior year. The cash inflow from operating activities after working capital movements was \$5.4 million compared to an outflow of \$3.5 million in the comparative period of the prior year.

The Company secured its first listings in the Province of Quebec (with the exception of existing Flowr branded listings which came with the purchase of Flowr) for BLK MKT™ flower and pre-rolls SKU's. They became available within the Quebec market in October 2023.

The Company recently expanded its international client portfolio, with a focus on the Israeli, Australian and European markets as the Company secured its first sale to Germany, which shipped in the first quarter of Fiscal 2024. The Company has executed agreements with new clients in such markets, with a view to increasing the Company's total export revenue while achieving geographic and customer diversification.

The Globe & Mail published a list of Canada's Top Growing Companies of 2023, which was sector agnostic. Avant Brands ranked 49th out of 425 companies on this list, at 849% growth over its last three fiscal years. The list did not include any other public or private Licensed Producers, placing Avant as Canada's fastest-growing Licensed Producer in the country.

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CORPORATE OUTLOOK

The Company executed two significant transactions during the year that are expected to contribute to ongoing growth. On February 2, 2023, Avant Brands K1 Inc. acquired The Flowr Group (Okanagan) Inc. ("Flowr Okanagan"), including its 80,000 square-foot indoor production facility in Kelowna, BC (the "Flowr Facility"). By March 14, 2023, the Company acquired the remaining 50% of Avant Brands K1 Inc., and now controls 100% of Flowr Okanagan through its GreenTec Holdings Ltd. subsidiary. The fully operational Flowr Facility is projected to boost production capabilities by approximately 60%.

On February 1, 2023, the Company completed the acquisition of the remaining 50% equity stake of 3PL Ventures Inc. ("3PL") for its production facility in Vernon, BC (the "3PL Facility"). This acquisition provided full ownership of the 3PL operation, which generated significant positive cash flows during Fiscal 2023.

The Company has achieved notable increases in total output throughout Fiscal 2023. 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. Additionally, the Company is actively expanding into new provincial markets to bolster its market presence, aiming to surpass the current 78% market coverage.

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 2023 and is preparing to fulfill further orders with our existing export clients in addition to discussions with new potential clients.

The Company experienced a decrease in sales during the fourth quarter of Fiscal 2023 due to increased competitive pressures in the Canadian Recreational market and with exports. In order to better manage quarter over quarter demand volatility, the Company has committed to developing customer relationships in the Canadian B2B market in order to diversify the sales channels available to the Company and accelerate the sales velocity of bulk cannabis. This is expected to maximize and stabilize sales as we look to continue our year over year sales growth trajectory.

Estimated sales in Q1 2024 have positively rebounded from the fourth quarter of 2023 while management focuses on selling the increased inventory stockpiles on the balance sheet as at November 30, 2023. The near-term emphasis is on increasing the sales through all channels to reduce the inventory buildup and pay down the accounts payable balances. This is expected to relieve the Company's near-term liquidity constraints.

On February 27, 2024 the Company announced the successful restructuring of loan agreements with MENA Investments Network Inc. and F-20 Developments Corp. These amendments will extend repayment terms and decrease our debt service requirements in order to free up operational cash flows which will be used to improve our working capital position. In addition to these amendments, the Company is focused on securing a larger credit facility to consolidate debts on a longer term and further reduce our debt service requirement.

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FINANCIAL HIGHLIGHTS

	2023	2022	2021	FY23 v FY22 % Change
Revenue	\$ 30,170	22,604	11,004	33%
Excise tax	(3,826)	(2,455)	(1,505)	56%
Net Revenue	26,344	20,149	9,499	31%
Recreational revenue	15,842	14,444	7,827	10%
Export and B2B revenue	10,201	5,192	1,350	96%
Medical revenue	154	247	153	(38%)
Management fees and other revenue	147	266	169	(45%)
Gross margin before fair value adjustments ⁽¹⁾	9,081	6,366	3,661	43%
Gross margin % before fair value adjustments ⁽¹⁾	34%	32%	39%	9%
Gross margin	12,432	3,914	1,899	218%
Operating expenses	13,883	12,456	7,294	11%
Other income (expenses)	(1,545)	2,288	(6,935)	(168%)
Net income (loss) before income tax	(2,996)	(6,254)	(12,330)	(52%)
Adjusted net income (loss) ⁽²⁾	(5,306)	(3,209)	(10,265)	65%
Adjusted EBITDA ⁽³⁾	4,384	1,886	(1,557)	132%
Operating cashflow before changes in non-cash working capital	2,597	2,178	(1,035)	(19%)
Net cash flows from operating activities	5,414	(3,461)	(5,623)	256%
Kilograms of cannabis flower sold	7,105	3,934	2,010	81%
Kilograms of cannabis produced	10,638	5,846	3,022	82%
Average recreational gross pricing per gram ⁽⁴⁾	6.31	7.18	7.26	(12%)
Weighted average gross pricing per gram ⁽⁴⁾	4.23	5.67	6.34	(25%)

- (1) Gross margin before fair value adjustments is a non-IFRS performance measure. Refer to "Cautionary Statement Regarding Certain Non-IFRS Performance Measures" for further details. Management determined that the exclusion of the fair value adjustment is an alternative representation of performance. The fair value adjustment is a non-cash gain (loss) and is based on fair market value less cost to sell.
- (2) Adjusted net loss is a non-IFRS performance measure. Refer to "Cautionary Statement Regarding Certain Non-IFRS Performance Measures" for further details.
- (3) Adjusted EBITDA is a non-IFRS performance measure. Refer to "Cautionary Statement Regarding Certain Non-IFRS Performance Measures" for further details.
- (4) Average recreational gross pricing per gram is a non-IFRS performance measure and is calculated by determining the total recreational sales divided by the total number of recreational grams sold. The weighted average gross pricing per gram is calculated by determining the total flower sales divided by the total number of flower grams sold. Refer to "Cautionary Statement Regarding Certain Non-IFRS Performance Measures" for further details.

