A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of Alberta, British Columbia, Manitoba, Ontario and Saskatchewan, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

*The securities and underlying securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States of America, its territories and possessions, any state of the United States or the District of Columbia (collectively, the "**United States**") or "U.S. persons" (as such term is defined in Regulation S under the U.S. Securities Act ("**U.S. Persons**")) unless exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws are available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in the United States or to, or for the account or benefit of, persons in the United States or U.S. Persons. See "Plan of Distribution".*

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in each of Alberta, British Columbia, Manitoba, Ontario and Saskatchewan. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Company at 480 University Avenue, Suite 1502, Toronto, ON, M5G 1V2 or telephone 647-243-5283, and are also available electronically at www.sedar.com.*

PRELIMINARY SHORT FORM PROSPECTUS

New Issue **November 12, 2020**

AVICANNA

AVICANNA INC.

$●
● Units

Price: $● per Unit

This short form prospectus (this "**Prospectus**") qualifies the distribution (the "**Offering**") of ● units ("**Units**") of Avicanna Inc. ("**Avicanna**" or the "**Company**") at a price of $● per Unit (the "**Offering Price**") for aggregate gross proceeds of $●. Each Unit consists of one common share of the Company (each a "**Unit Share**") and one-half of one common share purchase warrant of the Company (each whole common share purchase warrant, a "**Warrant**"). Each Warrant will entitle the holder thereof to purchase one common share of the Company (each a "**Warrant Share**") at an exercise price of $● per Warrant Share at any time until 5:00 p.m. (Toronto time) on the date that is 24 months following the Closing Date (as defined herein), subject to adjustment in certain events and subject to the terms of a warrant indenture (the "**Warrant Indenture**") to be dated as of the Closing Date between the Company and Odyssey Trust Company (the "**Warrant Agent**"), as warrant agent.

The Units qualified for distribution by this Prospectus will be sold on a 'best efforts' basis pursuant to the terms of an agency

agreement (the "**Agency Agreement**") to be entered into among the Company and Echelon Wealth Partners Inc. ("**Echelon**") as lead agent and sole bookrunner, Beacon Securities Limited and Canaccord Genuity Corp. (collectively with Echelon, the "**Agents**"). The Offering Price was determined by arm's length negotiation between the Company and the Agents with reference to the prevailing market price of the common shares of the Company (the "**Common Shares**") on the Toronto Stock Exchange (the "**TSX**"). See "*Plan of Distribution*".

There is no minimum amount of funds that must be raised under this Offering. This means that the Company could complete this Offering after raising only a small proportion of the Offering amount set out above.

The Common Shares are listed and posted for trading on the TSX under the symbol "AVCN", are quoted on the OTCQX International Exchange (the "**OTCQX**") under the symbol "AVCNF" and are quoted on the Frankfurt Stock Exchange (the "**FSE**") under the symbol "0NN". On November 11, 2020, the last trading day prior to the date of this Prospectus, the closing price of the Common Shares on the TSX was $0.98 per Common Share, on the OTCQX was US$0.7431 per Common Share and on the FSE was €0.61 per Common Share. The Company has applied to list the Unit Shares, the Warrant Shares and the Broker Shares (as defined below), to be issued upon exercise of the Broker Warrants (as defined below), to be distributed under this Prospectus, on the TSX. Listing will be subject to the Company fulfilling all of the requirements of the TSX. See "*Plan of Distribution*".

	Price to the Public	Agents' Fee[(1)(2)]	Net Proceeds to the Company[(1)]
Per Unit	$●	$●	$●
Total[(4)]	$● [(1)]	$●	$● [(3)]

Notes:

(1) Assumes no exercise of the Over-Allotment Option (as defined below).

(2) Pursuant to the Agency Agreement, the Agents will receive a cash fee (the "**Agents' Fee**") equal to 7% of the gross proceeds of the Offering (including in respect of any exercise of the Over-Allotment Option, if any), subject to a reduced fee equal to 3.5% for Units sold to certain purchasers designated by the Company on the president's list up to a maximum of $5,000,000 (the "**President's List**"). In addition to the Agents' Fee, pursuant to the Agency Agreement, the Agents will receive broker warrants (the "**Broker Warrants**") equal to 7% of the number of Units issued under the Offering (including any Over-Allotment Units (as hereinafter defined) issued upon exercise of the Over-Allotment Option, if any), subject to a reduced number of Broker Warrants equal to 3.5% of the Units sold to purchasers on the President's List. The Broker Warrants are exercisable into Common Shares (the "**Broker Shares**") at a price of $● per Broker Share, for a period of 24 months from the Closing Date, subject to adjustment in certain events. This Prospectus also qualifies the issuance of the Broker Warrants to the Agents (including in respect of any Broker Warrants issuable in respect of any exercise of the Over-Allotment Option). See "*Plan of Distribution*".

(3) After deducting the Agents' Fee (assuming no President's List purchasers) and the estimated expenses of the Offering estimated to be approximately $350,000, including listing fees and the reasonable expenses of the Agents incurred in connection with the Offering, which will be paid by the Company from the net proceeds of the Offering.

(4) The Company has granted the Agents an option (the "**Over-Allotment Option**"), exercisable, in whole or in part, at the sole discretion of the Agents, at any time for a period of 30 days from and including the Closing Date, to purchase from the Company up to an additional ● Units of the Company (the "**Over-Allotment Units**") at the Offering Price, with each Over-Allotment Unit consisting of one Common Share (each an "**Over-Allotment Share**") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, an "**Over-Allotment Warrant**"), to cover the Agents' over-allocation position, if any, and for market stabilization purposes. The Over-Allotment Option may be exercisable by the Agents in respect of: (i) Over-Allotment Units at the Offering Price, (ii) additional Unit Shares (the "**Over-Allotment Shares**") at a price of $● per Over-Allotment Share, (iii) additional Warrants (the "**Over-Allotment Warrants**") at a price of $● per Over-Allotment Warrant, or (iv) any combination of Over-Allotment Units, Over-Allotment Shares and/or Over-Allotment Warrants (together, the "**Over-Allotment Securities**"), so long as the aggregate number of Over-Allotment Shares and Over-Allotment Warrants which may be issued under the Over-Allotment Option does not exceed ● Over-Allotment Shares and ● Over-Allotment Warrants. Unless the context otherwise requires, all references to "Units", "Unit Shares" and "Warrants" in this Prospectus include reference to the Over- Allotment Units, Over-Allotment Unit Shares and Over-Allotment Warrants that may be issued pursuant to the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full for Over-Allotment Units, the total "Price to the Public", "Agents' Fee" and "Net Proceeds to the Company" will be $●, $● and $●, respectively (assuming no President's List purchasers). This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants issuable upon exercise of the Over-Allotment Option. A purchaser who acquires securities forming part of the Agents' over-allocation position acquires those securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "*Plan of Distribution*".

Unless the context otherwise requires, when used herein, all references to "Offering", "Units", "Unit Shares" and "Warrants" include the Over-Allotment Units, Over-Allotment Shares and Over-Allotment Warrants issuable upon exercise of the Over-Allotment

Option.

The following table sets out the number of securities that may be issued by the Company pursuant to the Over-Allotment Option and the Broker Warrants:

Agents' Position	Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	● Over-Allotment Units(1)	Up to 30 days from the Closing Date	$● per Over-Allotment Unit $● per Over-Allotment Share $● per Over-Allotment Warrant
Broker Warrants	● Broker Warrants(2)	24 months after the Closing Date	$● per Broker Warrant

Notes:
(1) Assuming the Over-Allotment Option is exercised in full.
(2) Assuming no President's List purchasers. If the Over-Allotment Option is exercised in full for Over-Allotment Units, the total "Number of Securities Available" will be ● Broker Warrants (assuming no President's List purchasers).

The Offering is not underwritten or guaranteed by any person. The Offering is being conducted on a 'best efforts' agency basis by the Agents who will conditionally offer the Units in the provinces of Alberta, British Columbia, Manitoba, Ontario and Saskatchewan, subject to prior sale, if, as and when issued by the Company and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under the "*Plan of Distribution*", and subject to the approval of certain legal matters, on behalf of the Company by DLA Piper (Canada) LLP, and on behalf of the Agents by Goodmans LLP.

Subject to applicable laws and in connection with this Offering, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail in the open market in accordance with applicable stabilization rules. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants acquired hereunder. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See "*Risk Factors*".

Subscription for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Other than pursuant to certain exceptions, the Units sold pursuant to the Offering will be issued in electronic form to the Canadian Depository for Securities ("**CDS**") or nominees thereof and deposited with CDS upon closing of the Offering in electronic form. A purchaser will receive only a customer confirmation of the issuance of the securities purchased pursuant to the Offering from the Agents or other registered dealer who is a CDS participant through which the Units are purchased. No definitive certificates will be issued unless specifically requested or required. Closing of the Offering is expected to occur on or about December 3, 2020, or such other date as may be agreed upon by the Company and the Agents (the "**Closing Date**"). See "*Plan of Distribution*".

An investment in the Units is highly speculative and involves a high degree of risk, and should only be made by persons who can afford the total loss of their investment. Investors should carefully consider the risk factors described or incorporated by reference in this Prospectus before purchasing the Units. Prospective investors are advised to consult their legal counsel and other professional advisors in order to assess income tax, legal and other aspects of the investment. See *"Cautionary Note Regarding Forward Looking Statements"* and *"Risk Factors"*.

Certain of the Company's directors and officers reside outside of Canada. Each of the following persons have appointed DLA Piper (Canada) LLP, Suite 6000, 1 First Canadian Place, 100 King St West, Toronto, ON M5X 1E2, as agent for service of process:

Directors and Officers
David White, Director
Janet Giesselman, Director
Giancarlo Davila Char, Director
Alden Benjamin Leavenworth, Director
Lucas Nosiglia, Chief Agricultural Officer

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process. See "*Risk Factors*".

Prospective investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, territorial, local, foreign and other tax consequences of acquiring, holding or disposing of Units. See "*Certain Federal Income Tax Considerations*".

Unless otherwise indicated, all references to "$", "C$" or "dollars" in this Prospectus refer to Canadian dollars and all references to "US$" in this Prospectus refer to United States dollars. See "*Currency and Exchange Rate Information*".

The Company's head office and registered office is located at 480 University Avenue, Suite 1502, Toronto, Ontario, Canada, M5G 1V2.

The Company currently derives, and is expected to continue to derive, a portion of its revenues from the production and distribution of Hemp-based wellness products in certain states in the United States. All Hemp-based products produced and sold by the Company contain Hemp (as defined below) in compliance with the 2018 Farm Bill (as defined below), as well as under the laws of the states in which the Company manufactures and sells such Hemp-based products.

The United States *Agricultural Improvement Act of 2018* (the "2018 Farm Bill") became law on December 20, 2018. Prior to its enactment, all non-exempt cannabis parts grown in the United States were scheduled as a controlled substance under the United States *Controlled Substances Act of 1970* ("CSA"), and as a result, the cultivation of Hemp for any purpose in the United States without a Schedule I registration from the United States Drug Enforcement Agency ("DEA") was illegal, unless exempted by the United States *Agricultural Act of 2014* (the "2014 Farm Bill"). The passage of the 2018 Farm Bill materially changed federal laws governing Hemp by removing Hemp from the CSA and establishing a federal regulatory framework for domestic Hemp production. Specifically, the 2018 Farm Bill: (a) explicitly amended the CSA to exclude hemp ("Hemp"), defined as the plant *Cannabis sativa L.*, and any parts of the plant (including its cannabinoids, derivatives, and extracts) containing a delta-9 tetrahydrocannabinol ("THC") concentration of not more than 0.3% on a dry weight basis from the definition of marijuana; (b) allows the commercial production and sale of Hemp in interstate commerce; (c) establishes the United States Department of Agriculture ("USDA") as the primary federal agency regulating the cultivation of Hemp in the United States, while allowing states to adopt a state plan to regulate the same; and (d) affords Hemp farmers the opportunity to obtain crop insurance and research grants. The 2018 Farm Bill also creates a specific exemption from the CSA for THC found in hemp. By defining Hemp to include its "cannabinoids, derivatives, and extracts," popular Hemp products, such as cannabidiol ("CBD"), are no longer subject to DEA control. Accordingly, the DEA no longer has regulatory authority to interfere with the interstate commerce of Hemp products, so long as the delta-9 THC level of such products does not exceed 0.3%.

The 2018 Farm Bill amends the *Agricultural Marketing Act of 1946* to categorize Hemp as an agricultural commodity under the regulatory purview of the USDA in coordination with state departments of agriculture. Although the USDA is the primary federal regulatory agency overseeing Hemp production in the United States, states, U.S. territories, and Native American tribes desiring to obtain (or retain) primary regulatory authority over Hemp activities within their borders are allowed to do so after submitting a plan for regulation to the USDA, and receiving approval from the USDA for the same. Pursuant to the 2018 Farm Bill, states, U.S. territories, and Tribal governments can adopt their own regulatory plans for Hemp production, even if more restrictive than federal regulations, so long as the plans meet minimum federal standards and are approved by the USDA. Hemp production in states and tribal territories that do not choose to submit their own plans (and that do not prohibit Hemp production) will be governed by USDA's federal plan.

On October 31, 2019, the USDA released the Interim Final Rule ("IFR"), which governs the domestic production of Hemp under the 2018 Farm Bill. The IFR also specifies the provisions that a state or tribal Hemp plan must contain to be in compliance with the 2018 Farm Bill. Since release of the IFR, the USDA has reviewed and approved Hemp production plans submitted by a number of state and tribal governments.

Prior to enactment of the 2018 Farm Bill, the 2014 Farm Bill regulated the domestic production of Hemp at the federal level. The 2014 Farm Bill authorizes institutions of higher education and state departments of agriculture (and their contractual designees) to cultivate Hemp, notwithstanding the CSA or any other federal law, provided that certain conditions are met. The scope of the 2014 Farm Bill is limited to cultivation that is: (a) for research purposes (inclusive of market research, which multiple federal agencies have confirmed includes commercial sales with a research purpose); (b) part of an "agricultural pilot program" or other agricultural or academic research; and (c) permitted by state law. The majority of U.S. states have adopted pilot programs pursuant to the 2014 Farm Bill. The various state Hemp programs have different requirements regarding the registration of cultivators and processors, the involvement of institutions of higher education, and permissible commercialization. The 2014 Farm Bill does not provide a federal regulatory framework or require states to adopt and implement Hemp pilot programs. As a result, participating states take differing approaches with respect to the activities permitted under their respective pilot programs. Activities determined to be compliant with the 2014 Farm Bill are protected from federal interference by an appropriations rider (the "Appropriations Rider"), which the U.S. Congress has renewed

on several occasions. The Appropriations Rider generally prohibits the federal government's use of funds in contravention of the 2014 Farm Bill and specifically prohibits such federal interference with regard to the "transportation, processing, sale, or use of…hemp, or seeds of such plant, that is grown or cultivated in accordance with the [2014 Farm Bill], within or outside the [s]tate in which the …hemp is grown or cultivated."

Notwithstanding the passage of the 2018 Farm Bill and the publication of the IFR, the Hemp cultivation and research provisions contained in the 2014 Farm Bill remain in effect for the immediate future and are expected to be repealed on or about November 1, 2021. Because the 2018 Farm Bill permits states and Native American tribes to regulate Hemp and Hemp-derived products more restrictively than the 2014 Farm Bill, variances in these jurisdictions' laws and regulations on Hemp are likely to persist. Compliance with state law remains imperative under both the 2014 and 2018 Farm Bills.

Although the DEA no longer regulates Hemp, marijuana continues to be classified as a Schedule I controlled substance under the CSA. As a result, CBD and other cannabinoids, if derived from marijuana as defined by the CSA, also remain Schedule I controlled substances under U.S. federal law. Though chemically and genetically distinct, Hemp and marijuana appear similar to the naked eye. Enforcement actively against illegal marijuana and marijuana-based products under current U.S. federal law may inadvertently result in enforcement actions taken against Hemp or Hemp-derived products.

It is important to note that the 2018 Farm Bill preserves the authority and jurisdiction of the FDA, under the *United States Federal Food, Drug and Cosmetic Act* (the "FDCA"), to regulate the manufacture, marketing, and sale of food, drugs, dietary supplements and cosmetics, including products that contain Hemp extracts and derivatives, such as CBD. To date, the FDA has approved one drug (Epidiolex) containing CBD as an active ingredient, and has taken the position that CBD cannot be marketed as a dietary supplement or added to food because a product containing CBD was approved as a drug and substantial clinical trials studying CBD as a new drug were made public prior to the marketing of any food or dietary supplements containing CBD, and therefore dietary supplements or food are precluded from containing this ingredient (the Prior Drug Exclusion). Notably, the FDA does not impose the same restrictions on the use of CBD in cosmetic products, but has emphasized that CBD cosmetics must comply with all applicable adulteration and misbranding provisions of the FDCA.

Shortly after the 2018 Farm Bill was signed into law, the FDA released a statement from former Commissioner Scott Gottlieb, which restated the FDA's current position that products containing CBD ingredients may not be sold as dietary supplements or added to food. Notably, on November 25, 2019, the FDA issued several warning letters to companies marketing and selling Hemp-derived CBD products deemed unapproved drugs. The letters reiterate the FDA's position that CBD cannot be added to food and dietary supplements. Important to note is that these warning letters have been issued, for the most part, to companies making aggressive disease and/or health claims about their CBD products and the ability for those products to prevent, treat or cure diseases and conditions such as Alzheimer's, seizures and depression.

The FDA has acknowledged that there are pathways through which certain Hemp-derived compounds, such as CBD, might be permitted in a food or dietary supplement. Both former Commissioner Gottlieb and his successor have publicly stated that the FDA has authority to issue a regulation that would allow the use of CBD in a food or dietary supplement. The FDA has also confirmed that it is now evaluating whether to pursue such a process, and clarified that the FDA would consider doing so if it determines that all other requirements in the FDCA are met, including those required for food additives or new dietary ingredients.

Statements from the FDA in July 2019 made clear that the FDA is "[p]aving the way for regulatory clarity[.]" The FDA "is committed to evaluating the regulatory frameworks for non-drug uses, including products marketed as foods and dietary supplements[.]" Importantly, the FDA "recognize[s] that there is substantial public interest in marketing and accessing CBD in food, including dietary supplements . . . [and that] [t]he statutory provisions that currently prohibit marketing CBD in these forms also allow the FDA to issue a regulation creating an exception, and some stakeholders have asked that the FDA consider issuing such a regulation to allow for the marketing of CBD in conventional foods or as a dietary supplement, or both." Additionally, the FDA is "[l]istening to and learning from stakeholders[.]" The FDA held a public hearing

on May 31, 2019 to obtain scientific data and information about the safety, manufacturing, product quality, marketing, labeling, and sale of products containing Hemp or Hemp-derived compounds.

On March 5, 2020, FDA Commissioner Dr. Stephen M. Hahn issued a statement on the FDA's work related to CBD products. The statement makes clear that the FDA will continue to educate the public on CBD's perceived safety risks and that the FDA is taking steps to solicit additional public feedback, data, and research on the science, safety and quality of CBD products. These new steps include re-opening the public docket so that the FDA can obtain additional scientific data on CBD, which will include a process by which confidential and proprietary information can be shared with the FDA and kept protected. Additionally, Commissioner Hahn's statement reiterates that the FDA will continue to monitor and police the CBD products' marketplace and on July 22, 2020, the FDA submitted draft guidance titled "Cannabidiol Enforcement Policy; Draft Guidance for Industry," to the White House Office of Management and Budget. This FDA guidance is still under review.

Much of Commissioner's Hahn statement was also included in the FDA's congressionally mandated report on CBD, which was also submitted on March 5, 2020. The report confirms that the FDA is actively considering pathways to allow the marketing of CBD as a dietary supplement, which may include notice-and-comment rulemaking and interim risk-based enforcement policies. The report signals the FDA's continued interest in certain aspects of CBD, including effects from sustained use, effects from different methods of exposure and effects on the developing brain and on the unborn child and breastfed newborn. Largely, the report does little to address the current regulatory ambiguity for CBD and does not set a timeline for agency action. Further to this point, Commissioner Hahn has publicly stated that it would be a "fool's game" for the FDA to pull CBD products from the market entirely, as their use is already widespread. The FDA recently confirmed that it is "working toward a goal of providing additional guidance and [has] made substantial progress," while also reiterating the need to obtain additional data on the safety, effectiveness, and quality of CBD products. Additionally, the current regulatory landscape may be drastically impacted by FDA guidance and/or U.S. federal legislation. On September 4, 2020, H.R. 8179, the *Hemp and Hemp-Derived CBD Consumer Protection and Market Stabilization Act of 2020* was introduced and proposes to make Hemp, CBD derived from Hemp and any other ingredient derived from Hemp lawful for use as a dietary ingredient in dietary supplements.