Management continually reviews and analyzes various financial metrics, including financial ratios such as the Current Ratio, Quick Ratio, Inventory Turnover Ratio. As of November 30, 2023, the Company maintains a Current Ratio of 1.7, a Quick Ratio of 0.7, and an Inventory Turnover Ratio of 0.8.

BRAND PORTFOLIO AND PRODUCT STRATEGY

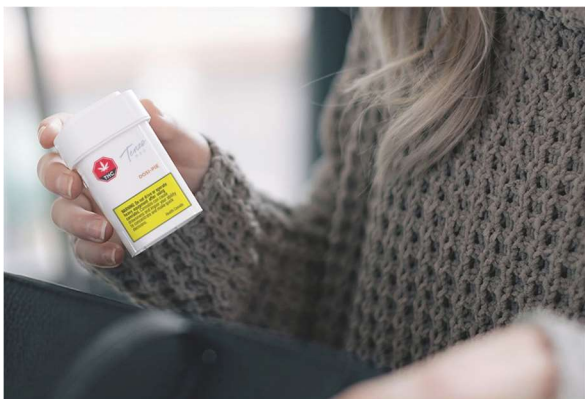
Avant's portfolio of brands targets a variety of cannabis consumer preferences, meeting ever-evolving tastes, trends and price points across targeted consumer segments. The Company endeavours to help drive the cannabis industry forward through intelligent, innovative and transparent brand and product development. Examples of the Company's strategy include being the first premium brand to package in glass bottles in Canada, the development and introduction of Canada's first legal blunt, and being the first premium recreational brand to include terpene profiles on product packaging.

BRANDS



BLK MKT™:

- As our flagship brand, BLK MKT™ stands at the forefront of the ultra-premium cannabis market, catering to discerning consumers who seek only the finest quality.
- Crafted to resonate with seasoned connoisseurs, BLK MKT™ offers an array of meticulously curated products, including dried flower, pre-rolls, BLNT, concentrates, and vapes.



Tenzo™:

- Tenzo™ embodies boldness and diversity, offering a selection of vibrant cultivars renowned for their robust aromas and exceptional terpene profiles.
- Our lineup includes dried flower, pre-rolls, infused products, concentrates, and vapes, ensuring a dynamic cannabis experience for every enthusiast.



Flowr™:

- Acquired through the purchase of Flowr Group Okanagan Inc., Flowr™ has undergone strategic repositioning to re-establish its presence in the Canadian market.
- With a focus on authenticity and quality, Flowr™ delivers premium dried flower products, showcasing our commitment to excellence.

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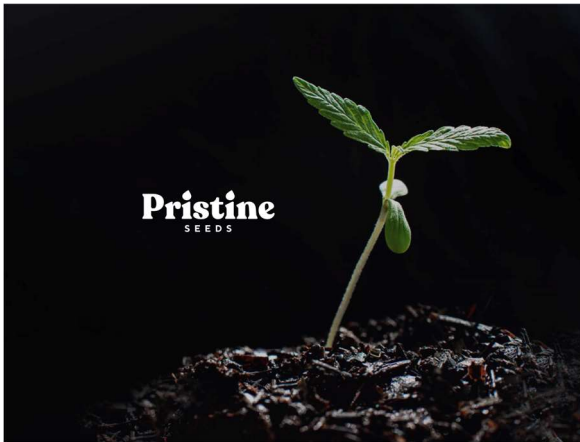
Cognoscente™:

- Elevating the cannabis experience to new heights, Cognoscente™ offers rare, limited-edition selections curated to delight even the most discerning connoisseurs.
- From craft tasting flights to exclusive blunt experiences, each product is meticulously crafted to deliver a truly exceptional journey.



Treehugger™:

- Catering to environmentally conscious consumers, Treehugger™ provides premium, certified organic flower grown with sustainability at its core.
- Our range includes dried flower and pre-rolls, offering a guilt-free indulgence for those who prioritize eco-friendly choices.



Pristine™ Seeds:

- Empowering Canadians to cultivate their own cannabis, Pristine™ Seeds offers a diverse selection of high-quality seeds paired with comprehensive guidance for an enjoyable growing experience.



GreenTec™:

- Serving the medical cannabis community, GreenTec™ ensures easy access to premium craft cannabis for qualified patients nationwide.
- From dried flower and pre-rolls to oils, vapes, edibles, concentrates, and topicals, our products are tailored to meet the diverse needs of medical consumers.

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DISTRIBUTION STRATEGY

Avant is currently distributing cannabis through the following four distinct and complementary channels:

Recreational

The core of the Company's business is its domestic recreational cannabis business. Avant currently sells via provincial-territorial liquor boards in British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, Atlantic Canada and the territories. These markets currently represent approximately 78% of the Canadian recreational cannabis market. The Company is actively pursuing listings for its products in additional provincial and territorial markets.

Medical

The medical channel bypasses the high markups and risks associated with selling through provincial liquor boards by selling direct to consumer. In February 2021, the Company launched its GreenTec Medical portal to facilitate direct sales to medical patients. Several competing online medical cannabis portals ceased operations in late 2021 and early 2022, enhancing the Company's ability to build its medical client base. Furthermore, the Company is confident that it has key competitive advantages over most of its existing online competitors, including vertical integration, reputable brands, fresh products and low overheads.

Global Distribution

Avant is a compelling supplier for international buyers seeking high-quality cannabis flower. Avant has executed multiple export contracts with clients in Israel, Australia and Europe and is actively pursuing other international markets. Avant also licenses its flagship brand, BLK MKT™ in various countries, with a view of establishing BLK MKT™ as an iconic ultra-premium brand at the global stage.

Domestic Wholesale

From time to time, the Company utilizes bulk business-to-business ("B2B") sales relationships to sell excess or off-spec bulk cannabis to other licensed Canadian cannabis companies. Overall, however, the Company does not view B2B sales as financially or strategically compelling, thus, it has migrated its sales mix away from this channel since Fiscal 2021.

Given the current provincial legislative framework in Canada, Avant has pursued a multifaceted strategy to gain access to Canadian consumers. This includes supply arrangements with provincial control boards and retailers, as well as building strong relationships with major Canadian retailers. Market-specific updates are as follows:

British Columbia

The Company is currently shipping products into the British Columbia market via the B.C. Liquor Distribution Branch ("BCLDB"). The Company currently has 22 SKUs listed with the BCLDB under the BLK MKT™, Tenzo™, Flowr™ and Treehugger™ brands.

Alberta

The Company supplies the Alberta market via its online medical cannabis portal (www.greentecmedical.ca).

Saskatchewan

The Company is currently shipping products into the Saskatchewan market via two wholesale distributors, in a manner that complies with the regulatory regime established by the Saskatchewan Liquor and Gaming Authority.

Manitoba

The Company is currently shipping products into the Province of Manitoba directly to Manitoba cannabis retail stores under the regulatory framework established by the Liquor, Gaming and Cannabis Authority of Manitoba.

Ontario

The Company is currently shipping products into the Ontario market via the Ontario Cannabis Store (the "OCS"). The Company currently has 40 SKUs listed with the OCS under the BLK MKT™, Tenzo™, Flowr™, TreeHugger™, and Cognoscente™ brands. The OCS is currently the Company's largest recreational cannabis customer.

Quebec

In early 2021, the Company applied to the Autorité des Marchés Publics ("AMP") to facilitate cannabis products listings via the Société Québécoise du Cannabis ("SQDC"). In March 2021, AMP granted the Company approval to conduct business with Quebec government entities. The Company is currently supplying the SQDC via a licensed cannabis company based in Quebec. Moreover, it recently secured multiple new listings, including flower, pre-roll and infused product SKU's.

Atlantic Canada | Territories

The Company is currently shipping products into these markets via the respective provincial or territorial boards.

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CULTIVATION FACILITIES

	AVANT CONSOLIDATED	AVANT CRAFT CANNABIS	GREY BRUCE FARMS INC.	TUMBLEWEED FARMS CORP.	GREENTEC BIO-PHARMACEUTICALS INC.	THE FLOWR GROUP OKANAGAN INC.	3PL VENTURES INC.
Location	Canada	Edmonton Alberta	Tiverton Ontario	Chase British Columbia	Kelowna British Columbia	Kelowna British Columbia	Vernon British Columbia
Total Size (Sq ft)	179,000	14,000	15,000	10,000	20,000	80,000	60,000
Production Capacity (KG)¹	16,440	1,200	1,640	1,000	2,150	6,600	6,000
Status		Complete	Complete	Complete	Construction in Progress	Complete	Complete
Licence(s)		Cultivation, Processing, Sales (Medical)	Cultivation, Processing	Cultivation Processing, Sales (Medical)	-	Cultivation Processing, Sales (Medical)	Cultivation Processing, Sales (Medical)

Note (1) Total Capacity of all operating facilities increased from 6,840kg to 16,440kg in 2023, concurrent with the acquisition of Flowr Okanagan, calculated based on output of 200g to 236g per square foot of canopy space on an annualized basis (or approximately two pounds per light each harvest).

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.

3PL Ventures Inc. (“3PL”)

3PL has a fully built and operational 60,000-square-foot cannabis production facility in Vernon, BC that received its Standard Cultivation, Standard Processing and Medical Sales License from Health Canada on August 20, 2021 and a sales amendment on May 10, 2022. 3PL sells to provincial liquor boards and to export customers.

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.

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 Licensed Producers (“LPs”), and export customers.

ENVIRONMENTAL, SOCIAL & GOVERNANCE (“ESG”)

Many corporate organizations are moving to transparently disclose their ESG policies and practices. Various regulatory and governance requirements are currently under development, including the proposed National Instrument 51-107 – Disclosure of Climate-Related Matters (“NI 51-107”) from the Canadian Securities Administrators. If adopted, NI 51-107 would mandate reporting issuers to disclose climate-related information in alignment with the four core disclosure elements of the Task Force on Climate-Related Financial Disclosures.

With these developments in mind, ESG considerations have been added to the mandate of the Company’s Governance Committee. Management is developing an ESG framework, starting with identifying, understanding, and quantifying climate-related risks and opportunities to be considered when creating a formal ESG strategy. The Company’s ESG framework will include a formalized approach to governance oversight and activities, embedding ESG into corporate strategy and risk management, and identifying metrics and targets for measuring ESG performance for communication with our stakeholders.