Legal barriers applicable to selling Hemp and Hemp-derived CBD products result from a number of factors, including the fact that both Hemp and marijuana are derived from the cannabis plant, the rapidly-changing patchwork of state laws governing Hemp and Hemp-derived CBD and the FDA's current position that CBD products cannot be marketed as food or dietary supplements, i.e., the Prior Drug Exclusion. Any investment in the securities of the Company is speculative due to a variety of factors, including the nature of the Company's business, of which a significant portion of the Company's assets, liabilities and operations are exposed to U.S. Hemp-related activities. An investment in the securities of the Company should only be made by persons who can afford a substantial or total loss of their investment. Legislative and regulatory uncertainties, along with difficulties concerning potential enforcement activities by U.S. federal, state and local governments (or discretion exercised thereby), represent significant risks concerning the Company's business activities.

See "*Regulatory Framework*" and "*Risk Factors*" for more information about the risks concerning the Company's business and operations.

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS

In this Prospectus, unless the context otherwise requires, references to "we", "us", "our", "Avicanna" or the "Company", refer to Avicanna Inc., either alone or together with its subsidiaries, as the context requires.

Investors should rely only on information contained in this Prospectus or incorporated by reference herein. Neither the Company nor the Agents have authorized anyone to provide investors with different or additional information. If anyone provides the reader with different or additional information, the reader should not rely on it. Neither the Company nor the Agents are making an offer to sell the Units in any jurisdiction where the offer or sale is not permitted. Investors should assume that the information contained in this Prospectus or in any document incorporated or deemed to be incorporated by reference in this Prospectus is accurate only as of the respective date of the document in which such information appears, regardless of the time of delivery of the Prospectus or of any sale of the Units. The business, financial condition, results of operations and prospects of the Company may have changed since those dates. The Company does not undertake to update the information contained or incorporated by reference herein, except as required by applicable securities laws.

Information contained in this Prospectus should not be construed as legal, tax or financial advice and readers are urged to consult with their own professional advisors in connection therewith.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus, including any information incorporated by reference, contains statements that, to the extent that they are not historical fact, may constitute "forward-looking information" or "forward-looking statements" within the meaning of applicable securities legislation (collectively, "**forward-looking statements**"). Often, but not always, forward-looking statements can be identified by the use of words such as "predicts", "projects", "targets", "plans", "expects", "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative or grammatical variation thereof or other variations thereof, or comparable terminology have been used to identify forward-looking statements. Forward-looking statements are provided as of the date of this Prospectus and the Company does not intend, and does not assume any obligation, to update any forward-looking statements, except as required by law.

Forward-looking statements may include, but are not limited to, statements with respect to:

- the anticipated closing date of the Offering;
- the intention to complete the listing on the TSX of the Unit Shares, the Warrant Shares and the Broker Shares;
- the anticipated use of the net proceeds of the Offering;
- the terms of the Offering (including the manner of distribution) and the exercise of the Over-Allotment Option;
- financial and other projections, future plans, objectives, performance, revenues, growth, profits or operating expense;
- effect of the novel coronavirus ("**COVID-19**") outbreak on the ability of the Company to carry on business;
- the use of available funds;
- plans to research, develop, implement, adopt, market and sell new technology or products, including continued research, development and commercialization regarding the Company's products and proposed products;
- business plans, growth strategy and growth rate, including, without limitation, the Company's intentions with respect to market positioning, its projected synergies expected from vertical integration of the Company's business and its business segments;
- expectations with respect to regulatory approvals including, Health Canada and The Colombia National Food and Drug Surveillance Institute ("**INVIMA**") approvals with respect to the Company's products and the genetic registration process and quota applications in Colombia;
- the Company's plans for future products and enhancements of existing products, including, without limitation, its expectations and intentions regarding pharmaceuticals, phyto-therapeutics, derma-cosmetics and extracts;
- plans to sell the Company's extracts;
- the timing of the Company's business objectives including its clinical trials, product testing, product manufacturing and production of the Company's extracts;
- the ailments for which the Company's intended pharmaceutical products will be used to treat;
- requirements for additional capital and future financing options;

- plans to launch new products, obtain new customers or expand the customer base, and enter into new markets;
- expansion and acceptance of the Company's products in different markets;
- the intended outcome of collaborations with third parties, including, without limitation, the expected results of clinical trials, the expected results of prevalence studies and the expected timing of Health Canada applications;
- expectations with respect to changes to the Canadian and Colombian cannabis regulatory regimes;
- the Company's treatment under regulatory regimes and applicable laws;
- the jurisdictions in which the Company will pursue distribution and manufacturing licences;
- the Company's anticipated agreements with third parties, including, without limitation, the terms thereof, the timing of such agreements, the expected outcomes of such agreements and the geographic locations of such parties;
- expected production, yield and capacity;
- the construction schedule for facilities in Colombia, including, without limitation, the expected size and scope of such facilities;
- manufacturing and distribution partnerships and agreements;
- plans to expand distribution to new locations in Europe and Latin America;
- plans related to marketing, distribution, and production capacity;
- the timing and possible outcome of regulatory and legislative matters, including, without limitation, Health Canada, U.S. Food and Drug Administration ("**FDA**"), EU and other regulatory approval processes;
- future plans, objectives or economic performance, or the assumption underlying any of the foregoing;
- the Company's planned business objectives and future dividend policy; and
- other expectations of the Company.

Such forward-looking statements, made as of the date hereof, reflect the Company's current views with respect to future events and are based on information currently available to the Company and are subject to and involve certain known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed in or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. These risks, uncertainties, assumptions and other factors should be considered carefully, and prospective investors and readers should not place undue reliance on the forward-looking statements.

These risks, uncertainties, assumptions and other factors include, but are not limited to: the risks and factors set out in this Prospectus and the documents incorporated by reference herein, including the risk factors set out under "*Risk Factors*" below and in the section entitled "Risk Factors" in the Company's annual information form dated April 15, 2020 in respect of its financial year ended December 31, 2019 (the "**Annual Information Form**"); risks posed by the economic and political environments in which the Company operates and intends to operate; market instability due to the COVID-19 pandemic; the potential for losses arising from the expansion of operations into new markets; increased competition; the fact that the Company's business segments are heavily regulated in Canada and Columbia; the evolving regulatory regime and the uncertainty that exits regarding the impact of the regime on the Company; the political environment surrounding the cannabis industry being constantly in flux and subject to change; the inability to successfully complete clinical trials or obtain regulatory approval of products; risks of foreign operations generally, including but not limited to agriculture and drug policies, nationalization, expropriation, contractual rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases, and risks of loss due to civil strife, acts of war, guerilla activities and insurrections; the potential inability to enforce judgments obtained in Canada against any person or company incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or that resides outside of Canada, even if the party has appointed an agent for service of process; the potential inability to obtain or retain licences required to grow, store and sell cannabis in Colombia; the potential inability to establish and maintain bank accounts; the potential risk of exposure resulting from the control of foreign subsidiaries in Colombia; potential involvement in regulatory or agency proceedings, investigations and audits; potential government policy changes or shifts in public opinion; exposure to foreign exchange risks; inflationary risks based on Colombia's historic experience of double digit rates of inflation; the potential that Colombia will impose repatriation of earnings restrictions in the future; Colombian political and economic conditions are subject to intervention and change; construction risk in connection with the facilities in Colombia; maintaining compliance with evolving environmental, health and safety laws; potential for adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment; constraints on marketing of products; the cannabis industry and market is subject to general business risks, and those associated with agricultural and regulated consumer products; competitive conditions, consumer tastes, patient requirements and spending patterns remain relatively unknown; assumptions regarding market trends and the expected demand and desires for the Company's products and proposed products; no assurances that the cannabis industry and market will continue to exist or grow

as anticipated; the ability of the Company to keep pace with the rapidly changing industry; the consumer perception of cannabis; future clinical research into effective medical cannabis therapies could raise concerns regarding, and perceptions relating to, cannabis; limited history of operations; the Company has incurred losses since inception and may continue to incur losses in the future; potential increases in material and labour costs; potential for delays in obtaining, or restructuring conditions imposed by, regulatory approvals; the inability to retain and attract employees and key personnel; the concentration of the Company's ownership among its directors and officers; the potential to experience difficulty developing new products and remaining competitive; the completion and commercial viability of new products in the prototype stage; reliance on third-party manufacturers and distributors; ability to generate profit; transportation disruptions to its courier services; the cost of the Company's key inputs is unpredictable; the ability to comply with laws relating to privacy, data protection, and consumer protection; potential for information systems security threats; reliance on key suppliers and skilled labour; ability to effectively implement quality control systems; the potential for conflicts of interest to arise among key stakeholders; ability to sustain pricing models; the failure to adequately protect intellectual property; ability to successfully identify or complete future acquisitions; a failure to adequately manage future growth; ability to effectively protect personal information; prevention of fraudulent or illegal activities by employees, contractors or consultants; ability to effectively prevent security breaches at the Company's facilities; exposure to product recalls, liability claims, regulatory action and litigation based on products; the Company's financial statements have been prepared on a going concern basis; dependence on the performance of subsidiaries; the fact that certain operating subsidiaries are not wholly-owned; interruptions or changes in the availability or economics of the Company's supply chain; adverse market conditions; and failure to satisfy ongoing regulatory requirements. These factors should not be considered exhaustive. See the section entitled "*Risk Factors*" below, in the section entitled "*Risk Factors*" in the Annual Information Form and in the other documents incorporated by reference herein, for additional risk factors that could cause results to differ materially from forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statement or information or statements to reflect information, events, results, circumstances or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law including securities laws. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such fact on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Investors are cautioned not to put undue reliance on forward-looking statements and are urged to read the Company's filings with Canadian securities regulatory agencies, which can be viewed online under the Company's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

MARKET AND INDUSTRY DATA

Certain information in this Prospectus or in documents incorporated by reference herein is obtained from third party sources (including industry publications surveys and forecasts), including public sources, as well as, and management studies and estimates. There can be no assurance as to the accuracy or completeness of such information.

Unless otherwise indicated, the Company's estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from its internal research, and include assumptions made by the Company which it believes to be reasonable based on its knowledge of the industry and markets in which it operates. Although the Company believes these sources to be generally reliable, market and industry data are subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process, and other limitations and
uncertainties inherent in any statistical survey. Although believed to be reliable, management of the Company has not independently verified any of the data from third party sources unless otherwise stated.

While the Company believes the market position, market opportunity, and market share information included in this Prospectus are generally reliable, such information is inherently imprecise. In addition, projections, assumptions, and
estimates of the future performance of the Company and the future performance of the industry and markets in which it operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "*Cautionary Note Regarding Forward-Looking Statements*" and "*Risk Factors*".

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all references to "$", "C$" or "dollars" in this Prospectus refer to Canadian dollars, which is the Company's functional currency. References to "US$" in this Prospectus refer to United States dollars.

The consolidated financial statements of the Company incorporated herein by reference are reported in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("**IFRS**").

CURRENCY AND EXCHANGE RATE INFORMATION

The following table sets forth (a) the rate of exchange for the Canadian dollar, expressed U.S. dollars, in effect for the periods indicated; and (b) the high and low exchange rates for the Canadian dollar, expressed in U.S. dollars, during the periods indicated, each based on the indicative rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into U.S. dollars.

Year Ended December 31 C$ to US$			
	2019	**2018**	**2017**
High	0.7699	0.8138	0.8245
Low	0.7353	0.7330	0.7276
Closing	0.7699	0.7330	0.7971

The indicative exchange rates on November 10, 2020, as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was $1.00 equals US$0.7682.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions in Alberta, British Columbia, Manitoba, Ontario and Saskatchewan. Copies of the documents incorporated herein by reference may be obtained on request and without charge from the Company at 480 University Avenue, Suite 1502, Toronto, ON, M5G 1V2, or telephone 647-243-5283, and are also available electronically under the Company's profile on SEDAR at www.sedar.com. The filings of the Company through SEDAR are not incorporated by reference in this Prospectus except as specifically set out herein.

The following documents are specifically incorporated by reference into, and form an integral part of, this Prospectus:

1. the Annual Information Form;
2. the Company's audited consolidated financial statements for the year ended December 31, 2019 and 2018, and related notes thereto, together with the independent auditor's report thereon;
3. the Company's management's discussion and analysis for the year ended December 31, 2019;
4. the Company's interim consolidated financial statements for the nine months ended September 30, 2020, and related notes thereto;
5. the Company's management's discussion and analysis for the nine months ended September 30, 2020;
6. the Company's management information circular dated September 22, 2020 distributed in connection with the Company's annual general and special meeting of shareholders held on October 20, 2020;
7. the material change report dated August 28, 2020 in respect of the closing of a non-brokered private placement offering of 1,952,410 units of the Company on August 18, 2020, at a price of $1.40 per unit, for gross proceeds of approximately $2.7 million (the "**August Private Placement**");
8. the material change report dated August 21, 2020 in respect of the Distribution Agreement (as defined below), for the exclusive distribution of the Company's advanced and clinically backed CBD-based cosmetic and topical products Pura H&W™ by RWB in the United States and certain other markets;
9. the material change report dated April 29, 2020 in respect of the closing of a non-brokered private placement offering of 3,200,000 units of the Company on April 20, 2020, at a price of $0.80 per unit, for gross proceeds of approximately $2.56 million (the "**April Private Placement**"); and
10. the material change report dated February 3, 2020 in connection with the closing of a non-brokered private placement offering of 822,721 units of the Company on January 24, 2020, the at a price of $2.50 per unit, for gross proceeds of approximately $2.06 million (the "**January Private Placement**").

A reference to this Prospectus includes a reference to any and all documents incorporated by reference in this Prospectus. Any document of the type referred to above (excluding confidential material change reports and excluding those portions of documents that are not required pursuant to National Instrument 44-101 - *Short Form Prospectus Distributions* ("**NI 44-101**") to be incorporated by reference herein), the content of any news release disclosing financial information for a period more recent than the period for which consolidated financial statements are required and certain other disclosure documents as set forth in Item 11.1 of Form 44-101F1 of NI 44-101 filed by the Company with the securities commissions or similar regulatory authorities in Canada after the date of this Prospectus and prior to the termination of the Offering under this Prospectus shall be deemed to be incorporated by reference in this Prospectus.

Applicable portions of the documents listed above are not incorporated by reference to the extent their contents are modified or superseded by a statement contained in this Prospectus or in any subsequently filed document which is also incorporated by reference in this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not constitute a part of this Prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the statement or document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus.

TRADEMARKS AND TRADE NAMES

The Company uses various trademarks, trade names and design marks in its business. This Prospectus may also contain trademarks and trade names of other businesses that are the property of their respective holders. The Company does not intend for its use or display of other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of it by, those other companies.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as defined in National Instrument 41-101 - *General Prospectus Requirements*) that are used by the Agents in connection with the Offering are not part of this Prospectus to the extent that the contents of any template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus. Any template version of any other marketing materials filed under the Company's profile on SEDAR at www.sedar.com after the date of this Prospectus but before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the marketing materials) is deemed to be incorporated by reference in this Prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of DLA Piper (Canada) LLP, legal counsel to the Company, and Goodmans LLP, legal counsel to the Agents, the Unit Shares, the Warrants and the Warrant Shares, if issued on the date hereof, would be "qualified investments" under the *Income Tax Act* (Canada) and the regulations thereunder (the "**Tax Act**") for a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan, tax-free savings account (each a "**Registered Plan**") or deferred profit sharing plan ("**DPSP**"), provided, (i) in the case of the Unit Shares and Warrant Shares, the Unit Shares or Warrant Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the TSX), and (ii) in the case of the Warrants, the Warrant Shares are listed on a designated stock exchange (which currently includes the TSX), and the Company deals at arm's length with each person who is an annuitant, a beneficiary, an employer or a subscriber under such Registered Plan or DPSP.

Notwithstanding the foregoing, the annuitant, holder or subscriber of a Registered Plan, as the case may be, (each, a "**Registered Holder**") will be subject to a penalty tax if the Unit Shares, Warrants and Warrant Shares held in a Registered Plan are a "prohibited investment" for that Registered Plan pursuant to the Tax Act. The Unit Shares, Warrants and Warrant Shares will generally be a "prohibited investment" for a particular Registered Plan if a Registered Holder in respect thereof has a "significant interest" (as defined in section 207.01 of the Tax Act) in the Company or the Registered Holder does not deal at arm's length with the Company for the purposes of the Tax Act. The Unit Shares and Warrant Shares will not be a prohibited investment if they are "excluded property" as defined in the Tax Act for trusts governed by a Registered Plan.

Investors in Units should consult their own independent tax advisors for advice with respect to the potential application of these rules to them having regard to their own particular circumstances.

DESCRIPTION OF THE BUSINESS

The Company

The Company was incorporated on November 25, 2016 under the *Business Corporations Act* (Ontario) ("**OBCA**"). The Company's Common Shares are listed for trading on the TSX under the symbol "AVCN", quoted on the OTCQX under the symbol "AVCNF" and quoted on the FSE under the symbol "0NN".

The following chart illustrates the Company's material subsidiaries, the percentage of voting securities of each that are held by Avicanna, and their respective jurisdiction of incorporation, continuance, formation, or organization.

Name	Avicanna's Ownership Interest (%)	Jurisdiction of Incorporation, Formation or Existence, as applicable
2516167 Ontario Inc. d.b.a. My Cannabis Clinic	100%	Ontario, Canada
Avicanna LATAM S.A.S.	100%	Republic of Colombia
Sativa Nativa S.A.S.	63%(1)	Republic of Colombia
Santa Marta Golden Hemp S.A.S.	60.5%(2)	Republic of Colombia
Sigma Magdalena Canada Inc.	45%(4)	Ontario, Canada
Avicanna (UK) Limited	100%	United Kingdom
Avicanna USA Inc.	100%	Delaware, USA

Notes:

(1) The remaining 37% is owned by Mountain Valley, Jose Raphael Vergara Lopez, Sergio Aurelio Puerta and Inversiones Frutas del Campo S.A.S. collectively.

(2) The remaining 39.5% is owned by Bondue (38.4%) and Lucas Echeverri Robledo (1.1%). Bondue is owned and controlled by Mr. Giancarlo Davila Char, one of the Company's directors.

(3) Sigma Magdalena Canada Inc. owns 100% of the total issued and outstanding shares of Sigma Magdalena Inc., incorporated in Colombia.

(4) The remaining 55% is owned by Sigma Expansion One Inc.

The Company's website is www.avicanna.com. Information contained on the Company's website is not incorporated into this Prospectus.

Summary of the Business

Avicanna is a diversified and vertically integrated Canadian biopharmaceutical company focused on the research, development, and commercialization of plant-derived cannabinoid-based products for the global consumer, medical cannabis, and pharmaceutical market segments.

Avicanna's team of experts continues to develop, optimize and conduct clinical studies on the Company's wide range of cannabinoid-based products for commercialization opportunities in four main market segments:

Hemp-derived CBD Consumer Retail Products

Marketed under the Pura H&W™ or Pura Earth™ brands, or under white-label or private-label brands, these pharmaceutical-grade products are an advanced and one of the world's only clinically tested line of CBD consumer derma-cosmetic and topical products.

Market opportunity

Currently being sold in Colombia with anticipated product launches in Canada, the USA, the UK, and certain Latin American countries in the first half of 2021.

Medical Cannabis Products

Marketed under the RHO Phyto™ brand, or under white-label or private-label brands, these products are an advanced line of pharmaceutical-grade medical cannabis products containing varying ratios of CBD and THC. The product portfolio contains a full formulary of products including oil drops, sublingual sprays, capsules, and topicals that have controlled dosing, enhanced absorption and stability studies supported by pre-clinical data.

Market opportunity
Currently available nation-wide across Canada in partnership with Medical Cannabis by Shoppers™, a subsidiary of Shoppers Drug Mart. RHO Phyto is the first strictly medical formulary of advanced "Cannabis 2.0" products developed with scientific rigour, manufactured under GMP standards, and supported by pre-clinical data and educational content for prescribers. These products are also expected to be commercialized in Colombia before the end of 2020, and in the UK and certain Latin American countries in 2021.

Pharmaceutical Pipeline

Pipeline of indication specific drugs in various stages of R&D, pre-clinical and clinical development. The intended pharmaceutical pathways include natural drug or phyto-therapeutic designations, generic pharmaceutical drugs, and rare diseases.

Market opportunity
These products are in varying stages of clinical development and are intended to be marketed once drug applications have been submitted and approved for marketing authorizations by national drug agencies such as the FDA, Health Canada, and Latin American health authorities including INVIMA.

Cannabis Raw Materials, Seeds, and Bulk Formulations

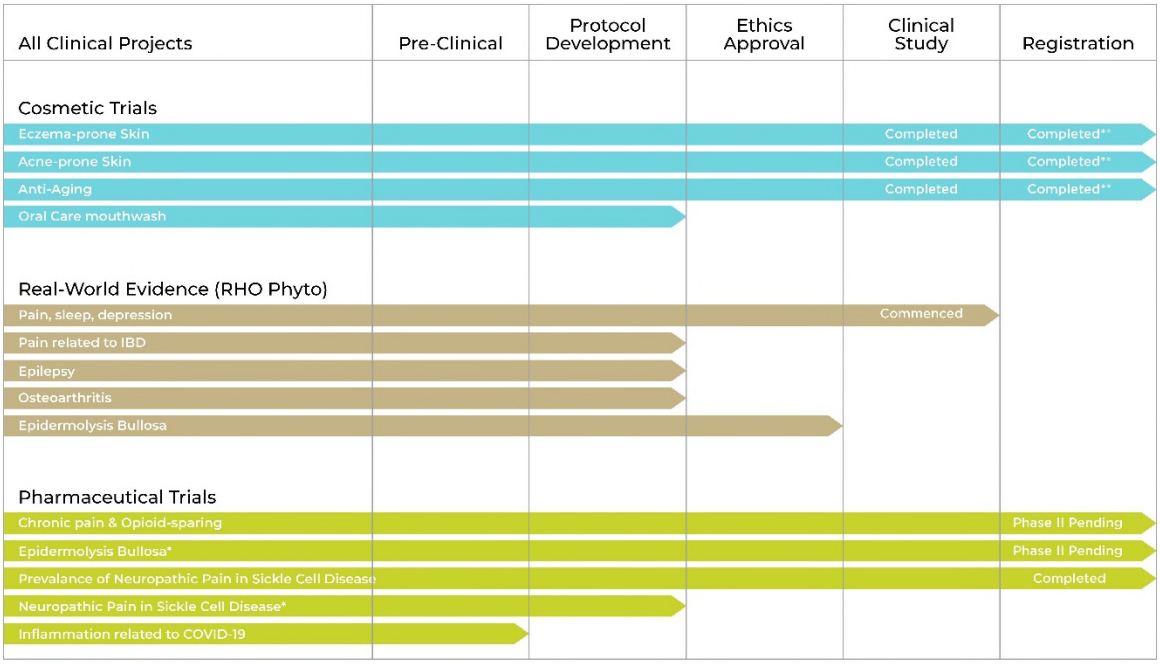
Marketed under the Aureus™ brand, or under white-label or private-label brands, the Company offers feminized seeds, resins or whole plant crude oils, cannabinoid distillates, and isolated cannabinoids (CBD, THC, cannabigerol ("**CBG**"), and other cannabinoids), and bulk formulations (prepared and customized oil and water soluble formulations for use in oral, topical, and sublingual products) derived from hemp and cannabis cultivars through its sustainable, economical, and industrial scale subsidiaries based in Colombia. The cannabis raw materials supplied by the Company's Colombian subsidiaries form part of Avicanna's supply chain for its finished products that are manufactured and distributed in Colombia and the consumer retail and medical cannabis products expected to be exported from Colombia to other countries.

Market opportunity
The Company has exported raw materials and bulk formulations from Colombia to Canada, the USA, Argentina, South Africa, Germany, and the UK to research and manufacturing companies. In June 2020, the Company made history with a shipment of hemp seeds to the United States of America by completing the first ever export of hemp seeds from Colombia.

Avicanna is an established leader in cannabinoid research and development, which it primarily conducts at its R&D headquarters in the Johnson & Johnson Innovation Centre, JLABS @ Toronto, Canada and in collaboration with leading Canadian academic and medical institutions. With ongoing clinical trials on its derma-cosmetic, medical cannabis, and a pipeline of pharmaceutical products, Avicanna's dedication to researching the important role that cannabinoids play in an increasingly wider scope of products has been at the core of the Company's vision since its

inception. Avicanna's scientific team have established one of the most comprehensive scientific platforms in the cannabinoid industry which over the past 3 years has yielded proprietary formulations that are now commercial under the brands of Pura Earth, Pura H&W and RHO Phyto and continue to make advancements in its pharmaceutical pipeline.

The following table provides a summary of the current stage of clinical development for each indication and/or product that Avicanna is targeting across its product platform:



Recent Developments

Closing of Non-brokered Convertible Debenture Financing Raising $1.1 Million

On November 2, 2020, the Company closed a non-brokered convertible debenture financing, pursuant to which it issued convertible debentures (the "**Debentures**") with an aggregate Face Principal Amount (as defined below) of $1,100,000 (the "**Debenture Financing**"). The Debentures bear interest at 8.0% per annum and will mature on the date that is 12 months from the date of issuance, with the first year of interest payable in advance on the date of issuance and capitalized and added into the principal amount (such aggregate amount being, the "**Face Principal Amount**"). In connection with the Debenture Financing, the Company also issued an aggregate of 550,000 Common Share purchase warrants, each exercisable at a price of $1.50 per share until November 2, 2022, subject to acceleration rights.

Bogota Pharmacy Obtains GPP Certification and INVIMA Authorization for Sale of Cannabinoid Products

On September 14, 2020, the Company announced that through Avicanna LATAM, the Company's pharmacy in Bogota has been certified with Good Preparation Practices and authorized by the National Institute for Drug and Food Surveillance ("**INVIMA**") for the sale of compounded pharmaceutical products to service medical prescriptions of individual patients in Colombia. This is the final step in the Company's fully integrated seed to patient business model in Colombia, which includes cultivation, extraction and manufacturing of pharmaceutical products for the emerging medical market of 50 million people.

Nation-wide Launch of RHO Phyto Medical Cannabis Product line through Medical Cannabis by Shoppers

On August 12, 2020, the Company launched the first product of its RHO Phyto branded line of medical cannabis

products on the Medical Cannabis by Shoppers™ ("**Shoppers**") platform. As of the date of this Prospectus, Avicanna has launched its oil drops and sublingual sprays through the Shoppers online platform, which offers nationwide service to Canadians.

The RHO Phyto products are also participating in the Medical Cannabis Real-World Evidence study at the University Health Network, as announced by the Company on July 15, 2020. This first-of-its-kind Canadian study is led by Dr. Hance Clarke, Director of Pain Services at the Toronto General Hospital, and will examine the efficacy of a select group of medical cannabis products including Avicanna's Rho Phyto line of products on patient reported outcomes of pain, sleep and anxiety.

This specific study is aligned and in parallel with Avicanna's comprehensive clinical program of other real-world evidence studies involving the Rho Phyto products and clinical trials on its pharmaceutical pipeline with world-class, Toronto-based medical institutions.

Partnership with Red White & Bloom for distribution of Hemp-based CBD Cosmetics and Topicals in the USA

On August 11, 2020, Avicanna and Red White & Bloom Brands Inc. (CSE: RWB) (OTC: RWBYF) ("**RWB**") entered into a distribution agreement (the "**Distribution Agreement**") for the exclusive distribution of Avicanna's hemp-based CBD derma-cosmetic and topical products, branded as Pura H&W™, by RWB in the United States and certain other markets.

Under the Distribution Agreement, which has an initial five-year term, RWB will exclusively distribute the Pura H&W™ brand and certain other white label brands at RWB's direction. RWB paid Avicanna an upfront licensing fee in the amount of $250,000 in cash, along with minimum purchase requirements for the rights to be the exclusive distributor of Avicanna's Pura H&W branded cosmetic products in the US. Under the Distribution Agreement, RWB also has the right to purchase Avicanna's cosmetic products for distribution into the United States and certain other territories under brands of RWB's choosing. The initial product offerings under the Distribution Agreement includes body and face lotions, cosmetic creams, gels and serums, as well as soaps and bath bombs.

First Ever Export of Cannabis Seeds from Colombia to the USA

On June 18, 2020, the Company announced that, through SMGH, it completed the first ever export of feminized hemp seeds for cultivation use to the USA and completed the first sale of seeds for net revenue of $380,000. As of June 18, 2020, a total of 7,000,000 seeds had been successfully imported into the USA for sale, with an inventory of 75,000,000 premium, stabilized and feminized seeds available for further export and sale.

Strategic Manufacturing and IP Licensing Partnership with MediPharm Labs

On May 14, 2020, the Company entered into a multi-faceted strategic manufacturing agreement (the "**Manufacturing Agreement**") with MediPharm Labs Corp., (TSX: LABS) (OTCQX: MEDIF) (FSE: MLZ) ("**MediPharm Labs**") involving licensed production, domestic and international distribution and intellectual property licensing. MediPharm Labs is a global leader in specialized, research-driven pharmaceutical-quality cannabis extraction, distillation and derivative products.

Under the Manufacturing Agreement, which has an initial three-year term, MediPharm Labs agreed to use the specialized contract manufacturing capabilities resident at its state-of-the-art Canadian production facility to produce Avicanna's advanced Rho Phyto™ medical cannabis products and Pura Earth™ topicals under licence for commercial sales through Medical Cannabis by Shoppers™. The partnership provides Avicanna with a commercial pathway to Canadian and international sales, as well as pharmaceutical manufacturing of its products destined for clinical development with its Canadian clinical partners.

Additionally, Avicanna granted MediPharm Labs a licence to use proprietary Avicanna formulations to develop additional MediPharm Labs and white label branded products for the domestic and international markets. MediPharm Labs has proven expertise in product development and will leverage its in-house sensory testing, processing and packaging capabilities to manufacture finished products using these formulations. MediPharm Labs' pharmaceutical and GMP-certified capabilities and international supply chain expertise has been deployed to produce and deliver the

proprietary finished products to partners worldwide.

Agreement with Medical Cannabis by Shoppers Drug Mart Inc.

On January 7, 2020, the Company entered into an exclusive distribution agreement with Medical Cannabis by Shoppers™, a subsidiary of Shoppers Drug Mart Inc., to distribute the Company's Rho Phyto™ medical cannabis and Pura Earth™ derma-cosmetic (consumer retail) product lines in Canada, which include sublingual sprays, oil drops, gels, creams, tablets and capsules (the "**SDM Agreement**").

REGULATORY FRAMEWORK

Canada

The following summary addresses the primary Canadian federal and provincial laws and regulations associated with the production and distribution of legal cannabis and related products. It does not address the laws and regulations of any other jurisdiction. The Company believes that, as of the date of this Prospectus, it is in material compliance with all laws and regulations summarized below. In this section, the terms "cannabis", "CBD", "client", "industrial hemp", "licence" and "THC" have the meanings given to such terms in the *Cannabis Act* (Canada) (the "**Cannabis Act**") and the *Cannabis Regulations* made under the Cannabis Act (the "**Cannabis Regulations**"), including, without limitation, the *Industrial Hemp Regulations* made under the Cannabis Act.

Background

On October 17, 2018, the Cannabis Act and the Cannabis Regulations came into force, legalizing the sale of cannabis for adult recreational use. Prior to the promulgation of the Cannabis Act and the Cannabis Regulations, only the sale of cannabis for medical purposes was legal, which was regulated by the Access to Cannabis for Medical Purposes Regulations ("**ACMPR**") under the Controlled Drugs and Substances Act ("**CDSA**"). The Cannabis Act and the Cannabis Regulations replaced the CDSA and the ACMPR as the governing laws and regulations in respect of the production, processing, sale and distribution of cannabis for medical and adult recreational use.

The Cannabis Act provides a licensing and permitting scheme for the cultivation, processing, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for adult recreational use, implemented by the Cannabis Regulations. The Cannabis Act and the Cannabis Regulations maintain separate access to cannabis for medical purposes. Under the Cannabis Act and the Cannabis Regulations, import and export permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp and in accordance with the Industrial Hemp Regulations. Import and export permits will not be issued in respect of cannabis for adult recreational use.

The Cannabis Regulations, among other things, set out regulations relating to the following matters: (1) licences, permits and authorizations; (2) security clearances and physical security measures; (3) good production practices; (4) cannabis products; (5) packaging and labelling; (6) cannabis for medical purposes; (7) drugs containing cannabis; (8) combination products and devices; (9) importation and exportation for medical or scientific purposes; (10) document retention; and (11) reporting and disclosure.

Licences, Permits and Authorizations

The Cannabis Regulations establish six classes of licences: cultivation licences; processing licences; analytical testing licences; sales for medical purposes licences; research licences ("**Cannabis Research Licence**"); and cannabis drug licences. The Cannabis Regulations also create subclasses for cultivation licences (standard cultivation, micro-cultivation and nursery) and processing licences (standard processing and micro-processing). Different licences and each subclass therein carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each licence category and subclass. The Cannabis Regulations provide that all licences issued under the Cannabis Act must include both the effective date and expiry date of the licence and may be renewed on or before the expiry date.

The Company was granted a Cannabis Research Licence at its research laboratory in JLABS @ Toronto pursuant to

the Cannabis Act and Cannabis Regulations effective August 16, 2019 with an expiry date of August 16, 2022. The Company's Cannabis Research Licence was amended on April 2, 2020 to include additional research space within JLABS @ Toronto.

The Industrial Hemp Regulations under the Cannabis Act came into force on October 17, 2018. The Industrial Hemp Regulations remained largely the same as they were under the CDSA but now they permit the sale of hemp plants to licensed cannabis producers, the use of additional parts of the hemp plant and licensing requirements were introduced in accordance with the low risk posed by industrial hemp. The Industrial Hemp Regulations define "industrial hemp" as cannabis plants – or any part of the plant – in which the concentration of THC is 0.3% or less in the flowering heads and leaves.

Security Clearances

Certain people associated with cannabis licencees, including individuals occupying a "key position" such as directors, officers, large shareholders and individuals identified by the Minister of Health (the "**Minister**"), must hold a valid security clearance issued by the Minister. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. This was largely the approach in place under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals who have histories of non-violent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded from participating in the legal cannabis industry, and the grant of security clearance to such individuals is at the discretion of the Minister and such applications will be reviewed on a case-by-case basis.

Security clearances issued under the ACMPR are considered to be security clearances for the purposes of the Cannabis Act and Cannabis Regulations.

Cannabis Tracking System

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The Cannabis Regulations provide the Minister with the authority to make a ministerial order that would require specified persons to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

The ministerial order regarding the Cannabis Tracking System (together with the licensing portal, collectively known as the "**Cannabis Tracking and Licensing System**") was published in the Canada Gazette, Part II, on September 5, 2018 and came into effect on October 17, 2018 (the "**2018 Ministerial Order**"). The 2018 Ministerial Order was repealed and replaced by the new ministerial order, the Cannabis Tracking System Order, published in the Canada Gazette, Part II on June 26, 2019 and in force on October 17, 2019 in order to address the unique public health and public safety risks associated with the three new classes of cannabis, being edible cannabis, cannabis extracts and cannabis topicals (collectively, the "**New Classes of Cannabis**") authorized by the Regulations Amending the Cannabis Regulations (New Classes of Cannabis) (the "**Amending Regulations**") on October 17, 2019.

The purpose of this system is to enable the submission of licence applications, amendments and renewals through an online portal and track the flow of cannabis throughout the supply chain as a means of preventing the illegal inversion and diversion of cannabis into and out of the regulated system. Under the Cannabis Tracking and Licensing System, a holder of a licence for cultivation, licence for processing, or a licence for sale for medical purposes is required to submit monthly reports to Health Canada.

Cannabis Products

The Cannabis Regulations set out the requirements for cannabis products and permits the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, cannabis plant seeds, edible cannabis, cannabis extracts and cannabis topicals. THC content is limited by the Cannabis Regulations.

Prior to the passage of the Amending Regulations, the Cannabis Act only permitted the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants and cannabis plant seeds. The Amending Regulations permit the product and sale

of the New Classes of Cannabis. As is the case for dried or fresh cannabis and cannabis oil, a processing licence is required in order to produce edible cannabis, cannabis extracts and cannabis topicals, and to package and label these types of cannabis products for sale to consumers. Holders of processing licences issued prior to October 17, 2019 were required to amend their processing licence before they could begin manufacturing products belonging to New Classes of Cannabis. The Cannabis Regulations require the filing of a notice with Health Canada at least 60 days before releasing a new product to the market. As a result, December 16, 2019 was the earliest date that products in the New Classes of Cannabis could be made available for sale.

In addition, if a holder of a processing licence chooses to process edible cannabis and food products on the same site, then the production, packaging, labelling, and storage of cannabis and the production, packaging, and labelling of food products will need to be conducted in separate buildings. All cannabis production is required to occur in a separate building from any food production.

Packaging & Labeling

The Cannabis Regulations set out strict requirements pertaining to the packaging and labelling of cannabis products. These requirements are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth.

All cannabis products are required to be packaged in a manner that is tamper-proof and child-resistant in accordance with the Cannabis Regulations and in plain packaging. The Cannabis Regulations impose strict limits on the use of colours, graphics, and other special characteristics of packaging. Cannabis package labels must include specific information, such as: (i) product source information, including the class of cannabis and the name, phone number and email of the licence holder; (ii) a mandatory health warning, rotating between Health Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

Promotion

The Cannabis Act sets out restrictions regarding the promotion of cannabis products. Subject to a few exceptions, all promotions of cannabis products are prohibited unless authorized by the Cannabis Act. While these restrictions also apply to the New Classes of Cannabis, the Amending Regulations also prohibit certain representations and associations on products, their packages and labels and associated promotional activity, including: certain flavours in cannabis extracts (e.g. confectionary, dessert, soft drink, and energy drink) that are appealing to youth; health or cosmetic benefits unless registered as a health product; energy value and nutrient content representations that go beyond those permitted in the list of ingredients and in the cannabis-specific nutrition facts table; statements reasonably likely to create the impression the edible cannabis or accessory is intended to meet particular dietary requirements; and promotion that could reasonably associate the cannabis, the cannabis accessory or the service related to cannabis with an alcoholic beverage, a tobacco product or a vaping product.

Product Composition

The Amending Regulations introduced restrictions on product composition specific to each New Class of Cannabis including specific THC limits. Examples of other product-specific restrictions include:

- *Edible cannabis*: must be shelf stable; only food and food additives will be allowed to be used as ingredients in edible cannabis and the use of food additives will need to be in accordance with the limits and purposes that are prescribed for foods; must not have caffeine added, however the use of ingredients containing naturally occurring caffeine will be permitted in edible cannabis products provided that the total amount of caffeine in each immediate container does not exceed 30 milligrams; must not contain alcohol in excess of 0.5% w/w; must not contain anything that would cause the sale of the edible cannabis, if it was a food regulated under the Food and Drugs Act, to be prohibited and must not be fortified with vitamins or mineral nutrients.

- *Cannabis extracts*: must not contain ingredients that are sugars, sweeteners or sweetening agents, nor any ingredient listed on Column 1 of Schedule 2 to the Tobacco and Vaping Products Act (which is a list of

ingredients that are prohibited in vaping products) except if those ingredients and their levels are naturally occurring in an ingredient used to produce the extract.

- *Cannabis topicals*: must not contain anything that may cause injury to the health of the consumer when the product is used as intended or in a reasonably foreseeable way.

Health Products Containing Cannabis

Under the current regulatory framework, cannabis is not permitted for use in a natural health product or a non-prescription drug product, as phytocannabinoids are included as prescription drugs on the Human and Veterinary Prescription Drug List ("**PDL**"). Although, Health Canada has previously authorized prescription drug products containing cannabis, the agency maintains that there remains significant scientific uncertainty regarding the pharmacological actions, therapeutic effectiveness and safety of the majority of phytocannabinoids. The cannabis-based prescription drug products that have been authorized by Health Canada have been studied, authorized and used in specific conditions. While these authorized products have contributed to the global body of knowledge concerning the safety and efficacy of cannabis-based therapies, Health Canada has stated that the presence of scientific uncertainty and limited market experience gives rise to the need for a precautionary approach. Listing all phytocannabinoids on the PDL addresses this uncertainty by allowing healthcare practitioners to monitor and manage any unanticipated effects. All phytocannabinoids will remain listed on the PDL until there is sufficient scientific evidence (e.g., as demonstrated through a submission to Health Canada) to change the prescription status of a particular phytocannabinoid when used in specific conditions.

Cannabis is also expressly prohibited for use in cosmetic products as it is included on Health Canada's Cosmetic Ingredient Hotlist, List of Ingredients Prohibited for Use in Cosmetic Products.