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FINANCIAL RESULTS

	Note	Three months ended November 30		Year ended November 30	
		2023	2022	2023	2022
Revenue	\$	5,783	\$ 8,837	\$ 30,170	\$ 22,604
Excise taxes		(945)	(915)	(3,826)	(2,455)
Net revenue		4,838	7,922	26,344	20,149
Cost of sales		(3,398)	(4,926)	(17,263)	(13,783)
Gross margin before fair value changes		1,440	2,996	9,081	6,366
Unrealized gain on changes in fair value of biological assets		(904)	(148)	18,978	3,200
Change in fair value of biological assets realized through inventory sold		511	(2,436)	(15,627)	(5,652)
Gross margin		1,047	412	12,432	3,914
Operating expenses					
Administration and general		325	257	1,314	763
Business fees and licenses		389	260	1,526	910
Consulting fees		105	130	566	594
Depreciation and amortization		524	614	2,128	1,876
Marketing and advertising		50	166	292	545
Professional fees		249	252	1,728	1,384
Salaries and wages		743	951	3,140	2,573
Share based payments		1,576	258	2,956	3,597
Travel		56	63	233	214
		4,017	2,951	13,883	12,456
Net (loss) income from operations		(2,970)	(2,539)	(1,451)	(8,542)
Other income (expense)					
Gain (loss) on marketable securities		3	(3)	6	(160)
Gain (loss) on sale of assets		-	1	-	7
Financing costs		126	(6)	(42)	(37)
Gain/Loss on FV adjustment		(27)	-	-	-
Interest and accretion		(398)	-	(1,233)	-
FX Gain/Loss		-	-	(15)	-
Equity gain (loss) from associate		(263)	-	(263)	1,233
Gain on legal settlement		-	-	2	130
Fair value gain on acquisition		-	1,115	-	1,115
Net loss before income tax		(3,529)	(1,432)	(2,996)	(6,254)
Current income tax expense		(1,798)	-	(1,798)	-
Deferred income tax expense		(380)	(364)	(380)	(364)
Net (loss) income and comprehensive (loss) income	\$	(5,707)	(1,796)	(5,174)	(6,618)
Attributable to:					
Equity holders of the parent		(5,707)	(1,796)	(5,070)	(6,618)
Non-controlling interests		-	-	(104)	-
Loss per common share					
Basic and diluted	\$	(0.02)	(0.01)	(0.02)	(0.04)

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DISCUSSION OF FINANCIAL RESULTS

Year Ended November 30, 2023

Net Revenue

The Company recognized net revenue of \$26.3 million in the year ended November 30, 2023 from the sale of 7,105 kg of cannabis, which is a \$6.2 million increase over \$20.1 million of net revenue in the comparative period of the prior year from the sale of 3,934 kg of cannabis. This increase was primarily due to a \$1.4 million dollar sales growth in the recreational revenue and a \$5.0 million sales growth in international export/wholesale.

Recreational cannabis sales accounted for 60% of net sales during the year ended November 30, 2023, with export and B2B sales comprising 39% of revenue. This compares to 72% for recreational sales in the comparative period of the prior year, with the remainder coming from export and B2B sales.

Overall weighted average selling price of cannabis sold decreased by 25% to \$4.23 per gram with recreational cannabis average being \$6.31 for the year ended November 30, 2023, compared to \$7.18 per gram in the comparative period of the prior year. The decrease in average selling price is largely due to a combination of general price compression in the industry combined with product sales mix as well as a \$0.3 million sales provision taken during the period.

Cost of Sales

Cost of sales increased to \$17.3 million in the year ended November 30, 2023, compared to \$13.8 million in the comparative prior year. This increase was primarily due to higher sales volume in the current period. The Company also had a larger variety of SKUs as it continues to strategically expand product offerings, which resulted in increased labour and material costs as new packaging materials and vendors needed to be sourced. 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 \$9.1 million, or 34% of net revenue in the year ended November 30, 2023, compared to \$6.4 million, or 32% of net revenue in the comparative prior year. This increase in gross margin dollars was due to the increased sales versus the comparative prior year. The slight increase in gross margin as a % of net sales was due to production improvements leading to increased yields and lower average cost per gram, offset by a decreased average selling price due to larger product offering and general inflation on input materials. (Note: Gross margin before fair value adjustments is a non-IFRS performance measure. Refer to "Cautionary Statement Regarding Certain Non-IFRS Performance Measures" for further details).

Operating Expenses

Operating expenses from continuing operations excluding non-cash items for the year ended November 30, 2023, increased by \$1.8 million or 26% over the comparative period of the prior year. The increase is a result of higher regulatory fees, performance bonuses, and estimated professional and audit fees. (Note: Operating expenses from continuing operations is a non-IFRS performance measure. Refer to "Cautionary Statement Regarding Certain Non-IFRS Performance Measures" for further details).

Three Months Ended November 30, 2023

Net Revenue

The Company recognized net revenue of \$4.8 million in the period ended November 30, 2023, from the sale of 1,447 kg of cannabis, which is a \$3.0 million decrease compared to the \$7.9 million of net revenue in the comparative period of the prior year from the sale of 1,439 kg of cannabis. The recreational sales decrease of \$2.1 million dollars was primarily due to increased competition at retail combined with the timing of new products launching. The international export/wholesale decrease of \$0.9 million in sales is primarily due to timing of shipments and deliveries.