Provincial and Territorial Regulatory Regimes

While the Cannabis Act provides for the regulation of the commercial production of cannabis for adult recreational purposes and related matters by the federal government, the Cannabis Act includes provisions stipulating that the provinces and territories of Canada have authority to regulate other aspects of adult recreational use cannabis (similar to what is currently the case for liquor and tobacco products), such as retail sale and distribution, minimum age requirements above that in place under the Cannabis Act, places where cannabis can be consumed, and a range of other matters. The governments of every Canadian province and territory have, to varying degrees, regulatory regimes for the distribution and sale of cannabis for adult recreational purposes within those jurisdictions. Each of these Canadian jurisdictions has established a minimum age of 19 years for cannabis use, except for Québec and Alberta, where the minimum age is 21 and 18, respectively.

Québec: In Québec, all recreational cannabis is managed and sold through outlets of the Société québécoise du cannabis, a subsidiary of the Société des alcools du Québec, and its online site.

Ontario: In Ontario, the distribution and online retail sale of recreational cannabis is conducted through the Ontario Cannabis Retail Corporation, under the oversight of the Alcohol and Gaming Commission of Ontario (the "**AGCO**"). Ontario also permits the sale of recreational cannabis through private brick-and-mortar retailers. Initially, Ontario employed a "phased" approach to retail licensing, setting a maximum cap of 25 licences available to be issued to allow operators to open for business beginning April 1, 2019. The Ontario government has now moved to open the market for private cannabis retail stores in Ontario. In addition to removing the cap on the number of private retail stores in Ontario, the previously mandated regional distribution limiting the number of retail stores permitted in each region will be maintained only until March 2, 2020 and then eliminated entirely. The AGCO expects to issue up to 20 Retail Store Authorizations per month, beginning in April 2020. Federally licensed producers may now own or control, directly or indirectly, up to 25% of a corporation holding a cannabis Retail Operator Licence (required to hold a Retail Store Authorization) in Ontario, an increase from the previous threshold of 9.9%. Until August 31, 2020 each retail operator (and its affiliates) may own a maximum of 10 cannabis stores, increasing to 30 cannabis stores in September 2020 and increasing again to 75 cannabis stores in September 2021.

British Columbia: In British Columbia, recreational cannabis is to be sold through both public and privately-operated

stores, with the provincial Liquor Distribution Branch handling wholesale distribution.

Alberta: In Alberta, cannabis products are sold by private retailers that receive their products from a government-regulated distributor (the Alberta Gaming & Liquor Commission), similar to the distribution system currently in place for alcohol in the province. Only licensed retail outlets are to be permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

Saskatchewan: In Saskatchewan, recreational cannabis is sold by private retailers. The Saskatchewan Liquor and Gaming Authority (the "**SLGA**") has selected operators for the province's 51 cannabis private retail store permits, with municipalities having the option of opting out of having a cannabis store if they choose. Saskatchewan is the only jurisdiction to allow for private distribution and wholesale (but regulated by the SLGA).

Manitoba: In Manitoba, cannabis distribution and wholesale is government-run by the Manitoba Liquor and Lotteries Corporation, with retail sale privately operated.

New Brunswick: In New Brunswick, recreational cannabis is sold and online sales run by Cannabis NB, a subsidiary of a network of tightly-controlled, stand-alone stores through the New Brunswick Liquor Corporation (the "**NBLC**"). The NBLC also controls the distribution and wholesale of cannabis in the province. The New Brunswick government has issued a request for proposals in order to find a single private operator to take over the Cannabis NB operations which would privatize the government-operated corporation created to handle retail sale of adult use cannabis. This would result in the retail model changing from government-operated to privately-operated in New Brunswick.

Nova Scotia: In Nova Scotia, the Nova Scotia Liquor Corporation (the "NSLC") is responsible for the regulation of cannabis in the province, and recreational cannabis is only to be sold publicly through government-operated storefronts and online sales. There is no private licensing of retail. The NSLC also controls the distribution and wholesale of cannabis in the province.

Prince Edward Island: In Prince Edward Island, similar to Nova Scotia, sale of cannabis is government-run through government retail sales and online. There is no private licensing of retail. The PEI Cannabis Management Corporation is responsible for the distribution and wholesale of cannabis in the province.

Newfoundland and Labrador: In Newfoundland and Labrador, recreational cannabis is sold through licensed private retail stores, with its crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the "**NLC**"), overseeing the wholesale and distribution to the private sellers. The NLC controls the possession, sale and delivery of cannabis, and sets prices. It is also the initial online retailer, although licences may later be issued to private interests.

Yukon: The Yukon limits the initial distribution and sale of recreational cannabis to government outlets and government-run online stores and allows for the later licensing of private retailers. The Yukon Liquor Corporation is responsible for the distribution and wholesale of cannabis in the territory while the Cannabis Licensing Board is the regulatory body in the Yukon.

Northwest Territories: The Northwest Territories relies on the N.W.T. Liquor Commission to control the importation and distribution of cannabis, whether through retail outlets or by mail order service run by the Liquor Commission. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis sales in their communities, similar to options currently available to restrict alcohol in the Northwest Territories.

Nunavut: Nunavut permits the sale of cannabis through private retailers, including online. The Nunavut Liquor and Cannabis Commission is responsible for distribution and wholesale in the territory.

Colombia

The Company's core operations in Colombia are carried out through its Colombian subsidiaries, Avicanna LATAM S.A.S. ("**Avicanna LATAM**"), Santa Marta Golden Hemp S.A.S. ("**SMGH**"), and Sativa Nativa S.A.S. ("**Sativa Nativa**"). As cultivators of cannabis (both psychoactive and non-psychoactive) and manufacturer of cannabis products, the Company's Colombian subsidiaries are substantially dependent on the licenses for cultivation, manufacturing,

quotas (for psychoactive cannabis) and a Good Preparation Practices ("**GPP**") certification.

The following summary addresses the primary Colombian laws and regulations associated with the regulation of cannabis for medical and scientific purposes. It does not address the laws and regulations of any other jurisdiction. The Company believes that, as of the date of this Prospectus, it is in material compliance with all laws and regulations summarized below.

Background

Over the past 50 years, Colombia developed comprehensive regulation that took a hardline approach to narcotics and trafficking in response to the growing influence of international treaties and the efforts of governments to coordinate their drug policies. In the mid-1990s, Colombia decriminalized personal possession and consumption of cannabis under Judgment C-221 of 1994 of the Constitutional Court. While this represented a shift in approach by Colombian lawmakers, a constitutional amendment in 2009 reversed the effects of Judgment C-221 of 1994 and reinstated the prohibition on personal possession and consumption of narcotic or psychotropic substances, even on a personal dose basis, unless supported by a medical prescription.

Despite the constitutional amendment in 2009, Colombian cannabis legislation trended towards a preventative and rehabilitative approach. The Colombian Constitutional Court, through rulings SU-642 of 1998 and C-336 of 2008, among others, established that the right to the free development of personality, also known as the right to autonomy and personal identity, grants individuals the right to self-determination, the freedom and independence to govern his/her own existence and determine a lifestyle according to his/her own interests; provided, that the rights of others and the constitutional order are respected.

In January 2013, the Advisory Commission on Drug Policy (the "**Drug Policy Commission**") was established to provide recommendations on how legislation should treat criminal networks and citizen drug users, as well as the quantities to be considered as suitable personal amounts. In July 2014, the Drug Policy Commission issued an initial report submitted to the Ministry of Justice analyzing the conditions of drug use in Colombia and proposing guidelines to update the policy.

In May 2015, the Drug Policy Commission published its final report, which proposed a review of the drug policy in the country and made important recommendations, such as: (i) the creation of an agency for drug policy; (ii) measures to help reduce the risk to consumers; (iii) to rethink the fumigation involved with cultivation; (iv) regulation of medicinal cannabis; (v) alternative means to measure the success of policies against drugs; (vi) modernize the National Statute on Drugs and Psychoactive Substances; and (vii) to lead the global drug policy debate.

As a result of the final report of the Drug Policy Commission, the Colombian President approved and sanctioned Law 1787 of 2016 to regulate the use of cannabis for therapeutic purposes. The law marked a new direction in the legislative approach to drugs. Law 1787 amended articles 375, 376 and 377 of the Colombian Criminal Code (the "**Criminal Code**") to remove sanctions against the medical and scientific use of cannabis used under a license granted by the relevant authorities. This amendment was required given that the Criminal Code expressly provided a general prohibition to the cultivation, conservation or financing of marijuana plantations among other related activities.

The following table summarizes regulations applicable to the cultivation, fabrication, import, export and use of cannabis in Colombia.

Regulation:	**Regulates:**
Law 1787 of 2016	Legalizes the use of Cannabis for medical and scientific purposes
Decree 613 of 2017 modifies Decree 780 of 2016	Regulates law 1787 establishing a licensing system and process, defines psychoactive and non-psychoactive cannabis and the quota system for psychoactive cannabis in accordance with Single Convention of Narcotics of 1961 and amendments

Regulation:	Regulates:
Resolution 577 of 2017 from the Ministry of Justice	Regulates the evaluation and control of the following licenses: Seed Use Cultivation of psychoactive plants (High-THC cultivation licence) Cultivation of non-psychoactive plants (Low-THC cultivation licence) Creates requirement for security protocol
Resolution 578 of 2017 from the Ministry of Justice	Regulates the cost of the following licences: Seed Use Cultivation of psychoactive plants (High-THC cultivation licence) Cultivation of non-psychoactive plants (Low-THC cultivation licence)
Resolution 579 of 2017 from the Ministry of Justice	Establishes that growers that cultivate on a half a hectare area (5,000 square meters) or less are considered small and medium growers and, therefore, may access technical advice, priority allocation of quotas and purchase of their production by the processor and requires that 10 percent of the total production of the processor must come from a small and medium producers.
Resolution 2892 of 2017 from the Ministry of Health	Regulates the evaluation and control of the Fabrication of Cannabis derivatives (High-THC production licence). Provides guidelines for appropriate security protocols for manufacturing cannabis derivatives including physical security, monitoring, detection, and incident reporting to authorities.
Resolution 2891 of 2017 from the Ministry of Health	Regulates the cost of the High-THC production licence.
Resolution 1478 of 2006 from the Ministry of Health	Regulation of the control, monitoring and surveillance of the import, export, processing, synthesis, manufacture, distribution, dispensing, purchase, sale, destruction and use of controlled substances, medicines or products containing them and on those which are State Monopoly
Resolution 315 of 2020 from the Ministry of Health	Updates the list of controlled substances, medicines or products containing them and of those which are State Monopoly, among other dispositions relating to the import, export, manufacture, distribution, dispensing, purchase, sale of these substances and products.
Decree 2200 of 2005 from the Ministry of Health	Regulates pharmaceutical services including the Magistral Preparations
Guidelines for the GPP certification for Magistral Preparations with Cannabis issued the 25 of October 2019 by INVIMA	Establishes the requirements for labs to obtain the GPP certification for the fabrication of Magistral Preparations with Cannabis derivatives
Resolution 3168 of 2015 from the Colombian Agricultural Institute	Regulates the production, import, export, sale and registration of seeds.

Licenses

The Ministries of Health, Justice, and Agriculture issued Decree 613 of 2017 to define the licenses that may be granted

in respect of permissible activities related to medicinal cannabis including:

(i) production of cannabis derivatives;
(ii) planting of psychoactive cannabis plants; and
(iii) planting of non-psychoactive cannabis plants.

SMGH and Sativa Nativa have obtained licenses (collectively, the "**Colombian Licenses**") in each of the above categories, required to conduct its operations. The Colombian Licenses are not transferable, exchangeable or assignable and are valid for five years and may be renewed for additional five-year terms upon request. Each of the Colombian Licenses is in good standing and has not expired. None of the Colombian Licenses are subject to any current, pending, or threatened regulatory actions. Below is a table showing a general overview of the Colombian Licenses along with the government authority that grants them.

License Type	**Status**	**Issued by**	**Key Requirements for Compliance, Maintenance, Renewal for all license types**
License to cultivate plants of Non-Psychoactive Cannabis	Obtained	Ministry of Justice	Attending inspections; Reporting suspicious activity; Keeping up-to-date records; Amending license within 30 days of occurrence of certain fundamental changes; Filing import and export declarations with the Ministry of Justice and FNE; Compliance with security protocol; Observing quotas; payment of applicable fees.
License to cultivate plants of Psychoactive Cannabis	Obtained	Ministry of Justice	
License to manufacture Cannabis Derivatives for a) national use, b) Scientific Research and c) export	Obtained	Ministry of Health	
Registration as a non-psychoactive and psychoactive cannabis plant breeding unit	Obtained	ICA	
Registration to Export non-psychoactive and psychoactive cannabis seeds	Obtained	ICA	
Registration to produce non-psychoactive and psychoactive cannabis seeds	Obtained	ICA	
Registration as a non-psychoactive and psychoactive cannabis plant agronomic evaluation unit	Obtained	ICA	

A detailed list of the Colombian Licenses held by SMGH and Sativa Nativa, which are required to conduct their respective operations in compliance with applicable laws, is included in the following tables.

SMGH:

License Type	**Status**	**Issued by**
License to cultivate plants of Non-Psychoactive Cannabis for a) grain and seed production for sowing, b) cannabis derivatives manufacturing, c) industrial purposes and d) scientific purposes	Obtained	Res. 463 of 2018
License to cultivate plants of Psychoactive Cannabis for a) grain production, b) seed	Obtained	Res. 973 of 2017, as amended by Res.472 of 2018

License Type	Status	Issued by
production for sowing, c) cannabis derivatives manufacturing, and d) scientific purposes		
License to manufacture Cannabis Derivatives for a) national use, b) Scientific Research and c) export	Obtained	Res. 4282 of 2017, as amended by Res. 3466 of 2018
Registration as a non-psychoactive and psychoactive cannabis plant breeding unit	Obtained	Res. 30924 of 2018
Registration to Export non-psychoactive and psychoactive cannabis seeds	Obtained	Res. 63766 of 2020
Registration to produce non-psychoactive and psychoactive cannabis seeds	Obtained	Res. 31425 of 2018 as amended by Res. 7016 of 2019

Sativa Nativa:

License Type	Status	Issued by
License to cultivate plants of Non-Psychoactive Cannabis for a) grain and seed production for sowing, b) cannabis derivatives manufacturing, and c) industrial purposes	Obtained	Res. 230 of 2018
License to cultivate plants of Psychoactive Cannabis for a) seed production for sowing, and b) cannabis derivatives manufacturing	Obtained	Res. 1102 of 2018
License to manufacture Cannabis Derivatives for a) national use, b) Scientific Research and c) export	Obtained	Res. 5221 of 2017
Registration as a non-psychoactive and psychoactive cannabis plant agronomic evaluation unit	Obtained	Res. 7020 of 2019
Registration to produce non-psychoactive and psychoactive cannabis seeds	Obtained	Res. 7014 of 2019

Magistral Preparations with Cannabis

Avicanna LATAM produces a category of products known as magistral preparations with cannabis, regulated under Decree 613 of 2017 and Decree 2200 of 2005. Magistral preparations are customized prescription products that do not require a marketing authorization, as they are not mass-market products with standardized characteristics but must be prepared in a laboratory that is GPP Certified.

In order to sell and distribute such medicines in Colombia, it is necessary to comply with the Guidelines for the GPP certification for Magistral Preparations with Cannabis issued the 25 of October of 2019 by INVIMA. The Company is required to operate, or have an agreement with, a laboratory that is certified as complying with for GPP for Magistral Preparations with Cannabis. Avicanna LATAM has a laboratory that is GPP certified for magistral preparations with cannabis.

Quotas

Decree 613 of 2017 also sets out the requirements and criteria for the assignment of quotas for psychoactive cannabis plant cultivation, and psychoactive cannabis by-product production. Psychoactive cannabis cultivation is subject to quotas that limit the amount of plants that may be cultivated and psychoactive cannabis by-product production is subject to quotas that limit the amount of dry flower that the license holder´s lab may receive and use to manufacture psychoactive cannabis by-products . Non-psychoactive cannabis is not subject to the quota system.

SMGH received commercial cultivation and by-product production quotas in 2020 and Sativa Nativa received R&D cultivation quotas in 2020.

Strain Registration

SMGH has 29 cannabis strains registered, and Sativa Nativa has 31 cannabis strains at various stages of the registration process. In order to secure quotas, a licensee's cannabis strains must undergo a defined registration process. Each strain, whether High- or Low-THC, must undergo agronomical evaluation by the Colombian Agricultural Institute (ICA). In order for strains be included in the National Registry of Cultivars, the following steps must be completed:

(i) Agronomical Evaluation; and
(ii) Strain Registration (legal document that includes the strain in the Colombian National Registry of Cultivars);

Sativa Nativa has 19 strains that are eligible for agronomical evaluation and registration, in addition to the 31 strains that are currently at various stages of the registration process.

The following table shows SMGH's strains that have been registered with the ICA, each of which is formalized by a resolution signed by the ICA and such resolution is a public access document.

SMGH:

	Strain ID	**Status**
1	AV019	Registered
2	AV008	Registered
3	AV030	Registered
4	AV011	Registered
5	AV071	Registered
6	AV046	Registered
7	AV026	Registered
8	AV018	Registered
9	AV067	Registered
10	AV025	Registered
11	AV032	Registered
12	AV028	Registered

	Strain ID	Status
13	AV001	Registered
14	AV060	Registered
15	AV057	Registered
16	AV038	Registered
17	AV047	Registered
18	AV079	Registered
19	AV074	Registered
20	AV040	Registered
21	AV029	Registered
22	AV070	Registered
23	AV024	Registered
24	AV005	Registered
25	AV017	Registered
26	AV073	Registered
27	AV034	Registered
28	AV033	Registered
29	AV076	Registered

Cosmetic Regulation

The Company's business also includes the manufacturing and commercialization of CBD-based cosmetics in Colombia. Cosmetic products in Colombia are regulated by decisions issued by the Andean Community of Nations. The relevant regulations in health regulatory matters for Cosmetic Products are the following:

- Decision 516 of 2002 of the Andean Community of Nations establishes a common substantive regulation regarding Health Law for Cosmetic Products in the Andean Community countries (Bolivia, Colombia, Ecuador and Peru) and national norms that complement it (provided they do not contradict it or establish additional or contrary requirements)

- Decree 219 of 1998, which regulated the quality and monitoring of Cosmetic Products

- Law 9 of 1979, which establishes the general framework for health surveillance and control

In Colombia, cosmetics must undergo a registration process called Compulsory Sanitary Notification (NSO), which is overseen by INVIMA, prior to the commercialization. Applicable regulations establish requirements related to labeling, manufacturing facilities and composition of the products.

Ingredients in the list of accepted ingredients of the U.S. Food & Drug Administration ("FDA"), the Cosmetics Toiletry & Fragrance Association (CTFA), the European Cosmetic Toiletry and Perfumery Association (COLIPA) and the Directives of the European Union, are permitted in cosmetic products, including the following cannabis ingredients: *Cannabis sativa Flower Extract, Cannabis sativa Flower / Leaf / Stem Extract, Cannabis Sativa Seed Extract, Cannabis Sativa Seed Oil, Cannabis Sativa Seed Oil Glycereth-8 Esters, Cannabis Sativa Seed Oil PEG-8 Esters, Cannabis Sativa Seedcake, Cannabis Sativa Seedcake Powder, Cannabis Sativa Stem Powder, Hydrolyzed Cannabis Sativa Seed Extract, Hydrolyzed Hemp Seed Extract, Apocynum Cannabinum Root Extract, and Cannabidiol.*

Avicanna LATAM has obtained NSOs in respect of each of the nine products in its Pura H&W (formerly Pura Earth) cosmetic line. The NSOs are listed in the following table:

Product Name	NSO
CREMA ACLARANTE	NSOC86610-18CO
CREMA FACIAL ANTIEDAD	NSOC86608-18CO
CREMA CONTORNO DE OJOS	NSOC86599-18CO
CREMA EMOLIENTE INTENSIVA	NSOC866609-18CO
CREMA HUMECTANTE PARA PIEL CON IMPERFECCIONES	NSOC866600-18CO
LOCIÓN CORPORAL HUMECTANTE	NSOC86594-18CO
LOCIÓN FACIAL HUMECTANTE NOCHE	NSOC89512-18CO
LOCIÓN FACIAL HUMECTANTE	NSOC86606-18CO
SERUM REGENERADOR	NSOC89511-18CO

South Africa

The legislative framework which regulates cannabis and cannabis related products in South Africa primarily comprises the *Drugs and Drug Trafficking Act 140 of 1992* and the *Medicines and Related Substances Act 101 of 1965* ("**South Africa Medicines Act**").

The South Africa Medicines Act regulates medicines and scheduled substances. The South Africa Medicines Act defines a "medicine" as follows:

> "*(a) any substance or mixture of substances used or purporting to be suitable for use or manufactured or sold for use in -*
>
> > *(i) the diagnosis, treatment, mitigation, modification or prevention of disease, abnormal physical or mental state or the symptoms thereof in humans; or*
> >
> > *(ii) restoring, correcting or modifying any somatic or psychic or organic function in humans, and*
>
> *(b) includes any veterinary medicine"*.

A "scheduled substance" is defined by the South Africa Medicines Act as "*any medicine or other substance prescribed by the Minister (of Health) under section 22A*" and therefore includes both medicines and non-medicines listed in the schedules to the South Africa Medicines Act.

CBD is listed as a Schedule 4 substance to the South Africa Medicines Act (subject to certain exceptions). Any scheduled substance may only be manufactured, imported or exported and a person may only act as a wholesaler of or distribute a scheduled substance if that person has obtained a licence from the South African Health Products Regulatory Authority ("**SAHPRA**") in terms of section 22C of the South Africa Medicines Act. This section provides that the manufacturers, wholesalers and distributors may apply for such a licence.

Schedule 4 substances may only be sold by certain persons, including (i) pharmacists, who may only sell Schedule 4 substances on prescription; (ii) manufacturers of or wholesale dealers in pharmaceutical products, which may only sell Schedule 4 substances to a person who may lawfully possess such substances; (iii) medical practitioners and dentists and certain other practitioners, nurses and persons who are registered under the Health Professions Act, 1974; and (iv) veterinarians. A Schedule 4 substance may be possessed by a person who is in possession of a prescription issued by an authorised prescriber and by medical practitioners, dentists, veterinarians, practitioners, nurses or other persons registered under the Health Professions Act, 1974 and pharmacists.
If a Schedule 4 substance is sold for analytical purposes, manufacture of foods, cosmetics, educational or scientific purposes, it may only be sold by a pharmacist if a permit has been obtained from the Director-General for such purpose. See section 22A(7)(a) of the South Africa Medicines Act.

The classification of CBD and preparations and mixtures of CBD as Schedule 4 substances is subject to two exceptions.

The first exception is in terms of a notice published by the Minister of Health of South Africa on the recommendation of SAHPRA, in terms of section 36(1) of the South Africa Medicines Act, which excludes from Schedule 4 all preparations containing CBD that:

> contain a maximum daily dose of 20 mg CBD and make only an accepted low risk claim or health claim which only refers to:
>
> > general health enhancement without any reference to specific diseases;
> >
> > health maintenance; or
> >
> > relief of minor symptoms (not related to a disease or disorder); or
>
> consist of processed products made from cannabis raw plant material and processed products, where only the naturally occurring cannabinoids found in the source material are contained in the product, and which contain no more than 0,001% THC and not more than 0,0075% total CBD. [Government Notice No. R756, Government Gazette No. 42477.]

The second exception is in terms of the following provision in Schedule 4:

> "*All substances referred to in this Schedule are excluded when specifically packed, labelled, sold and used for: industrial purposes including the manufacture or compounding of consumer items or products which have no pharmacological action or medicinal purpose; and analytical laboratory purposes*."

"Medicinal purpose" is defined for purposes of section 22A of the South Africa Medicines Act as:

> "*for the purposes of the treatment or prevention of a disease or some other definite curative or therapeutic purpose, but does not include the satisfaction or relief of a habit or craving for the substance used or for any other such substance, except where the substance is administered or used in a hospital or similar institution maintained wholly or partly by the Government or a provincial government or approved for such purpose by the Minister*".

A product containing CBD, which would otherwise be a Schedule 4 substance, is therefore excluded from the requirements in the Medicines Act if it:

- contains less than a maximum daily dose of 20 mg of CBD and only makes the permitted low risk claims or health claims as set out above;
- consists of processed products that contain only the naturally occurring quantity of cannabinoids found in the source material and contain THC and/or CBD that does not exceed the prescribed thresholds as set out above; or
- is specifically packed, labelled, sold and used for (i) industrial purposes, including the manufacture or compounding of consumer items or products which have no pharmacological action or medicinal purpose; and (ii) analytical laboratory purposes.

United Kingdom

Pure CBD is not considered a controlled drug in the UK.

The Misuse of Drugs Act 1971 (the "**MDA**") defines the following as controlled drugs in relation to cannabis:

(i) "Cannabinol" ("**CBN**");

(ii) "Cannabinol derivatives" (tetrahydro derivatives of cannabinol (such as THC) and 3-alkyl homologues of cannabinol or of its tetrahydro derivatives);

(iii) "Cannabis" (defined as meaning any plant of the genus Cannabis but excluding the mature stalk of any such plant, fibre produced from mature stalk of any such plant, or the seed of any such plant after separation from the rest of the plant);

(iv) "Cannabis resin";

(v) any "esther or ether or cannabinol or of a cannabinol derivative";

(vi) any salt of any of these substances; and

(vii) any "preparation or product" containing these substances (unless it falls within a narrow exception).

The UK Home Office has determined that CBD as an isolated substance, in its pure form, is not a controlled drug for the purposes of the MDA. Pure CBD is not a controlled drug under the MDA. Consequently, the sale, possession and import of products containing CBD are not restricted as a result of their CBD content. However, the Home Office has issued caution against CBD products which may unintentionally include other cannabinoids such as CBN or THC, being substances which remain controlled drugs under the MDA. Products containing CBD or other non-controlled cannabinoids may however be regulated from a food or cosmetics regulations perspective (see further below).

There is an exception for products that contain less than 1 milligram of a controlled drug, where the controlled drug element is not readily recoverable and where the product is not designed for the administration of the controlled drug to a person. The Company is aware of CBD products containing trace amounts of controlled drugs being sold by reputable retailers in the UK, presumably pursuant to this exception (although it is not clear).

An exempt product is not subject to the restrictions on the import, production, sale or possession imposed on controlled drugs by the MDA. An exempt product is defined in accordance with a three-step test under the Misuse of Drugs Regulations 2001 (the "**MDR**") where:

(i) the product is not designed for administration of the controlled drug to a human being or animal (it is understood that the primary object or purpose of the product is not intended to be the administration of a controlled drug, such that the controlled drug is incidental to the product);

(ii) the controlled drug in any component part is packaged in such a form, or in combination with other active or inert substances in such a manner, that it cannot be recovered by readily applicable means or in a yield which constitutes a risk to health; and

(iii) no one component part of the product or preparation contains more than one milligram of the controlled drug.

The EU cosmetic products regulation prohibits the use of narcotics, both in natural and synthetic forms: all substances listed in Tables I and II of the Single Convention on Narcotic Drugs signed in New York on 30 March 1961 (the "**1961 Convention**") are prohibited from use in cosmetics. However, the 1961 Convention does not specifically list CBD as a separately prohibited controlled substance and it uses a narrow definition of cannabis which is limited to mean "the flowering or fruiting tops of the cannabis plant (excluding the seeds and leaves when not accompanied by the tops) from which the resin has not been extracted, by whatever name they may be designated". Therefore, CBD extracted from cannabis, cannabis resin, cannabis extracts and cannabis tinctures originating from the seeds and leaves that are not accompanied with the fruiting tops of the cannabis plant CBD may be used in cosmetics.

For the import and distribution in the UK of any product that contains THC, requires the importer to obtain a controlled drug import licence from the UK Home Office (as well as the corresponding export licence from the country of export) and a domestic licence to supply and possess any product that contains THC.

To supply Cannabis Based Products for Medicinal Use ("**CBPMs**"), these products will need to be prescribed as an unlicensed medicine under the "specials" medicines route. There are two other routes through which CBPMs can be used in the UK: (i) investigational medicinal product route (authorisation required from the MHRA or EMA for use in clinical trials); or (ii) the Marketing Authorisation route ("**MA**") (where the MA is issued based on quality, efficacy and safety criteria to a product), which do not apply to the Company.

Any prescriptions for unlicensed CBPMs to patients in England would need to be made by doctors who are on the GMC Specialist Register. The unlicensed CBPMs will only be supplied if:

(i) there is an unsolicited order from a Specialist doctor;

(ii) the Importer must have a Home Office Import and Domestic Licence. The wholesaler / manufacturer must have a Home Office Domestic Licence and MHRA Wholesaler Dealer's Licence or Manufacturer's (Specials) Licence for possession and supply of unlicensed CBPMs;

(iii) the product is manufactured and assembled in accordance with the specification of a person who is a doctor on the GMC Specialist Register, responsible for the patient's care;

(iv) the product is for use by a patient for whose treatment that person is directly responsible in order to fulfil the special needs of that patient that cannot be met by existing licensed medicines; and

(v) the product is manufactured and supplied under specific conditions.

The sale of unlicensed medicines is subject to a general prohibition which provides that a person may not sell or supply, or offer to sell or supply, an unauthorised medicinal product in the UK unless that person has a marketing authorisation, under Regulation 46 of the Human Medicines Regulations. One of the exemptions to this prohibition is where the clinical needs of a patient cannot be met by products with a marketing authorisation available in the UK, and where an unlicensed medicine is prescribed on a "named patient" or "individual patient" basis.

Pursuant to Regulation 167 of the Human Medicines Regulations, the requirement for a marketing authorisation under Regulation 46 above does not apply if:

(i) the medicinal product is supplied in response to an unsolicited order;

(ii) the medicinal product is manufactured and assembled in accordance with the specification of a person who is a doctor, dentist, nurse independent prescriber, pharmacist independent prescriber or supplementary prescriber;

(iii) the medicinal product is for use by a patient for whose treatment that person is directly responsible in order to fulfil the special needs of that patient; and

(iv) a number of conditions (set out as conditions A to G in Regulation 167 are met).

The conditions under Regulation 167 set out as A to G cover a number of requirements such as ensuring that the unlicensed medicines are supplied to suitable health care professionals ("**HCPs**") or that the manufacture of the medicines is carried to the specification of the HCPs amongst others.

Condition B of Regulation 167 of the Human Medicines Regulations 2012 specifically prohibits a specials manufacturer, importer or wholesaler from publishing any advertisement relating to the unlicensed medicinal products. This means that the advertising of unlicensed CBPMs, to the members of the public, is prohibited. A specials manufacturer, importer or wholesaler may advertise the services they provide, but the particulars of specials medicines must not be advertised. However, they may provide factual responses upon requests for specific specials or the range of products they are able to supply.

Australia

Importation of medicinal cannabis products

Pursuant to regulation 5 of the Customs (Prohibited Imports) Regulations 1956 (Cth), cannabis (including extracts and tinctures of cannabis), cannabis resin, and cannabinoids, and products containing such ingredients, that are not Approved Products (as defined therein), cannot be imported into Australia unless they are for medicinal or scientific research (i.e. clinical trial) purposes.

In light of this, apart from the Approved Products, generally the only cannabis-based products that are currently permitted to be imported into Australia, subject to the licensing requirements discussed below, are medicinal cannabis products (which include cannabis ingredients used to manufacture medicinal cannabis products).

Pursuant to section 4 of the *Narcotic Drugs Act 1967* (Cth) ("**ND Act**"), a medicinal cannabis product means a product, including but not limited to a substance, composition, preparation or mixture, that:

(a) includes, or is from, any part of the cannabis plant; and

(b) is for use for the purposes of curing, or alleviating the symptoms of, a disease, ailment or injury.

Medicinal cannabis products are subject to additional regulation by:

(a) the Office of Drug Control ("**ODC**") of the Australian Department of Health, in relation to the importation and manufacture of medicinal cannabis products, discussed further below; and

(b) the Therapeutic Goods Administration ("**TGA**") in relation to the supply of medicinal cannabis products, which is also discussed further below.

In order to import medicinal cannabis products into Australia, the importer must hold:

(a) a licence to import to import narcotic, psychotropic and precursor substances (for the purposes of this section, a "**Licence**"); and

(b) a permission to import each consignment of each specific product (for the purposes of this section, a "**Permit**:),

and must comply with any conditions of the Licence and Permit.

In relation to the Licence, an application for the Licence must be made in writing to the Secretary of the Australian Department of Health ("**Secretary**") by the proposed importer, in the approved form. Licences are issued for a 12 month period.

The Secretary will not grant a Licence unless the applicant has provided all requested information to the Secretary, the applicant, and any agents or employees thereof are fit and proper persons to be granted the Licence, and the premises on which the applicant proposes to keep the drugs meet the security requirements for that purpose.

Once a Licence is granted, certain requirements must be complied with including:

(a) keeping in safe custody at all times any drug that is in the possession of the Licence holder and if the drug is moved from one place to another, taking adequate precautions to ensure that the removal is safely carried out;

(b) taking reasonable precautions for the purpose of ensuring that there is no danger of loss or theft of any drug in the possession of the Licence holder;

(c) not supplying any medicinal cannabis products unless satisfied that the product will be used solely for medical or scientific purposes; and

(d) keeping records including about the name and quantity of each drug in the Licence holder's possession, and the quantity of each drug supplied by the Licence holder, and information about the person to whom the drug was supplied.

An application for each Permit must be made in writing to the Secretary by the proposed importer, in the approved form.

The Secretary will not grant a Permit unless the applicant has provided all requested information to the Secretary and has made proper arrangements for the safe transportation and custody of the products; and

(a) if the product is required for the manufacture of a drug at certain premises –

(i) the applicant is a holder of a manufacturer's licence in relation to the manufacture of the drug at those premises pursuant to requirements of the ND Act, which is administered by the ODC (ND Manufacturer's Licence); and

(ii) if, under a law of the State or Territory in which those premises are situated, the manufacture of the drug is prohibited unless a licence to manufacture the drug has been granted under that law, the applicant is, for the purposes of that law, the holder of a licence authorising the applicant to manufacture the drug at those premises (State/Territory-based Manufacturer's Licence); or

(b) if the product is required for the purposes of the applicant's business as a seller or supplier –

(i) the applicant is, under a law of the State or Territory in which the premises at or from which the applicant conducts that business are situated, the holder of a licence authorising the applicant to sell or supply the product at or from those premises (State/Territory-based Supplier's Licence); or

(c) otherwise, the product is required by the applicant for medical or scientific purposes.

A Permit will specify the quantity of the product the holder may import as well as any other conditions or requirements, including with respect to possession, safe custody, transportation, use or disposal of the product to be complied with by the holder of the Permission.

Any medicinal cannabis products that are imported into Australia may only be supplied in Australia in accordance with one of the ways discussed in the section below.

Distribution of medicinal cannabis products

As noted above, the supply of medicinal cannabis products (being therapeutic goods) in Australia is regulated by the TGA.

Pursuant to the *Therapeutic Goods Act 1989* (Cth) ("**TG Act**"), it is an offence to supply therapeutic goods in Australia unless the goods are included in the Australian Register of Therapeutic Goods ("**ARTG**"), are exempt from being included in the ARTG, or are otherwise authorised by the TGA.

Therefore, medicinal cannabis products can only be supplied to patients in Australia in one of the following ways:

(a) following inclusion of the particular medicinal cannabis product in the ARTG – this requires a sponsor to submit an application to the TGA which includes data as to the quality, safety, efficacy and performance of the product and its intended use; or

(b) under the TGA's Special Access Scheme ("**SAS**") – a medical practitioner may use one of the following two SAS Categories to access an unapproved medicinal cannabis product for an individual patient:

(i) *SAS Category A*: a prescribing medical practitioner (a medical doctor) or a health practitioner on behalf of a prescribing medical practitioner (e.g. a nurse practitioner or pharmacist) may, with notification to the TGA, supply unapproved medicinal cannabis products to a "Category A patient", being a person who is seriously ill with a condition from which death is reasonably likely to occur within a matter of months, or from which premature death is reasonably likely to occur in the absence of early treatment; or

(ii) *SAS Category B*: if a patient is not a "Category A patient", a health practitioner may nevertheless make an application to the TGA for approval to supply unapproved medicinal cannabis products to the patient (which requires a thorough clinical justification for the use of the product, including the seriousness of the condition, details of previous treatment and reasons why a currently approved therapeutic good cannot be used for the treatment of the individual patient in the particular circumstance); or

(c) under the TGA's Authorised Prescriber Scheme – a medical practitioner may apply to the TGA to become an "Authorised Prescriber" of unapproved medicinal cannabis products so that the medical practitioner may prescribe the products to a class (or classes) of recipients with a particular medical condition; or

(d) through a clinical trial involving the medicinal cannabis product.

Depending on the Australian state(s) and/or Territory(ies) in which the importer of medicinal cannabis products (that are prescribed in any of the ways discussed above) operates, relevant State or Territory-based Supplier's Licence(s) (to the extent applicable) will also need to be obtained.

In addition, if the laws of the State or Territory where a medical practitioner who prescribes medicinal cannabis products is located, require the practitioner to obtain approval or authorisation from that State's or Territory's Department of Health to prescribe and supply medicinal cannabis products, such approval or authorisation is required

to be obtained. In this regard, since April 2018, a 'single-in' application process has been developed through which practitioners can notify or apply to both the TGA and the relevant State's or Territory's Department of Health (where applicable) to prescribe and supply medicinal cannabis products.[1]

United States of America

General Overview

The following overview is subject to and qualified by the more detailed descriptions in the following sections entitled "*United States Federal Regulation of Hemp*", "*State Regulation of Hemp*", "*FDA Regulation*", "Fu*ture Uncertainty of Legal Status*" and "*The Company's Regulatory Compliance Activities*".

While both Hemp and marijuana come from the same plant genus and species, Cannabis sativa L., Hemp and marijuana are legally distinct and are generally regulated in the United States, respectively, by separate overarching bodies of law, namely the 2018 Farm Bill and the U.S. Controlled Substances Act (21 U.S.C. § 802(16), et. seq.) (the "**CSA**") . Pursuant to the 2018 Farm Bill, Hemp is defined as the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis. Thus Hemp, by legal definition, contains insufficient levels of THC to create an intoxicating effect as compared to marijuana.

The 2018 Farm Bill removed Hemp, and the THC in Hemp, from the purview of the CSA. Hemp is now deemed a legal agricultural commodity in the United States, and is no longer classified as a controlled substance. Accordingly, the U.S. Drug Enforcement Administration ("**DEA**") no longer has any claim to interfere with the interstate commerce of Hemp products, so long as the delta-9 THC level is no more than 0.3% on a dry weight basis.

The 2018 Farm Bill also provides that state and Native American tribal governments may impose separate restrictions or requirements on Hemp growth. However, individual states cannot interfere with the interstate transportation or shipment of lawfully produced Hemp or Hemp products.

However, states take varying and inconsistent approaches to regulating the production and sale of Hemp and Hemp-derived CBD products. In some cases, states may remain silent on the issue. While some states explicitly authorize and regulate the production of Hemp and the sale of Hemp-derived CBD products, or otherwise provide legal protection for authorized individuals to engage in commercial Hemp activities, other states may have implemented state-specific laws, regulations, or policies prohibiting Hemp production and/or the sale of Hemp-derived CBD products, or otherwise maintain outdated laws that do not distinguish between marijuana and Hemp. In some states, the sale of CBD, notwithstanding its origin from Hemp or marijuana, is either restricted to state medical or adult-use marijuana program licencees or remains otherwise unlawful under state laws. Additionally, a number of states prohibit the sale of ingestible CBD products based on the FDA's position that, pursuant to the FDCA, it is unlawful to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as, or in, dietary supplements, regardless of whether the substances are Hemp-derived.

The FDA regulates consumable products and the 2018 Farm Bill explicitly preserved FDA's authority over Hemp products. Based on FDA commentary and actions to date, the industry assumption is that consumable Hemp CBD products will similarly be regulated by FDA to ensure that the products are not adulterated or misbranded. While FDA has yet to implement a formal regulatory scheme for Hemp products, the FDA is actively working to implement a regulatory pathway for these products. Through its efforts, and as reiterated by FDA Commissioner Dr. Stephen M. Hahn as recently as March 5, 2020, the FDA is in the process of reviewing safety considerations, engaging with industry stakeholders, assessing appropriate enforcement discretion options and seeking public feedback in re-opening the public docket to obtain additional scientific data on CBD. These actions reinforce that the FDA is actively working to find a solution and place on the market for Hemp products, and likely considering Hemp CBD products in the category of dietary supplements for purposes of labeling and marketing. The solution may include notice and-comment rulemaking and an interim risk-based enforcement policy while the FDA potentially engages in this process.

[1] See https://www.tga.gov.au/special-access-scheme-and-authorised-prescriber-online-system.

In the interim, as this process develops, certain U.S. government agencies (such as the FDA) and certain U.S. federal officials have challenged the scope of permissible commercial activity. FDA representatives, for example, have stated they believe that producers of CBD-based products produce and sell their products in violation of the FDCA at this time.