Recreational cannabis sales accounted for 61% of net sales during the period ended November 30, 2023, with export and B2B sales comprising 38% of revenue. This compares to 64% for recreational sales in the comparative period of the prior year, with the remainder coming from export and B2B sales.

Cost of Sales

Cost of sales decreased to \$3.4 million in the period ended November 30, 2023, compared to \$4.9 million in the comparative period of the prior year. This decrease was primarily due to a lower volume of kgs sold at a lower average cost as a result improved efficiencies and economies of scale in production. 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 \$1.4 million, or 30% of net revenue in the period ended November 30, 2023, compared to \$3 million, or 38% of net revenue in the comparative period of the prior year. This decrease in gross margin dollars was due to the decreased

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sales volume and sales price versus the comparative period in the prior year. The decrease in gross margin as a % of net sales was due to a lower average selling price as a result of the product mix for the current year period and general inflation on input materials, partially offset by improvements to labour costs and higher yields. (Note: Gross margin before fair value adjustments is a non-IFRS performance measure. Refer to "Cautionary Statement Regarding Certain Non-IFRS Performance Measures" for further details).

Operating Expenses

Operating expenses from continuing operations excluding non-cash items for the period ended November 30, 2023, decreased by \$0.2 million or 8% over the comparative period of the prior year. The decrease is a result of reduced salaries and wages offset by increased business and license fees. (Note: Operating expenses from continuing operations is a non-IFRS performance measure. Refer to "Cautionary Statement Regarding Certain Non-IFRS Performance Measures" for further details).

Summary of Quarterly Results

	Q4 23	Q3 23	Q2 23	Q1 23	Q4 22	Q3 22	Q2 22	Q1 22
Revenue	\$5,783	\$7,547	\$8,966	\$7,874	\$ 8,837	\$ 4,697	\$ 4,456	\$ 4,614
Excise tax	(945)	(1,056)	(980)	(845)	(915)	(741)	(382)	(417)
Net Revenue	4,838	6,491	7,986	7,029	7,922	3,956	4,074	4,197
Cost of sales	(3,398)	(4,458)	(5,303)	(4,104)	(4,926)	(2,475)	(3,139)	(3,243)
Gross margin before fair value adjustments ⁽¹⁾	1,440	2,033	2,683	2,925	2,996	1,481	935	954
Net change in fair value of biological assets & impairment	(393)	3,014	665	66	(2,584)	474	(85)	(259)
Gross margin	1,047	5,047	3,348	2,991	412	1,955	850	695
Operating expenses	4,017	3,766	3,083	3,017	2,951	2,436	5,322	1,746
Net (loss) income from operations	(2,970)	1,281	265	(26)	(2,539)	(481)	(4,472)	(1,051)
Other income (expense)	(559)	(350)	(655)	18	1,107	2,712	628	556
Net (loss) income before income tax	(3,529)	931	(390)	(8)	(1,432)	2,231	(3,844)	(495)
Current income tax	(1,798)							
Deferred income tax	(380)	-	-	-	(364)	-	-	-
Net (loss) income from continuing operations	(5,707)	931	(390)	(8)	(1,796)	2,231	(3,844)	(495)

(1) Gross margin before fair value adjustments is a non-IFRS performance measure. Refer to "Cautionary Statement Regarding Certain Non-IFRS Performance Measures" for further details.

AVANT BRANDS INC.
Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

The following table provides a summary of the Company's cash flows for the year ended November 30, 2023, and 2022.

	2023	2022
Cash from/used in operating activities		
- Before changes in non-cash working capital items	2,597	2,178
- After changes in non-cash working capital items	5,414	(3,461)
Cash flows used in investing activities	(7,028)	(3,095)
Cash flows used in financing activities	(4,378)	(993)
Net cash outflows	(5,992)	(7,549)
Cash	772	6,764

Management intends to finance operating costs over the next twelve months with current cash on hand and cash flow from operations and has entered into a new secured credit facility which has been fully drawn. The Company may consider additional debt or equity financing as a source of funding as required.

The cash balance of \$0.8 million is down from \$6.8 million on November 30, 2022, mostly due to the strategic acquisitions of Flowr Okanagan. The Company produced strong cash inflow from operating activities before working capital of \$2.6 million for the year ended November 30, 2023, compared to operating cash inflow of \$2.2 million in the comparative period of the prior year. The cash inflow from operating activities after working capital movements was \$5.4 million compared to an outflow of \$3.5 million in the comparative prior year.

On July 14, 2023, the Company completed the closing of a \$3.5 million credit facility, which is secured by the real estate of the Company's non-operational and non-licensed property, GreenTec BP ("GTBP"). The credit facility bears an annual interest rate of 15% with a 3-year amortization period commencing as the facility is drawn upon in \$0.5 million tranches. Additionally, the Company shall pay a quarterly unused fee in the amount equal to an interest rate of 0.50% per quarter on the average daily unused portion of the credit facility. As at November 30, 2023, the Company has drawn and owes the full balance on the credit facility.

Liquidity and Capital Recourses

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 November 30, 2023 and November 30, 2022.