The FDA also continues to enforce against violations of the FDCA by issuing warning letters to companies marketing and selling Hemp-derived CBD products as unapproved drugs. Notably, on November 25, 2019, the FDA issued warning letters to companies marketing and selling Hemp derived CBD products deemed unapproved drugs. The letters reiterate the FDA's position that CBD cannot be added to food and dietary supplements. As indicated by the FDA's March 5, 2020 statement and Congressional report, the FDA continues to actively evaluate a risk-based enforcement policy and rulemaking to permit the use of CBD in dietary supplements. Important to note is that these warning letters have been issued, for the most part, to companies making aggressive disease and/or health claims about their CBD products and the ability for those products to prevent, treat, or cure diseases and conditions such as Alzheimer's, seizures, and depression.

Legal barriers applicable to, and risks associated with, selling Hemp and Hemp-derived CBD products result from a number of evolving factors to include the activities and interpretations of the FDA and the patchwork of state laws. Stakeholders take different positions regarding the scope of legal activity in light of the interplay of U.S. federal and state law, and in light of recent developments, such as the removal of Hemp and its extracts, including CBD, from the CSA pursuant to the 2018 Farm Bill, the FDA's pending draft guidance[2] on CBD products that may establish a new regulatory framework allowing for certain Hemp-derived ingredients in foods and supplements, and H.R. 8179 (which, if passed, would legalize the use of hemp, CBD, and other hemp derivatives as a dietary ingredient in dietary supplements), the September 30, 2017 decision of the World Anti-Doping Agency to drop CBD from its list of prohibited substances, and the World Health Organization Expert Committee on Drug Dependence preliminary report finding that CBD is safe, well-tolerated, and not associated with abuse potential.[3]

United States Federal Regulation of Hemp

Development of Current Regulatory Framework Summary

In addition to customary regulations applicable to any commercial business, the Company's operations are subject to state and federal regulation in the United States with respect to the production, distribution and sale of Hemp products intended for human ingestion or topical application and, with respect to certain products, by animals.

Hemp is an agricultural commodity cultivated for use in the production of a wide range of products globally. Among others, hemp is used in the agriculture, textile, recycling, automotive, furniture, food and beverage, paper, construction materials and personal care industries.

Numerous unique, chemical compounds are extractable from Hemp, including THC and CBD. Hemp, as defined in the 2018 Farm Bill, is distinguishable from marijuana, due to the absence of more than trace amounts (i.e. no more than 0.3%) of the intoxicating compound THC.

Hemp was widely grown in the U.S. as an agricultural commodity from the colonial period into the early 1900s and was commonly used in the manufacture of paper, fabrics, and other products. By 1970, however, the CSA explicitly prohibited the cultivation of any variety of Cannabis without a DEA permit.

Per the plain language of the CSA, only certain parts of the Cannabis plant (generally, what was historically considered to be the intoxicating portions of the plant) are controlled and defined as marijuana, while other parts of the Cannabis plant (now inclusive of Hemp) are exempted from CSA control. Consumer goods containing hemp seeds or "hemp hearts," for example, have long been lawfully imported into the U.S. and legally sold in commerce due to the fact that the sterilized seeds are clearly exempt from the definition of marijuana under the CSA and are not otherwise controlled

[2] On July 22, 2020, FDA submitted a draft guidance titled "Cannabidiol Enforcement Policy; Draft Guidance for Industry," to the White House Office of Management and Budget for review.
[3] World Health Organization Expert Committee on Drug Dependence, Cannabidiol (CBD) Pre-Review Report, November 10, 2017, https://www.who.int/medicines/access/controlled-substances/5.2_CBD.pdf.

substances. Nonetheless, from the enactment of the CSA until the passage of the 2014 Farm Bill, cultivating hemp for any purpose in the U.S. without a DEA registration was federally illegal. The 2014 Farm Bill loosened the federal prohibition on the domestic production of hemp, by allowing hemp to be cultivated within the context of an agricultural pilot program and where permitted by state law. On December 20, 2018, the 2018 Farm Bill became law. The 2018 Farm Bill also allows farmers to access crop insurance and fully participate in United States Department of Agriculture ("USDA") programs for certification and competitive grants. State and tribal governments may impose separate restrictions or requirements on Hemp production, but they cannot interfere with the interstate transport of lawfully produced Hemp or Hemp products.

The 2014 Farm Bill

On February 7, 2014, the 2014 Farm Bill was signed into law. The 2014 Farm Bill authorizes institutions of higher education and state departments of agriculture to cultivate hemp, notwithstanding the CSA or any other federal law, provided that certain conditions are met. The scope of the 2014 Farm Bill is limited to cultivation that is: (a) for research purposes (inclusive of market research); (b) part of an "agricultural pilot program" or other agricultural or academic research; and (c) permitted by state law.

The various state Hemp programs have different requirements regarding the registration of cultivators and processors, the involvement of institutions of higher education, and permissible commercialization. The 2014 Farm Bill does not provide a federal regulatory framework or require states to adopt and implement hemp cultivation programs. As a result, participating states take differing approaches with respect to the activities permitted under their respective pilot programs.

Activities determined to be compliant with the 2014 Farm Bill are protected from federal interference by the Appropriations Rider. The Appropriations Rider generally prohibits the DOJ or DEA's use of funds in contravention of the 2014 Farm Bill. Activities determined to be outside the scope of the 2014 Farm Bill are not protected by the Appropriations Rider and may be subject to federal enforcement action. The Appropriations Rider has been renewed on several occasions.

Rather than distinguishing between "hemp" and "marijuana" based on the part of the plant from which a product is derived, the 2014 Farm Bill definition includes all parts of the cannabis plant, and distinguishes Hemp from marijuana on the basis of the concentration of THC. Any plants that exceed the 0.3% THC threshold are considered marijuana (a Schedule I controlled substance), and thus are not compliant with the 2014 Farm Bill. Notwithstanding the passage of the 2018 Farm Bill and the publication of the IFR, the Hemp cultivation and research provisions contained in the 2014 Farm Bill remain in effect for the immediate future. It is anticipated that many states will rely on their existing pilot program regimes in submitting a 2018 Farm Bill plan to assume primary regulatory authority over Hemp production. Because the 2018 Farm Bill permits states and Native American tribes to regulate the production of Hemp more restrictively than the 2014 Farm Bill, variances in these jurisdictions' laws and regulations on Hemp are likely to persist. Compliance with state law remains imperative under both the 2014 and 2018 Farm Bills.

FDA Approval of Epidiolex

On June 25, 2018, the FDA issued to GW Pharmaceuticals plc its approval for Epidiolex, the first Cannabis-derived prescription medicine to be available in the U.S. The active ingredient in Epidiolex is CBD isolate derived from Marijuana-based plants.

The 2018 Farm Bill

The 2018 Farm Bill became law on December 20, 2018. Prior to this law, all non-exempt Cannabis parts grown in the United States were scheduled as a controlled substance under the CSA, and as a result, the cultivation of Hemp for any purpose in the United States without a Schedule I registration with the DEA was, unless exempted by the 2014 Farm Bill, illegal. The passage of the 2018 Farm Bill materially changed U.S. federal laws governing Hemp by removing Hemp from the CSA and establishing a federal regulatory framework for Hemp production. Specifically, the 2018 Farm Bill: (a) explicitly amended the CSA to exclude all parts of the cannabis plant (including its cannabinoids, derivatives, and extracts) containing a THC concentration of not more than 0.3% on a dry weight basis from the definition of marijuana; (b) allows the commercial production and sale of Hemp in interstate commerce; (c)

establishes the USDA as the primary federal agency regulating the cultivation of Hemp in the United States, while allowing states to adopt their own plans to regulate Hemp cultivation; and (d) affords farmers the opportunity to obtain crop insurance and research grants.

The 2018 Farm Bill also creates a specific exemption from the CSA for THC found in Hemp. By defining Hemp to include its "cannabinoids, derivatives, and extracts," popular Hemp products, such as Hemp-derived CBD, are no longer subject to DEA control. Accordingly, the DEA no longer has regulatory authority to interfere with the interstate commerce of Hemp products, so long as the THC level of such products is no more than 0.3%. Although the DEA no longer regulates Hemp, marijuana continues to be classified as a Schedule I controlled substance under the CSA. As a result, CBD and other cannabinoids, including, without limitation, CBG, if derived from marijuana as defined by the CSA, also remain Schedule I controlled substances under U.S. federal law. Though chemically and genetically distinct, Hemp and marijuana appear similar to the naked eye. The active enforcement against illegal marijuana and marijuana-based products under current federal law may inadvertently result in enforcement actions taken against Hemp or Hemp-derived products.

The 2018 Farm Bill amends the Agricultural Marketing Act of 1946 to categorize Hemp as an agricultural commodity under the regulatory purview of the USDA in coordination with state departments of agriculture. Although the USDA will be the primary federal regulatory agency overseeing Hemp production in the United States, states, U.S. territories, and Indian tribes desiring to obtain (or retain) primary regulatory authority over Hemp production activities within their borders are allowed to do so after submitting a plan for regulation to the USDA, and receiving approval from the USDA for the same. Pursuant to the 2018 Farm Bill, states, U.S. territories, and Tribal governments can adopt their own regulatory plans for hemp production, even if more restrictive than federal regulations, so long as the plans meet minimum federal standards and are approved by the USDA. Hemp production in states and tribal territories that choose not to submit their own plans (and that do not prohibit hemp production) will be governed by USDA regulation.

On October 31, 2019, the USDA released the IFR, which governs the domestic production of Hemp under the 2018 Farm Bill. The IFR also specifies the provisions that a state or tribal Hemp plan must contain to be in compliance with the 2018 Farm Bill. Since the IFR became effective, the USDA has been reviewing Hemp production plans submitted by state and tribal governments. Once USDA formally receives a plan, the agency will have 60 days to review and approve or disapprove the plan.[4]

As noted above, U.S. state and tribal governments may impose separate restrictions or requirements on Hemp cultivation and the sale of Hemp products; however, states may not interfere with the interstate transportation or shipment of lawfully produced Hemp or Hemp products. This was confirmed in a May 2019 memorandum released by the USDA's Office of General Counsel. That memorandum reiterates that, due to enactment of the 2018 Farm Bill, states and Native American tribes may not prohibit the interstate transportation or shipment of hemp lawfully produced under the 2014 or 2018 Farm Bills. Notwithstanding the passage of the 2018 Farm Bill and the publication of the IFR, the hemp cultivation and research provisions contained in the 2014 Farm Bill remain in effect for the immediate future and will be repealed on or about November 1, 2021.[5] The IFR will be effective from October 31, 2019 through November 1, 2021, at which time the USDA will adopt permanent regulations.

Important to note is that the 2018 Farm Bill preserves the authority and jurisdiction of the FDA, under the FDCA, to regulate the manufacture, marketing, and sale of food, drugs, dietary supplements, and cosmetics, including products that contain Hemp extracts and derivatives, such as CBD. As a result, the FDCA will apply to Hemp-derived food, drugs, dietary supplements, and cosmetics introduced, or prepared for introduction, into interstate commerce.

On March 5, 2020, FDA Commissioner Dr. Stephen M. Hahn issued a statement on the FDA's ongoing work related to CBD products. The statement makes clear that the FDA will continue its work to educate the public on CBD's perceived safety risks and that the FDA is taking steps to solicit additional public feedback, data, and research on the science, safety, and quality of CBD products. These new steps include re-opening the public docket so that FDA can obtain additional scientific data on CBD, which will include a process by which confidential and proprietary

[4] The status of the USDA's review of plans, including which states have USDA-approved hemp plans, is available at https://www.ams.usda.gov/rules-regulations/hemp/state-and-tribal-plan-review.

[5] Congress recently approved an appropriations measure that includes language extending state hemp pilot programs authorized under the 2014 Farm Bill. See https://www.hempgrower.com/article/congress-passes-hemp-pilot-program-extension/.

information can be shared with the FDA and kept protected. Additionally, Commissioner Hahn's statement reiterates that the FDA will continue to monitor and police the CBD products marketplace and is evaluating the issuance of a risk-based enforcement policy that provides greater transparency and clarity regarding factors the FDA intends to consider in prioritizing enforcement decisions.

Much of Commissioner Hahn's statement was also included in the FDA's congressionally mandated report on CBD, which was also submitted on March 5, 2020. Importantly, the report confirms that the FDA is actively considering pathways to allow the marketing of CBD as a dietary supplement, which may include a notice and-comment rulemaking and an interim risk-based enforcement policy while the FDA potentially engages in this process. The

report signals the FDA's continued interest in certain questions about CBD, including effects from sustained use, effects from different methods of exposure, and effects on the developing brain and on the unborn child and breastfed newborn. The report acknowledges that the FDA is receiving inquiries about whether "full spectrum" and "broad spectrum" Hemp products can currently be marketed and sold, but the FDA has not yet answered the question conclusively. Largely, the report does little to address the current regulatory ambiguity for CBD and does not set a timeline for agency action, but it does signal the FDA's clear interest in a pathway for the use of CBD in dietary supplements. Further to this point, Commissioner Hahn has publicly stated that it would be a "fool's game" for the FDA to pull CBD products from the market entirely, as their use is already widespread.[6]

In addition, under the 2018 Farm Bill, CBG, which has a THC level of less than 0.3%, can also be lawfully produced and extracted from hemp. Unlike CBD however, CBG has not been approved as a drug, and the FDA itself has acknowledged that "parts of the cannabis plant that do not contain THC or CBD might fall outside the scope of the [drug exclusion rule]." If CBG is approved as a drug at some point in the future, it also seems likely that the drug exclusion rule would not apply given that the rule contains an exception for substances marketed as foods or dietary supplements prior to any FDA clinical investigation. At present, CBG products are being widely marketed as foods and dietary supplements. Further, CBG is not listed on the schedules set out in the U.N. Single Convention on Narcotic Drugs of 1961 and does not appear to be controlled by any other international treaty. This means that countries are not required to control CBG.

State Regulation of Hemp

Under both the 2014 and the 2018 Farm Bills, states retain significant discretion and authority to adopt their own regulatory regimes governing hemp production. As a result, the 50 U.S. states have taken varied approaches to the regulation of hemp-derived CBD. A few states, including Idaho, have taken a restrictive approach to Hemp-derived CBD products generally, and states including California, Maryland, Massachusetts, North Carolina and Washington State have laws, regulations, or guidance that prohibits the sale of CBD food products. However, enforcement has been inconsistent, and legislation to overcome these restrictions is actively being considered in some of these states. A growing number of states including Alaska, Colorado, Florida, Indiana, Ohio, Oregon, Texas, Utah, Virginia and West Virginia, have passed laws that: 1) explicitly exempt Hemp extracts such as CBD from legal prohibitions normally incurred by controlled substances such as marijuana, and 2) establish frameworks to expressly permit the sale of Hemp-derived CBD products, including ingestible products. It is the Company's position that where state law is silent on the subject of hemp-derived CBD's legality, U.S. federal law provides protection, particularly in those states that have adopted legislation that explicitly exempt from control of those products and substances that are exempted by federal law.

The varying regulations with respect to the treatment of Hemp from state to state continue to evolve. The FDCA governs, among other things, food and drugs in the United States. One purpose of the FDCA is to forbid the movement in interstate commerce of adulterated and misbranded food, drugs, medical devices and cosmetics.[7] The FDA is charged with protecting the integrity of the U.S. food supply and its cosmetic products, as well as monitoring the safety and efficacy of drugs, biological products, and almost any compound intended for human or animal

[6] See Hank Schultz, FDA Chief Hahn says it would be 'fool's game' to try to shut down CBD markets, NUTRA (Feb. 28, 2020), https://www.nutraingredients-usa.com/Article/2020/02/28/FDA-chief-Hahn-says-it-would-be-fool-s-game-to-try-to-shut-down-CBD-markets.
[7] Ky. Rev. Stat. §§ 260.850-.858.

consumption, among other areas.[8] To date, the FDA has approved one drug (Epidiolex) containing CBD as an active ingredient, and has taken the position that CBD cannot be marketed as a dietary supplement or added to food because a product containing CBD was approved as a drug and substantial clinical trials studying CBD as a new drug were made public prior to the marketing of any food or dietary supplements containing CBD, and therefore dietary supplements or food are precluded from containing this ingredient (such restrictions referred to as "**Prior Drug Exclusion**"). This creates additional barriers to lawfully selling certain CBD and CBD-based products in the U.S.

Notably, the FDA does not impose the same restrictions on the use of CBD in cosmetic products. The FDA states on its website that "[c]ertain cosmetic ingredients are prohibited or restricted by regulation, but currently that is not the case for any cannabis or cannabis-derived ingredients.[9] However the FDA further notes that such cosmetic products must comply with all applicable legal requirements, including the adulteration and misbranding provisions of the FDCA specific to cosmetic products.

The Dietary Supplement Health and Education Act of 1994 ("**DSHEA**"), an amendment to the federal FDCA, established a framework governing the composition, safety, labeling, manufacturing and marketing of dietary supplements in the United States. Generally, under DSHEA, dietary ingredients marketed in the United States prior to October 15, 1994 may be used in dietary supplements without notifying the FDA. "New" dietary ingredients (i.e. dietary ingredients "not marketed in the United States before October 15, 1994") must be the subject of a new dietary ingredient notification submitted to the FDA unless the ingredient has been "present in the food supply as an article used for food" and is not "chemically altered". Any new dietary ingredient notification must provide the FDA with evidence of a "history of use or other evidence of safety" establishing that use of the dietary ingredient "will reasonably be expected to be safe". To date, the FDA has taken the position that CBD was not marketed in the United States before October 15, 1994 and as such would be considered a new dietary ingredient subject to the notification requirement.

The FDA has also taken the position that CBD cannot be marketed as a dietary supplement because it has been the subject of investigation as a new drug prior to being marketed as a conventional food or dietary supplement (the Prior Drug Exclusion). According to the FDA, the submission of the IND application for Epidiolex by Greenwich Biosciences, the U.S. subsidiary of London-based GW Pharmaceuticals, preceded the sales and marketing of CBD as a dietary supplement. Excluded from the DSHEA definition of a dietary supplement is: "an article authorized for investigation as a new drug, antibiotic, or biological for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public, which was not before such approval, certification, licensing, or authorization marketed as a dietary supplement or as a food unless the Secretary, in the Secretary's discretion, has issued a regulation, after notice and comment, finding that the article would be lawful under this Act". The FDA interprets the Prior Drug Exclusion applying as of the date in which FDA authorized the new drug for investigation. As discussed below, the FDA takes the position that CBD was not marketed in a food or dietary supplement prior to the conditions under the Prior Drug Exclusion.

The FDCA provides that a substance added to food is unsafe unless the substance is Generally Recognized as Safe ("**GRAS**"). The FDA has not recognized CBD as GRAS for human consumption, although certain Hemp seed derivatives may be considered GRAS.[10] Further research is needed to determine if other cannabinoids would be considered GRAS or what steps would be necessary for them to be recognized as GRAS. Enforcement of this GRAS limitation as it relates to the use of CBD in food has been generally limited to products making unlawful drug or disease claims, with the FDA also asserting its position that CBD is not a permissible food or dietary supplement ingredient.

The FDA continues to evaluate the Hemp CBD landscape and to update the public with its ongoing work. On December 20, 2018, the FDA released a statement from former Commissioner Scott Gottlieb, which restated FDA's

[8] U.S. Food and Drug Administration, Mission Statement: https://www.fda.gov/ about-fda/what-we-do#mission.
[9] U.S. Food and Drug Administration, "FDA Regulation of Cannabis and Cannabis-Derived Products, Including Cannabidiol (CBD), Questions and Answers," https://www.fda.gov/news-events/public-health-focus/fda-regulation-cannabis-and-cannabis-derived-products-including- cannabidiol-cbd#qandas.
[10] 21 CFR § 1308.35 (a)(2). The DEA's final rule on legal hemp materials and products specifically excludes materials used for human consumption.

current position, opining that products containing CBD ingredients may not be sold as food or dietary supplements. The statement also contained, for the first time, a clear path toward FDA's permanent and formal acceptance of hemp-derived CBD as a food or dietary supplement ingredient. Thus, the FDA has indicated that it is considering using its authority to issue a regulation that will specifically allow hemp-derived CBD in foods and supplements.

Statements from the FDA since continue to reiterate FDA's position and its intent to find a regulatory pathway for Hemp CBD products. Further statements issued in July 2019 made clear that the FDA is "[p]aving the way for regulatory clarity[.]"[11] FDA "is committed to evaluating the regulatory frameworks for non-drug uses, including products marketed as foods and dietary supplements[.]"[12] Importantly, FDA "recognize[s] that there is substantial public interest in marketing and accessing CBD in food, including dietary supplements . . . [and that] [t]he statutory provisions that currently prohibit marketing CBD in these forms also allow the FDA to issue a regulation creating an exception, and some stakeholders have asked that the FDA consider issuing such a regulation to allow for the marketing of CBD in conventional foods or as a dietary supplement, or both."[13]

As it continues down this path, the FDA is "[l]istening to and learning from stakeholders[.]"[14] The FDA held a public hearing on May 31, 2019 to obtain scientific data and information about the safety, manufacturing, product quality, marketing, labeling, and sale of products containing Cannabis or Cannabis-derived compounds. The FDA CBD working group was expected to release a report on its progress in Fall 2019, which was delayed until March 2020.