	November 30, 2023	November 30, 2022
Total assets	\$ 82,552	\$ 67,031
Total liabilities	33,224	18,788
Share capital	115,241	107,532
Deficit	\$ (65,913)	\$ (59,289)

ADJUSTED EBITDA (NON-IFRS PERFORMANCE MEASUREMENT)

The Company has identified adjusted EBITDA as a relevant industry performance indicator. Adjusted EBITDA is a non-IFRS financial measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

Management defines adjusted EBITDA as income (loss) from continuing operations, as reported, adjusted for depreciation and amortization, equity (gain) loss on investment in associate, financing costs, gains and losses on marketable securities, 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. Management believes this measure provides useful information as it is a commonly used measure in the capital markets to approximate operating earnings. See the table below for the determination of specific components of adjusted EBITDA.

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	Three months ended November 30		Year ended November 30	
	2023	2022	2023	2022
Income (loss) from continuing operations	\$ (5,707)	(1,796)	(5,174)	(6,618)
Depreciation and amortization	783	1,533	6,243	4,366
Equity (gain) loss on investment in associate	263	-	263	(1,233)
Interest and accretion	398	-	1,233	
Financing costs	(126)	46	42	212
Gain (loss) on marketable securities	(3)	3	(6)	160
Share based payments	1,576	258	2,956	3,597
Deferred income tax recovery (expense)	380	364	380	364
Gain (loss) on sale of assets	-	(1)	-	(7)
Fair value gain on acquisition	-	(1,115)	-	(1,115)
Income tax expense	1,798	-	1,798	-
Change in fair value of biological assets realized through inventory sold	(511)	148	15,627	5,360
Unrealized (gain) loss on changes in fair value of biological assets	904	2,142	(18,978)	(3,200)
Adjusted EBITDA	\$ (245)	\$ 1,582	\$ 4,384	\$ 1,886

ADJUSTED NET INCOME (LOSS) (NON-IFRS PERFORMANCE MEASUREMENT)

The Company has identified adjusted net income as a relevant industry performance indicator. Adjusted net income is a non-IFRS financial measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

Management defines adjusted net income as income (loss) from continuing operations, as reported, adjusted for equity (gain) loss on investment in associate, 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. Management believes this measure provides useful information as it is a commonly used measure in the capital markets to approximate operating earnings. See the table below for the determination of specific components of adjusted net income.

	Three months ended November 30		Year ended November 30	
	2023	2022	2023	2022
Income/(loss) from continuing operations	\$ (5,707)	\$ (1,796)	\$ (5,174)	\$ (6,618)
Equity (gain) loss on investment in associate	263	-	263	(1,233)
Share based payments	1,576	258	2,956	3,597
Fair value gain on acquisition	-	(1,115)	-	(1,115)
Unrealized (gain) loss on changes in fair value of biological assets	904	2,142	(18,978)	(3,200)
Change in fair value of biological assets realized through inventory sold	(511)	148	15,627	5,360
Adjusted net income (loss)	\$ (3,475)	\$ (363)	\$ (5,306)	\$ (3,209)

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OPERATING EXPENSES EXCLUDING NON-CASH ITEMS (NON-IFRS PERFORMANCE MEASUREMENT)

The Company has identified operating expenses excluding non-cash items as a relevant industry performance indicator. Operating expenses excluding non-cash items is a non-IFRS financial measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

Management defines adjusted 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. See the table below for the determination of specific components of operating expenses excluding non-cash items.

	Year ended November 30		Three months ended November 30	
	2023	2022	2023	2022
Operating expenses from continuing operations	\$ 13,883	\$ 12,456	\$ 4,017	\$ 2,951
Depreciation and amortization	2,128	1,876	524	614
Share based payments	2,956	3,597	1,576	258
Operating expenses excluding non-cash items	\$ 8,799	\$ 6,983	\$ 1,917	\$ 2,079

PROPERTY, PLANT AND EQUIPMENT

The following table provides a summary of the Company's property, plant, and equipment as at November 30, 2023:

	ACC	GBF	TWF	GBP	TFGOK	3PL	Corporate	TOTAL
Land	-	195	160	19	-	-	975	1,349
Buildings	-	3,442	3,408	-	-	-	-	6,850
Growing & processing equipment	929	677	321	1,139	3,519	3,155	8	9,748
Other	18	13	14	-	1	-	4	50
Right-of-use assets	21	-	-	-	2,936	6,274	328	9,559
Leasehold improvements	26	-	-	-	-	4,718	1	4,745
Construction in process	-	-	-	6,983	-	-	-	6,983
	994	4,327	3,903	8,141	6,456	14,147	1,316	39,284

SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares ("Common Shares"). The table below outlines the number of issued and outstanding Common Shares, stock options ("Options"), restricted share units ("RSUs"), deferred share units ("DSUs") and share purchase warrants ("Warrants") of the Company.

	November 30, 2023	November 30, 2022
Common shares	259,088,554	206,094,740
Warrants	43,566,520	36,816,250
RSUs and DSUs	3,695,701	5,016,972
Options – vested and exercisable	13,071,100	7,207,500

Escrow shares

As at November 30, 2023, there were 1,085,713 common shares held in escrow pursuant to an agreement with a consulting firm to facilitate the acquisition and cultivation of cannabis genetics, which will be released contingent upon the occurrence of future events.

Additionally, out of 22,249,734 common shares issued in connection with the purchase of the non-controlling interests of 3PL, 6,674,920 shares (30%) remain in escrow as at November 30, 2023 and are due to be released on February 1, 2024.