On July 16, 2019, the FDA issued a consumer update on its efforts to address "unanswered questions about the science, safety, and quality of products containing CBD" through the feedback from the May 31, 2019 hearing and information and data gathered through a public docket.[15] Specifically, the FDA noted concerns regarding potential liver toxicity, questions about cumulative exposure to CBD over time, the effects of CBD on special populations (e.g., the elderly, children, adolescents, pregnant and lactating women), and the safety of CBD use in animals including pets. On October 16, 2019, the FDA issued another consumer update cautioning against the use of CBD, THC, and marijuana during pregnancy or while breastfeeding due to the current lack of comprehensive research studying the effects of CBD on the developing fetus, pregnant mother, or breastfed baby.[16] On November 25, 2019, the FDA provided another consumer update stating there is limited available information about CBD, including about its effects on the body.[17] Also in November 2019, the FDA also sent another round of warning letters to companies marketing CBD products with disease claims. In addition, the FDA reiterated its position that CBD cannot be added to food and dietary supplements and stated that it is ""not aware of any basis to conclude that CBD is GRAS among qualified experts for its use in human or animal food."[18]

On March 5, 2020, FDA Commissioner Dr. Stephen M. Hahn issued a statement on the FDA's work related to CBD products. The statement makes clear that the FDA will continue its work to educate the public on CBD's perceived safety risks and that the FDA is taking steps to solicit additional public feedback, data, and research on the science, safety, and quality of CBD products. These new steps include re-opening the public docket so that FDA can obtain additional scientific data on CBD, which will include a process by which confidential and proprietary information can be shared with the FDA and kept protected. Additionally, Commissioner Hahn's statement reiterates that the FDA will continue to monitor and police the CBD products marketplace and is evaluating the issuance of a risk-based enforcement policy that provides greater transparency and clarity regarding factors the FDA intends to consider in prioritizing enforcement decisions.

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[11] Amy Abernathy, M.D., Ph.D., et al., "FDA is Committed to Sound, Science-based Policy on CBD," fda.gov, https://www.fda.gov/news- events/fda-voices /fda-committed-sound-science-based-policy-cbd.
[12] Id.
[13] Id.
[14] Id.
[15] Id.
[16] U.S. Food and Drug Administration, "What You Should Know About Using Cannabis, Including CBD, When Pregnant or Breastfeeding," https://www.fda.gov/consumers/consumer-updates/what-you-should-know-about-using-cannabis-including-cbd-when-pregnant-or-breastfeeding.
[17] U.S. Food and Drug Administration, "FDA warns 15 companies for illegally selling various products containing cannabidiol as agency details safety concerns," https://www.fda.gov/news-events/press-announcements/fda-warns-15-companies-illegally-selling-various-products-containing- cannabidiol-agency-details.
[18] Id.

Much of Commissioner Hahn's statement was also included in the FDA's congressionally mandated report on CBD, which was also submitted on March 5, 2020. Importantly, the report confirms that the FDA is actively considering pathways to allow the marketing of CBD as a dietary supplement, which may include a notice-and-comment rulemaking and an interim risk-based enforcement policy while the FDA potentially engages in this process. The report signals the FDA's continued interest in certain questions about CBD, including effects from sustained use, effects from different methods of exposure, and effects on the developing brain and on the unborn child and breastfed newborn. The report acknowledges that the FDA is receiving inquiries about whether "full spectrum" and "broad spectrum" Hemp products can currently be marketed and sold, but the FDA has not yet answered the question conclusively. Largely, the report does little to address the current regulatory ambiguity for CBD and does not set a timeline for agency action, but it does signal the FDA's clear interest in a pathway for the use of CBD in dietary supplements. Further to this point, Commissioner Hahn has publicly stated that it would be a "fool's game" for the FDA to pull CBD products from the market entirely, as their use is already widespread.[19]

Despite the position taken by the FDA that there is no evidence of CBD being marketed as a food or dietary supplement prior to drug trials being commenced and made public, there is substantial uncertainty and different interpretations among U.S. state and federal regulatory agencies, legislators, academics and businesses as to whether cannabinoids including CBD were present in the food supply and marketed prior to October 15, 1994 or whether such inclusion of cannabinoids is otherwise permitted by the FDA as dietary ingredients, notwithstanding that cannabis and the cannabinoids contained therein have been therapeutically used and consumed as food by human beings for centuries even if not specifically marketed as CBD or other cannabinoids. As a result, the uncertainties regarding the distribution and sale of Hemp-derived CBD products cannot be resolved without further federal legislation, regulation, or a definitive judicial interpretation of existing legislation and rules.

Hemp derived products may be legally sold and marketed in the United States where they contain Hemp lawfully imported from another country or cultivated domestically pursuant to a state agricultural program, provided the product complies with the FDCA and applicable state and federal law. Textiles, fibers, and certain food and cosmetic products containing Hemp seed and Hemp seed oils can be lawfully sold in compliance with federal law. Consumable Hemp-derived CBD products, however, may only be legal to the extent they are lawfully sourced, sold in a state where state law does not prohibit such sale and where they are compliant with the FDCA. Compliance with the FDCA may prove difficult for many consumable Hemp-derived CBD products, while other Hemp-based products such as Hemp or CBD topicals, Hemp seed, Hemp seed oils and certain non-consumable products may be able to achieve compliance with FDCA more easily.

Future Uncertainty of Legal Status

There remain a number of considerations and uncertainties regarding the cultivation, sourcing, production and distribution of Hemp and products containing Hemp derivatives. Applicable laws and regulations remain subject to change as there are different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses with respect to the treatment of the importation of derivatives from exempted portions of the cannabis plant and the scope of operation of 2018 Farm Bill-compliant Hemp programs. These different U.S. federal, state and local agency interpretations, as discussed above, touch on the regulation of cannabinoids by the FDA and the extent to which imported derivatives, and/or 2018 Farm Bill-compliant cultivators and processors may engage in interstate commerce, whether under federal and/or state law. Additionally, the current regulatory landscape in the United States may be drastically impacted by federal legislation. On September 4, 2020, H.R. 8179, the Hemp and Hemp-Derived CBD Consumer Protection and Market Stabilization Act of 2020, was introduced and proposes to make hemp, CBD derived from hemp, and any other ingredient derived from Hemp lawful for use as a dietary ingredient in dietary supplements.[20] The uncertainties likely cannot be resolved without further U.S. federal and state legislation, regulation or a definitive judicial interpretation of existing legislation and rules.

[19] See https://www.nutraingredients-usa.com/Article/2020/02/28/FDA-chief-Hahn-says-it-would-be-fool-s-game-to-try-to-shut-down-CBD- markets#.
[20] H.R. 8179, 116th Cong. (2020).

Argentina

The import of isolated CBD and cannabis resin for medical and scientific research studies, is legal in Argentina.

The Argentine legislation allows three mechanisms for the importation, distribution and sale of Cannabis (as defined in the 1961 UN Single Convention), its seeds, its resin, other cannabis extracts and products derived from the Cannabis plant (whether or not they contain traces of THC) of such cannabis plant derived products in Argentina. Such mechanisms are as follows:

(i) For the medical treatment of those patients with refractory epilepsy enrolled in the Program created by Law 27,350 (National Program for the Study and Research of the Medicinal Use of the Cannabis Plant, its Derivatives and Non-Conventional Treatments). In these cases, the import must be done by Argentina's National Administration of Drugs, Foods and Medical Devices ("**ANMAT**"). It is important to notice that this mechanism has not yet been properly implemented in Argentina, where most of the cannabis derived products are being import by the "Exception Access Regime" (see next point).

(ii) For the medical treatment of those patients with refractory epilepsy not enrolled in the Program created by Law No. 27,350 (National Program for the Study and Research of the Medicinal Use of the Cannabis Plant, its Derivatives and Non-Conventional Treatments). In these cases, the import is done by the "Exception Access Regime", stated by Resolution No. 133/2019, for products containing cannabinoids or cannabis plant derivatives intended exclusively for medicinal use, for the treatment of an individual patient with a diagnosis of refractory epilepsy. In order for these products to be imported through this compassionate use mechanism, they must be prescribed for the treatment of individual patients by medical professionals with specialization in Child Neurology or Neurology. The prescription and affidavit signed by the attending physician and the patient (or his legal representatives) will work as an import authorization, that will only contemplate the quantity of product necessary to cover a treatment of up to 180 calendar days of import. No additional permits or authorizations are required to complete such import in accordance with the laws of Argentina.

(iii) For medical and scientific research (according to Resolution No. 133/2019), for which the importer must have an authorization from ANMAT, issued under the Program created by Law No. 27,350 (when the scientific research does not have registration purposes) or not (when the scientific research has registration purposes). No additional permits or authorizations are required to complete such import in accordance with the laws of Argentina.

European Union

The Company has plans to expand distribution to new locations in Europe. Legislative approaches to the regulation of CBD-related products vary country by country, including local regulations with respect to THC content, and continue to evolve. For example, to comply with more restrictive THC content specifications in Europe, products distributed therein must contain no more than 0.3% THC. In addition, all allowable product formulations under European Union guidelines must have the legal and appropriate labels and packaging based on the target country requirements. The Company intends that all products distributed to locations within the European Union will be tailored with specific attributes to ensure compliance with local regulations, as applicable.

CONSOLIDATED CAPITALIZATION

The following table summarizes the Company's capitalization as at September 30, 2020 (the date of the consolidated financial statements for its most recently completed interim consolidated financial period included in this Prospectus) and after giving effect to the Offering. This table should be read in conjunction with the consolidated financial statements of the Company and the related notes and management's discussion and analysis of financial condition and results of operations in respect of those statements that are incorporated by reference in this Prospectus.

	As at September 30, 2020 before giving effect to the Offering (unaudited)	As at September 30, 2020 after giving effect to the Offering (unaudited)	As at September 30, 2020 after giving effect to the Offering and the Over-Allotment[3] (unaudited)
Share Capital[1]	$28,858,986 28,581,382 Common Shares	$● ● Common Shares	$● ● Common Shares
Warrants	3,765,322	●	●
Broker Warrants	Nil	●[2]	●[2][3]
Stock Options	1,671,567	●	●
Restricted Share Units	745,378	●	●
Debentures[9]	$783,000[5]	●	●

Notes:

(1) The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, of which 28,858,986 Common Shares and no preferred shares are issued and outstanding as fully paid and non-assessable shares as at November 11, 2020.

(2) This amount includes ● Broker Warrants issuable pursuant to the Offering (assuming no President's List purchasers).

(3) The Agents will receive an aggregate of ● Broker Warrants if the Over-Allotment Option is exercised in full (assuming no President's List purchasers).

(4) Assuming the exercise of the Over-Allotment Option in full.

(5) Represents the fair value as at September 30, 2020 of the $783,000 raised by the Company on March 1, 2019 pursuant to the non-brokered private placement offering of 8% convertible debentures in the capital of the Company.

There have been no material changes to the Company's share and loan capitalization on a consolidated basis since September 30, 2020, except: (i) the issuance of the Debentures, having an aggregate Face Principal Amount of $1,000,000, together with an aggregate of 550,000 Common Share purchase warrants on November 2, 2020, in connection with the Debenture Financing; (ii) the issuance of an aggregate of 277,604 Common Shares upon the vesting of outstanding restricted share units of the Company; (iii) the granting of 121,065 restricted share units of the Company; and (iv) the granting of 333,000 stock options of the Company.

USE OF PROCEEDS

Proceeds

The estimated net proceeds to be received by the Company if the total amount of the Offering is achieved, after deducting the Agents' Fee and the estimated expenses of the Offering totaling approximately $●, will be approximately $●. If the Over-Allotment Option is exercised in full, the estimated net proceeds to be received by the Company from the Offering, after deducting the Agents' Fee and the estimated expenses of the Offering, will be approximately $●.

Principal Purposes

The Company currently anticipates using the net proceeds of the Offering (assuming no exercise of the Over-Allotment Option) as set forth in the following table:

Use of Proceeds	Approximate Amount Allocated
Personnel	$●
Commercialization, Sales and Marketing	$●
Research and development, clinical and regulatory	$●
Inventory and production	$●
Working capital and general corporate purposes	$●
Total	$●

The above table assumes no Units are purchased by President's List purchasers. Should President's List purchasers acquire Units pursuant to the Offering, the Agents' Fee would be reduced to 3.5% for such Units and the net proceeds of the Offering would be increased accordingly. In addition, if the Over-Allotment Option is exercised in full, the Company will receive additional net proceeds of $●, after deducting the applicable Agents' Fee. Any additional

proceeds received pursuant to the reduced Agents' Fee for President's List purchasers or from the exercise of the Over-Allotment Option will be used for working capital purposes, as will any proceeds received from the exercise of the Broker Warrants.

The Company intends to spend the funds available to it as stated above. However, there may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be necessary. The actual amount that the Company spends in connection with each of the intended uses of proceeds will depend on a number of factors, including those referred to under "*Risk Factors*" in this Prospectus.

Until applied, the net proceeds will be held as cash balances in the Company's bank account or invested in certificates of deposit and other instruments issued by banks or obligations of or guaranteed by the Government of Canada or any province thereof or the Government of the United States or any state thereof.

Personnel

The Company plans to use a portion of the net proceeds from the Offering to fund its current personnel obligations and attract and retain new talent with various expertise. Namely, the Company is looking to bring on several key personnel in the areas of global regulatory matters, commercial development, marketing, sales and research and development. As the Company continues to expand its commercial footprint these positions will provide the necessary support and skills.

Commercialization, Sales and Marketing

The cannabis and cannabis-related product market is becoming a highly competitive sector with new entrants and established players expanding rapidly in this category. As such, a key component for the Company's future growth and competitive position is its ability to market and attain consumer data for its line of products. The Company believes the allocation of funding to these efforts will be critical to its long term success. The Company intends to use a portion of the net proceeds of the Offering for medical marketing and an educational plan for RHO Phyto products in Canada, Colombia and other international markets, and comprehensive marketing efforts for its Pura Earth and Pura H&W brands in targeted markets in Europe and South America.

Research and Development, Clinical and Regulatory

The Company intends to continue to allocate a significant portion of its available capital towards its research and development (R&D) efforts. One of the Company's main focus is to ensure its R&D pipeline remains robust, and to capitalize on current and new initiatives, including analysis of current commercial products, including pre-clinical and real-world evidence trials (RWET), clinical development of the pharmaceutical pipeline, and R&D dedicated to building out its product pipeline. The Company intends on allocating a portion of the net proceeds of the Offering for these activities. The Company anticipates that these funds, together with the support of the Company's existing scientific platform and recently attained grants, will allow it to maintain its leadership position in cannabinoid research while continuing to develop its IP portfolio. Several of the Company's finished products are currently going through the final stages of registration and approval in several markets which requires additional regulatory support.

Inventory and Production

The Company plans to use a portion of the net proceeds from the Offering to increase its product inventory to support anticipated, higher demand from North American, European and South American retail channels.

The Company has started earning revenue from its commercial operations, but not sufficient to cover related expenditures. For the nine months ended September 30, 2020, the Company had negative cash flow from operating activities, reported a net comprehensive loss of $20.87 million and net loss per share of $0.82. The Company anticipates it will continue to have negative cash flow from operating activities and net losses in future periods as revenue from commercial activities continues to increase. A portion of the proceeds from the Offering will be used to fund negative cash flow from operating activities in future periods. See "*Risk Factors - Negative Cash Flow from Operations*".

No Minimum Offering

No minimum amount of funds must be raised under the Offering. This means that the Company could complete the Offering after raising only a small proportion of the Offering amount set out above. There is no guarantee that the Company will receive sufficient net proceeds from the Offering to accomplish some or all of the objectives set out above.

Business Objectives and Milestones

The Company's intended use of the net proceeds from the Offering is consistent with its strategy of achieving growth through commercialization, both through market entry and market expansion, research and development, increasing its product inventory and attracting and retaining talent with various expertise.

The Company expects to accomplish the following business objectives and milestones using the net proceeds of the Offering:

Business Objective	Milestone that must occur for Business Objective to be Accomplished	Anticipated Timing to Achieve Business Objective	Estimated Cost
Commercialization	●	●	$●
Research and development	●	●	$●

While the Company believes that it has the skills and resources necessary to accomplish these business objectives, there is no guarantee that the Company will be able to do so within the timeframes indicated above, or at all.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement to be entered into between the Company and the Agents, the Agents have agreed to offer for sale to the public on a 'best efforts' agency basis, and the Company has agreed to issue and sell, up to ● Units for aggregate gross proceeds of $● payable in cash to the Company against delivery of the Units, subject to the terms and conditions of the Agency Agreement. The Offering Price has been determined based upon arm's length negotiations between the Company and the Agents, in the context of the market. While the Agents have agreed to use their best efforts to sell the Units, the Agents are not obligated to purchase any Units that are not sold.

In addition, the Company has granted the Agents the Over-Allotment Option, exercisable in whole or in part, at the discretion of the Agents, at any time up to 30 days following the Closing Date, to sell up to an additional 15% of the number of Units sold pursuant to the Offering on the same terms and conditions as the Offering, to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option may be exercisable by the Agents in respect of: (i) Over-Allotment Units at the Offering Price, (ii) the Over-Allotment Shares at a price of $● per Over-Allotment Share, (iii) the over-Allotment Warrants at a price of $● per Over-Allotment Warrant; or (iv) any combination of the Over-Allotment Securities, so long as the aggregate number of Over-Allotment Shares and Over-Allotment Warrants which may be issued under the Over-Allotment Option does not exceed ● Over-Allotment Shares and ● Over-Allotment Warrants. The grant of the Over-Allotment Option and the Over-Allotment Securities issued upon exercise of the Over-Allotment Option are qualified for distribution under this Prospectus. A purchaser who acquires securities forming part of the Agents' over-allocation position acquires those securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Each Unit will consist of one Unit Share and one-half of one Warrant. Each Warrant will entitle the holder to acquire, subject to adjustment in certain circumstances, one Warrant Share at an exercise price of $● for a period of 24 months following the Closing Date, after which time the Warrants will be void and of no value. This Prospectus qualifies the distribution of the Unit Shares and the Warrants underlying the Units.

The Warrants will be created and issued pursuant to the terms of the Warrant Indenture. The Warrant Indenture will contain provisions designed to protect holders of the Warrants against dilution upon the happening of certain events.

See "*Description of Securities Being Distributed*".

Pursuant to the Agency Agreement, the Agents will receive an Agents' Fee equal to 7% of the gross proceeds of the Offering, subject to a reduced fee equal to 3.5% for Units sold to President's List purchasers. If the Over-Allotment Option is exercised in full, the total Agent's Fee will be $●. A purchaser who acquires the Units (including any Over-Allotment Securities forming part of the Agent's over-allocation position) acquires those securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. In addition to the Agents Fee, the Agents will also receive Broker Warrants to purchase such number of Broker Shares as is equal to 7% of the number of Units sold in the Offering (including any Over-Allotment Units issued upon the Agent's exercise of the Over-Allotment Option), subject to a reduced number of Broker Warrants equal to 3.5% of the Units sold to purchasers on the President's List. The Broker Warrants will have an exercise price of $● and will expire on a date that is 24 months from the issuance date of such Warrants.

Pursuant to the terms and conditions of the Agency Agreement, the Company is expected to agree to indemnify and save harmless the Agents, and each of its affiliates, directors, officers, employees and partners against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or contribute to any payments the Agents may be required to make in the foregoing respect.

The Company has applied to list the Unit Shares, the Warrant Shares and the Broker Shares, to be issued upon exercise of the Broker Warrants, to be distributed under this Prospectus, on the TSX. Listing will be subject to the Company fulfilling all of the requirements of the TSX. The Company does not plan to apply to list the Warrants on the TSX or any other securities exchange or other trading system.

The Offering is not underwritten or guaranteed by any person. The closing of the Offering is expected to occur on or about December 3, 2020 or such later date as the Company and the Agents may agree but in no event later than the date that is 90 days after the date of the receipt for the final short form prospectus or such other time as may be permitted by applicable securities legislation and consented to by persons or companies who subscribed within that period and the Agents. Pending closing of the Offering, all subscription funds will be deposited and held by the Agents in trust under the terms and conditions of the Agency Agreement. If the Offering is not met or the Closing Date does not occur within 90 days from the date a receipt is issued for the final short form prospectus or such other time as may be permitted by applicable securities legislation and consented to by persons or companies who subscribed within that period and the Agents, the Offering will be discontinued and all subscription monies will be returned to subscribers without interest, set-off or deduction.