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Warrants

As at November 30, 2023, the following Warrants were outstanding:

Number of Warrants	Exercise price per share	Expiry date
6,772,500	\$ 0.30	March 8, 2024
28,750,000	\$ 1.04	March 30, 2024
1,293,750	\$ 0.80	March 30, 2024
5,000,000	\$ 0.50	February 1, 2025
1,750,000	\$ 0.30	July 14, 2026
43,566,250		

RSUs and DSUs

As at November 30, 2023, the following RSUs and DSUs were outstanding:

Number of RSUs and DSUs	Grant date
2,354,998	March 1, 2022
132,372	December 28, 2022
944,443	January 9, 2023
263,888	April 15, 2023
3,695,701	

Options

At November 30, 2023, the following Options were outstanding:

Number of options	Options Vested	Exercise price per share	Expiry date
1,500,000	1,500,000	\$0.34	August 14, 2024
100,000	100,000	\$0.30	September 25, 2024
387,500	387,500	\$0.30	October 23, 2024
5,060,000	5,060,000	\$0.27	February 28, 2025
6,000,000	3,000,000	\$0.18	January 9, 2026
3,023,600	3,023,600	\$0.20	March 14, 2026
16,071,100	13,071,100	\$0.23	

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 November 30, 2023, and 2022 consists of the following:

	November 30, 2023	November 30, 2022
Salaries and wages	1,466	\$ 731
Director fees	175	167
Share-based payments	1,223	1,170
	2,864	\$ 2,068

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

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Management Discussion and Analysis

Related party balances

As at November 30, 2023, accounts payable included \$45 (November 30, 2022: \$nil), which was due to directors of the Company in connection with directors' fees.

Related party transactions

During the year ended November 30, 2017, GreenTec Holdings Ltd. entered into share purchase agreements to purchase 100% interest in Grey Bruce, 1118157 B.C. Ltd., Zenalytic Laboratories Ltd. and GBP. Each one of these entities was under common control with two of the Company's executive officers. Certain milestones within these agreements remain outstanding and are disclosed in Commitments section below.

COMMITMENTS

The Company has the following outstanding commitments based on achieving certain milestones:

GBP commitment

As at November 30, 2023, 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
	\$ 2,500

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) \$1.00. 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.

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

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As of November 30, 2023, 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	November 30, 2023	+/- 10%
Yield per plant	63 - 99 grams of flower and 10 – 32 grams of trim per plant	803
FV less cost to sell	\$3.69 per gram of flower and \$0.2 per gram of trim	815
Estimated stage of growth	0% - 100% of Life Cycle per stage	803

On average, the growth cycle is between 14 to 17 weeks and the Company expects the average yield per plant to be between 63.10 to 99.00 grams of harvested flower and 10.00 to 32.32 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, extreme weather, 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 compares 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

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

Judgement exists when determining who the acquirer is. 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:

- Including any market performance conditions (entity's share price)
- Excluding impact of any service and non-market performance vesting conditions (such as an employee remaining at entity over specified period)
- Including the impact of non-vesting conditions (such as requirement for employees to hold shares for specific period of time)

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.

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.

Going concern

The Company has incurred losses since inception and has an accumulated deficit of \$65,913 as at November 30, 2023, that has been funded primarily by the issuance of equity, convertible debentures, secured credit facility and advances from related parties. There is a material uncertainty related to these conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern depends upon its ability to generate profitable operations or raise adequate financing in the future.

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 November 30, 2023 reporting periods and have not been early adopted by the Company. 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.

- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1

New and amended standards adopted by the Company:

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing December 1, 2022:

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments help companies provide useful accounting policy disclosures.

The key amendments include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.
- The amendments are effective for annual periods beginning on or after January 1, 2023 with early adoption permitted.

The amendment listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks, such as: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk). The Company's management team carries out risk management with guidance from the Company's audit committee (the "Audit Committee") under policies approved by the Board. The Board also provides regular guidance for overall risk management.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, deposits, investment in associate, accounts payable, other liability and lease liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

Market Risk

Market risk is the risk that the fair value of future cash flows will fluctuate due to changes in market prices. Market prices are comprised of three types of risk: foreign currency risk, interest rate risk, and commodity price risk.

Foreign Currency Risk

The Company operates primarily in Canadian dollars and, as such, is not materially affected by the fluctuations of the Canadian dollar with other currencies.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's current policy is to invest excess cash in certificates of deposit or interest-bearing accounts of major Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its financial institutions.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. Sensitivity to a plus or minus 1% change in interest rates would not have a material impact on the reported consolidated net (loss) income and comprehensive consolidated net (loss) income for the period. The Company currently has no significant exposure in its operations to interest rate fluctuations, as the Company's interest-bearing liabilities have fixed interest rate.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices of cannabis. As a result, commodity price risk may affect the Company's ability to operate profitably, completion of future equity transactions such as equity offerings and the exercise of Options and Warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

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Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and accounts receivable. At present, the Company holds its cash in Canadian Chartered Banks and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks. The Company has established guidelines, including diversification, credit ratings and maturities, to ensure the safety and liquidity of its cash. Over 74% of the Company's trade accounts receivable balance at November 30, 2023, is due from a governmental agency. Subsequent to quarter-end, the Company has collected on 83% of the receivable balance. The Company does not have a history of inability to collect on its trade accounts receivable, and all balances due at November 30, 2023, are considered collectible.

As at November 30, 2023, the Company's maximum exposure to credit risk is the carrying value of its financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board considers securing additional funds through issuances of equity and debt or partnering transactions. The Board approves any material transactions outside the ordinary course of business. Management regularly reviews the Company's operating and capital budgets and maintains short-term cash flow forecasts. The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable.

Inflation Risk

Inflation risk is the risk that the Company's costs become subject to significant inflationary pressures, 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. Furthermore, the Company's suppliers are also subject to risks associated with inflationary pressures that could impact their business and financial condition. These pressures could subsequently result in impacts to the Company's financial results and further affect the business.

Maturity Risk

The Company's cash balance at November 30, 2023, was \$772. At November 30, 2023, the Company had trade and other receivables of \$3,847, accounts payable and accrued liabilities of \$13,023, current lease liabilities of \$1,277, long-term lease liabilities of \$8,767, a promissory note of \$727, current debenture payable of \$4,658, current secured credit facility of \$1,532, and a non-current secured credit facility of \$1,741. Promissory note, convertible debenture, accounts payable and accrued liabilities are current.

As at November 30, 2023, the Company did not have derivative financial liabilities with contractual maturities.

Typically, the Company ensures that it has sufficient cash on hand to meet expected operational expenses and commitments for a period of 90 days. To achieve this objective, the Company prepares annual operating and capital expenditure budgets, which are regularly monitored and updated as considered necessary.

The following table summarizes the maturities of the Company's financial liabilities as at November 30, 2023, based on the undiscounted contractual cash flows:

	Carrying value	Contractual cash			
		flows	Less than 1 year	1 - 5 years	>5 years
Accounts payable	13,023	13,023	13,023	-	-
Lease liabilities	10,044	21,524	1,278	4,465	15,781
Promissory note	727	727	727	-	-
Secured credit facility	3,273	4,192	1,461	2,731	-
Convertible debenture	4,658	4,987	4,987	-	-
	31,725	44,453	21,476	7,196	15,781

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Fair value classification of financial instruments

	Amortized cost	Fair Value through Profit or Loss	Total
	\$	\$	\$
Assets			
Cash	772	-	772
Accounts receivable	3,847	-	3,847
Marketable securities	-	22	22
Liabilities			
Accounts payable and accrued liabilities	13,023	-	13,023
Promissory note	727	-	727
Secured credit facility	3,273	-	3,273
Lease liabilities	10,044	-	10,044
Convertible debentures	4,658	-	4,658

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.

At November 30, 2023, the Company had Level 1 financial instruments, consisting of marketable securities, with a fair value of \$22 (November 30, 2022: \$16). The Company has no level 2 or 3 financial instruments measured at fair value.

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 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 February 28, 2024.

CAUTIONARY STATEMENT REGARDING CERTAIN NON-IFRS PERFORMANCE MEASURES

This MD&A contains certain financial performance measures that are not recognized or defined under IFRS (“Non-IFRS Measures”). As a result, this data may not be comparable to data presented by other licensed producers and cannabis companies. For an explanation of these measures to related comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, refer to the discussion below. The Company believes that these Non-IFRS Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operational performance of the Company. These Non-IFRS Measures include, but are not limited, to the following:

- Adjusted EBITDA is a measure of the Company’s financial performance. It is intended to provide a proxy for the Company’s operating cash flow and is widely used by industry analysts to compare the Company to its competitors and derive expectations of the future financial performance of the Company. Adjusted EBITDA increases comparability between comparative companies 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. Adjusted EBITDA is not a recognized, defined, or standardized measure under IFRS. Management defines adjusted EBITDA as loss from continuing operations, as reported, adjusted for depreciation and amortization, equity loss on investment in associate, financing costs, gains and losses on sale of marketable securities, Canadian emergency wage subsidy, 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.
- Adjusted net income is a measure of the Company’s financial performance. 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. Management believes this measure provides useful information as it is a commonly used measure in the capital markets to approximate operating earnings.
- Gross margin before fair value adjustments is a relevant industry performance indicator. Management determined that the exclusion of the fair value adjustment is an alternative representation of performance. The fair value adjustment is a non-cash gain (loss) and is based on fair market value less cost to sell. Management believes this measure provides useful information as it is a commonly used measure in the capital markets to approximate gross margin less non-cash gains/losses.
- Average recreational gross pricing per gram is a relevant industry performance indicator. Average recreational gross pricing per gram is calculated by determining the total recreational sales divided by the total number of recreational grams sold. The primary driver of changes in this metric are shifts in product mix. Management believes this measure provides useful information as it is a commonly used measure in the capital markets to evaluate a Company’s ability to resist price compression.
- Weighted average gross pricing per gram is a relevant industry performance indicator. Weighted average recreational gross pricing per gram is calculated by determining the total flower sales divided by the total number of flower grams sold. The primary driver of changes in this metric are shifts in business mix (e.g. between recreational and export sales). Management believes this measure provides useful information as it is a commonly used measure in the capital markets to evaluate a Company’s ability to resist price compression.
- Operating expenses from continuing operations is a measure of the Company’s financial performance. It is intended to provide a proxy for the Company’s operating cash flow and removes non-cash operating expenses such as share-based payments and depreciation.

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. 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.

AVANT BRANDS INC.

Management Discussion and Analysis

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 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 ("NI52-109"), 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.

AVANT BRANDS INC.

Management Discussion and Analysis

Pursuant to NI52-109, 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 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 year ended November 30, 2023, which have materially affected or are reasonably likely to materially affect, the Company’s ICFR.

Proposed Transactions

There are currently no significant proposed transactions except as otherwise disclosed in this MD&A. Confidentiality agreements and non-binding agreements may be entered into from time to time with independent entities to allow for discussions of the potential acquisition and/or development of potential business relationships.

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.