Subject to applicable laws and in connection with this Offering, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail in the open market in accordance with applicable stabilization rules. Such transactions, if commenced, may be discontinued at any time.

Subscription for the Units will be received subject to rejection or allotment in whole or in part and the Agents reserve the right to close the subscription books at any time without notice.

Under the Agency Agreement, the Company is expected to agree with the Agents that it will not, without the prior written consent of the Agents, such consent not to be unreasonably withheld or delayed, for a period of 90 days from the Closing Date, authorize, sell or issue or announce its intention to authorize, sell or issue, or negotiate or enter into an agreement to sell or issue, any securities of the Company (including those that are convertible or exchangeable into securities of the Company) except: (i) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plans of the Company and other share compensation arrangements; (ii) pursuant to the exchange, transfer, conversion or exercise rights of outstanding convertible securities, options or warrants; (iii) the issuance of securities by the Company in connection with acquisitions in the normal course of business; or (iv) in the case that the Offering results in gross proceeds of less than $7,000,000, one or more financings for gross proceeds of up to an aggregate of $4,000,000 at any time following the date which is 60 days after the Closing Date. In addition, under the Agency Agreement, the Company is expected to agree to cause its directors and senior officers to enter into lock up agreements in favor of the Agents, pursuant to which they will agree not to sell, transfer or pledge, or otherwise dispose of, any securities of the Company, during the period commencing on the Closing Date and ending 90 days thereafter

without the prior written consent of the Agents, such consent not to be unreasonably withheld or delayed, except (i) transfers for bona fide tax or estate planning purposes, provided that each transferee shall, as a condition precedent to such transfer, agree to enter into a substantially similar lock-up letter agreement in favour of the Agents; or (ii) pursuant to a take-over bid or any other similar business combination transaction, including, without limitation, a merger, arrangement or amalgamation of the Company.

The Units will be offered in each of Alberta, British Columbia, Manitoba, Ontario and Saskatchewan, through the Agents or their affiliates who are registered to offer the Units in such provinces and such other registered dealers as may be designated by the Agents. In addition, the Units may be offered in jurisdictions outside of Canada which are agreed to by the Company and the Agents.

The Units, the Unit Shares and the Warrants to be issued pursuant to the Offering and the Warrant Shares, have not been and will not be registered under the U.S. Securities Act or any applicable state securities laws, and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, persons in the United States or U.S. Persons, unless registered under the U.S. Securities Act and applicable state securities laws or an exemption therefrom is available. Except as permitted by the Agency Agreement and subject to all the agreements, covenants and restrictions set forth therein, no Agent and none of their United States broker-dealer affiliates will offer or sell the Units at any time in the United States or to, or for the account or benefit of, persons in the United States or U.S. Persons and that all offers and sales of the Units will otherwise be made outside of the United States to non-U.S. Persons in accordance with Rule 903 of Regulation S ("**Regulation S**") under the U.S. Securities Act; provided, however, the Agents may (i) offer the Units in the United States and to, or for the account or benefit of, persons in the United States and U.S. Persons who are "qualified institutional buyers," as such term is defined in Rule 144A under the U.S. Securities Act ("**Qualified Institutional Buyers**"), in compliance with Rule 144A under the U.S. Securities Act, and (ii) offer the Units in the United States and to, or for the account or benefit of, persons in the United States and U.S. Persons to persons who are institutional "accredited investors" who satisfy one of the criteria set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D ("**Regulation D**") under the U.S. Securities Act ("**Institutional Accredited Investors**") in compliance with Rule 506(b) of Regulation D and, in both cases, in compliance with applicable state securities laws.

The Units, the Unit Shares, the Warrants and the Warrant Shares offered and sold in such circumstances will be "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and any certificates representing such securities will bear or deemed to bear, as applicable, a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or applicable state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws, if available, and any other restrictions agreed to under the terms of any offer or sale that are applicable to such purchaser in the United States or to, or for the account or benefit of, persons in the United States or U.S. Persons.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Units, Unit Shares or the Warrants (or any underlying securities) in the United States or to, or for the account or benefit of, persons in the United States or U.S. Persons. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units, the Unit Shares or the Warrants within the United States or to, or for the account or benefit of, a person in the United States or a U.S. Person by any dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act if such other offer or sale is made otherwise than in accordance with an available exemption from the registration requirements under the U.S. Securities Act.

Except as otherwise noted therein, the terms used in the last three paragraphs have the meanings given to them in Regulation S.

DESCRIPTION OF THE SECURITIES BEING DISTRIBUTED

Common Shares

The Unit Shares, the Warrant Shares and the Broker Shares are designated as Common Shares under the Company's Articles.

The authorized capital of the Company consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As at November 11, 2020, there were 28,858,986 Common Shares and no preferred shares issued and outstanding.

Holders of Common Shares are entitled to receive notice of, attend and vote at, all meetings of the shareholders of the Company (except with respect to matters requiring the vote of a specified class or series voting separately as a class or series) and are entitled to one vote for each Common Share held on all matters to be voted on by shareholders at meetings of the shareholders of the Company. Holders of Common Shares are entitled to receive such dividends, if, as and when declared by the Board, in their sole discretion. All dividends which the Board may declare shall be declared and paid in equal amounts per Common Share on all Common Shares at the time outstanding. On liquidation, dissolution or winding up of the Company, the holders of Common Shares will be entitled to receive the property of the Company remaining after payment of all outstanding debts on a pro rata basis, but subject to the rights, privileges, restrictions and conditions of any other class of shares issued by the Company. There are no pre-emptive, redemption or conversion rights attached to the Common Shares. All Common Shares, when issued, are and will be issued as fully paid and non-assessable Common Shares without liability for further calls or assessment.

Warrants

The following is a summary of the material attributes and characteristics of the Warrants. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Warrant Indenture, which will be filed with the applicable Canadian securities regulatory authorities and will be available on SEDAR at www.sedar.com.

General

Each Warrant will be transferable and will entitle the holder thereof to acquire one Warrant Share at an exercise price of $● prior to 5:00 p.m. (Toronto time) for a period of 24 months following the Closing Date, subject to adjustment in certain customary events, after which time the Warrants will expire (the "**Expiry Date**").

The Warrants will be issued under and governed by the terms of the Warrant Indenture to be entered into on the Closing Date between the Company and Odyssey Trust Company, as the Warrant Agent. The Company will appoint the transfer office of the Warrant Agent in Vancouver, British Columbia as the location at which the Warrants may be surrendered for exercise, transfer or exchange. Under the Warrant Indenture, the Company may, subject to applicable law, purchase by private contract or otherwise, any of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

(a) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares by way of a stock dividend or other distribution (other than a distribution of Common Shares upon the exercise of any outstanding warrants or options);

(b) the subdivision, redivision or change of the Common Shares into a greater number of Common Shares;

(c) the consolidation, reduction or combination of the Common Shares into a lesser number of Common Shares;

(d) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the "current market price", as defined in the Warrant Indenture, for the Common Shares on such record date; and

(e) the issuance or distribution to all or substantially all of the holders of the Common Shares of shares of any class other than the Common Shares, rights, options or warrants to acquire Common Shares or securities

exchangeable or convertible into Common Shares, of evidences of indebtedness or cash, securities or any property or other assets (other than cash dividends in the ordinary course).

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the following additional events:

(a) reclassifications of the Common Shares;

(b) consolidations, amalgamations, arrangements or mergers of the Company with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares); or

(c) the transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of Warrant Shares issuable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price or a change in the number of Warrant Shares purchasable upon exercise by at least one one-hundredth (1/100th) of a Common Share, as the case may be.

The Company will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to the Warrant Agent and to the holders of the Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date of such event, if any.

No fractional Warrant Shares will be issuable upon the exercise of any Warrants and no cash or other consideration will be paid in lieu of fractional Warrant Shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

The Warrant Indenture will provide that, from time to time, the Company may amend or supplement the Warrant Indenture for certain purposes, without the consent of the holders of the Warrants, including for curing defects or inconsistencies or making any change that does not prejudice the rights of any holder. Any amendment or supplement to the Warrant Indenture that would prejudice the interests of the holders of Warrants may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of Warrants at which there are at least two holders of Warrants present in person or represented by proxy representing of at least 25% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of the holders of Warrants representing not less than $66^{2/3}$% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than $66^{2/3}$% of the aggregate number of the then outstanding Warrants.

The Warrants may not be exercised in the United States or by, or on behalf or for the benefit of, a person in the United States or a U.S. Person, unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available for the issuance of the Warrant Shares to such Holder and such Holder has furnished an opinion of counsel of recognized standing or such other evidence in form and substance reasonably satisfactory to the Company to such effect; provided, however, that a Qualified Institutional Buyer or an Institutional Accredited Investor that purchased Warrants in the Offering for its own account, or for the account of another Qualified Institutional Buyer or Institutional Accredited Investor, as applicable, for which it exercised sole investment discretion with respect to such original purchase (an "**Original Beneficial Purchaser**"), will not be required to deliver an opinion of counsel or such other evidence if it exercises those Warrants for its own account or for the account of the Original Beneficial Purchaser, if any, if each of it and such Original Beneficial Purchaser, if any, was a Qualified Institutional Buyer or Institutional Accredited Investor, as applicable, at the time of its purchase and exercise of such Warrants.

There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants acquired hereunder. This may affect the pricing of the Warrants in the secondary market, the transparency

and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See "*Risk Factors*".

Broker Warrants

The Company has agreed to issue Broker Warrants, the distribution of which are qualified by this Prospectus. The Broker Warrants will entitle the Agents to purchase such number of Broker Shares as is equal to 7% of the number of Units sold in the Offering (including any Over-Allotment Units issued upon the exercise of the Over-Allotment Option), subject to a reduced number of Broker Warrants equal to 3.5% of the Units sold by the Agents to purchasers on the President's List. The Broker Warrants will have an exercise price of $● and will expire on a date that is 24 months from the Closing Date.

The Broker Warrants may be exercised by the Agents to purchase Broker Shares on or before the expiration date by delivering (i) notice of exercise, appropriately completed and duly signed, and (ii) payment of the exercise price for the number of Broker Shares with respect to which the Broker Warrants are being exercised. The Broker Warrants may be exercised in whole or in part, but only for full Broker Shares.

The Broker Shares will be, when issued and paid for in accordance with the Broker Warrants, duly authorized, validly issued and fully paid and non-assessable. The Company will authorize and reserve at least that number of Common Shares as is equal to the number of Broker Shares issuable upon exercise of all outstanding Broker Warrants. The Broker Shares will be Common Shares, the material attributes of which are described above.

The exercise price and the number of Broker Shares issuable upon the exercise of each Broker Warrant are subject to adjustment upon the happening of certain events, such as a distribution on the Common Shares, or a subdivision, consolidation or reclassification of the Common Shares. In addition, upon any fundamental transaction, such as a merger, arrangement, consolidation, sale of all or substantially all of the Company's assets, share exchange or business combination, the Broker Warrants will thereafter evidence the right of the holder to receive the securities, property or cash deliverable in exchange for or on the conversion of or in respect of the Common Shares to which the holder of a Common Share would have been entitled immediately on such event.

The Company is not required to issue fractional shares upon the exercise of the Broker Warrants. Instead, the Company may round down to the next whole Common Share.

The Broker Warrants are non-transferable and will not be listed or quoted on any securities exchange. The holders of the Broker Warrants do not have the rights or privileges of holders of Common Shares and any voting rights until they exercise their Broker Warrants and receive the Broker Shares.

PRIOR SALES

During the 12 months preceding the date of this Prospectus, the Company issued the following Common Shares and securities convertible or exchangeable for Common Shares.

Date	Type of Security	Issue/Exercise Price ($)	Number of Securities
October 2019	Stock Options [(1)(2)]	5.00	5,595
November 2019	Common Shares	1.00	70,000[(3)]
January 2020	Stock Options [(1)(2)]	2.10 – 5.00	611,156 [(4)(5)(6)(7)]
January 2020	Common Shares[(8)]	2.50	822,721
January 2020	Warrants [(8)]	3.00	411,360
March 2020	Stock Options [(1)(2)]	1.39	43,000
April 2020	Stock Options [(1)(2)]	1.00	30,000
April 2020	Common Shares[(9)]	0.80	3,200,000
April 2020	Warrants[(9)]	1.20	799,998
April 2020	Restricted Share Units[(1)]	1.46	534,428
May 2020	Common Shares[(10)]	1.92	14,368
May 2020	Warrants[(11)]	1.20	261,360
July 2020	Common Shares[(12)]	1.48	32,718
August 2020	Common Shares[(13)]	1.40	1,952,410

Date	Type of Security	Issue/Exercise Price ($)	Number of Securities
August 2020	Warrants[13]	2.00	997,180
September 2020	Common Shares	0.10 – 1.10	194,442[15]
September 2020	Stock Options[1][2]	1.24	7,500
September 2020	Restricted Share Units[1]	1.24	258,913
October 2020	Common Shares[10]	0.92 - 0.93	187,115
November 2020	Common Shares[15]	0.93	90,489
November 2020	Convertible Debentures[16]	1.00	1,100,000
November 2020	Warrants[16]	1.50	550,000
November 2020	Stock Options[1][2]	1.00	333,000
November 2020	Restricted Share Units[1]	1.00	121,065

Notes:

(1) Granted pursuant to the Company's long-term incentive plan.

(2) The stock options granted expire six (6) years from the date of grant.

(3) Issued pursuant to the exercise of stock options

(4) 18,650 of these stock options were granted on January 13, 2020 with an exercise price of $5.00

(5) 5,000 of these stock options were granted on January 13, 2020 with an exercise price of $5.00.

(6) 191,556 of these stock options were granted on January 23, 2020 with an exercise price of $2.50. These stock options were granted pursuant to the cancellation of the 9,000 stock options granted on June 28, 2019 and the cancellation of the 310,260 stock options granted on July 10, 2019.

(7) 395,950 of these stock options were granted on January 24, 2020. 385,950 of these stock options were granted with an exercise price of $2.75 and 10,000 of these stock options were granted with an exercise price of $2.10.

(8) Issued in connection with the January Private Placement.

(9) Issued in connection with the April Private Placement.

(10) Issued pursuant to vested restricted share units granted on April 24, 2020.

(11) Issued pursuant to the cancellation and repricing of the warrants issued in connection with the January Private Placement.

(12) Issued pursuant to vested restricted share units granted on July 10, 2020.

(13) Issued in connection with the August Private Placement; 20,975 of the warrants issued in connection with the August Private Placement were issued as a finder's fee.

(14) 100,000 of these Common Shares were issued pursuant to the exercise of stock options granted on December 10, 2016 and 94,442 of these Common Shares were issued pursuant to vested restricted share units granted on April 24, 2020.

(15) Issued pursuant to vested restricted share units granted on September 14, 2020.

(16) Issued pursuant to the Debenture Financing.

TRADING PRICE AND VOLUME

The Common Shares are listed on the TSX under the symbol "AVCN". The following table sets forth the price range and volume of trading of the Common Shares during the 12 months preceding the date of this Prospectus.

	Price Range		
Month	High	Low	Total Volume
September 2019	$4.84	$1.85	2,667,100
October 2019	$4.17	$1.87	1,829,400
November 2019	$3.94	$1.42	2,383,900
December 2019	$2.85	$1.23	1,188,600
January 2020	$3.00	$1.52	1,264,300
February 2020	$2.21	$1.30	1,151,100
March 2020	$1.52	$0.66	900,900
April 2020	$1.84	$0.76	847,500
May 2020	$2.00	$1.51	917,900
June 2020	$1.87	$1.30	732,500
July 2020	$1.60	$1.38	348,500
August 2020	$1.89	$1.21	1,013,000
September 2020	$1.35	$0.90	1,396,000
October 2020	$1.09	$0.85	637,000
November 1-11 2020	$1.10	$0.86	287,700

Notes:

(1) Source: Yahoo Finance.

On November 11, 2020, the last trading day prior to the date of this Prospectus, the closing price of the Common Shares on the TSX was $0.98 per Common Share.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of DLA Piper (Canada) LLP, legal counsel to the Company, and Goodmans LLP, counsel to the Agents, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax consequences generally applicable to persons who acquire Units pursuant to this Offering and who, for the purposes of the Tax Act, and at all relevant times, are or are deemed to be resident in Canada, hold the Unit Shares, Warrants and any Warrant Shares acquired on the exercise of the Warrants (the Unit Shares and Warrant Shares hereinafter sometimes collectively referred to as "**Common Shares**") as capital property and deal at arm's length and are not affiliated with the Company or the Agents ("**Holders**"). The Common Shares and Warrants will generally be considered to be capital property to a Holder thereof unless either the Holder holds Units in the course of carrying on a business of trading or dealing in securities or the Holder has acquired such securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Holders whose Unit Shares and Warrant Shares might not otherwise be capital property may, in certain circumstances, be entitled to have such shares and all other "Canadian securities", as defined in the Tax Act, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This election does not apply to the Warrants. Holders should consult their own tax advisors regarding this election.

This summary is based upon the current provisions of the Tax Act, counsels' understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") and proposed amendments to the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"). This summary assumes that the Proposed Amendments will be enacted as proposed but does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax considerations. No assurances can be given that the Proposed Amendments will be enacted as proposed, if at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary does not apply to Holders (i) that are "financial institutions" within the meaning of the "mark-to-market" rules contained in the Tax Act, (ii) that are "specified financial institutions" as defined in the Tax Act, (iii) an interest in which is a "tax shelter investment" as defined in the Tax Act, (iv) that have made a functional currency reporting election for purposes of the Tax Act, (v) who have entered or will enter into a "derivative forward agreement" or a "synthetic disposition arrangement" in respect of the Common Shares or Warrants, or (vi) that receives dividends on the Common Shares under or as part of a "dividend rental arrangement" as defined in the Tax Act. Such Holders should consult with their own tax advisors with respect to an investment in Units. Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Units, controlled by a non-resident corporation (or pursuant to the Tax Proposals, a non-resident person a group of persons (comprised of any combination of non-resident corporations, non-resident individuals or non-resident trusts that do not deal at arm's length) for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their tax advisors with respect to the consequences of acquiring Units.

The Canadian federal income tax consequences to a particular Holder will vary depending on a number of factors, including the province where a particular Holder resides, carries on business or has a permanent establishment and the amount that would be the Holder's taxable income but for the subscription for Units.

The following discussion of the income tax consequences is, therefore, of a general nature only and is not exhaustive of all the income tax consequences and is not intended to constitute, nor should it be construed to constitute, legal or income tax advice to any particular Holder. This summary is not exhaustive of all Canadian income tax considerations. Accordingly, Holders should consult their own income tax advisors for advice with respect to the tax consequences to them of acquiring Units pursuant to this Offering having regard to their own particular circumstances. Purchasers of Units who are non-residents, or deemed to be non-residents, of Canada for purposes of the Tax Act should consult with their own tax advisors regarding their particular circumstances.

Allocation of Cost

The total purchase price of a Unit to a Holder must be allocated on a reasonable basis between the Unit Share and the one-half of one Warrant to determine the cost of each to the Holder for purposes of the Tax Act.

For its purposes, the Company intends to allocate $● of the Offering Price as consideration for the issue of each Unit Share and $● of the Offering Price for the issue of each one-half of one Warrant. Although the Company believes that its allocation is reasonable, it is not binding on the CRA or the Holder. Counsel to each of the Company and the Agents express no opinion with respect to the foregoing allocation. The Holder's adjusted cost base ("**ACB**") of the Unit Share comprising a part of each Unit will be determined by averaging the cost of the Unit Share with the ACB to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Exercise of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be the aggregate of the Holder's ACB of the Warrant exercised and the exercise price paid for the Warrant Share. The Holder's ACB of the Warrant Share so acquired will be determined by averaging such cost with the ACB to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Expiry of Warrants

In the event of the expiry of an unexercised Warrant, a Holder generally will realize a capital loss equal to the Holder's ACB of such Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under "*Capital Gains and Capital Losses*".

Dividends

Dividends received or deemed to be received on Common Shares will be included in computing the Holder's income. In the case of an individual Holder, (except in the case of certain trusts) such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of taxable dividends received from taxable Canadian corporations (as defined in the Tax Act). A dividend will be eligible for the enhanced gross-up and dividend tax credit if the individual (except in the case of certain trusts) is notified in writing by the Company at or before the time the dividend is paid, designating the dividend as an eligible dividend. There may be limitations on the ability of the Company to designate dividends as eligible dividends.

Dividends received or deemed to be received by a corporation on Common Shares must be included in computing its income but generally will be deductible in computing its taxable income in that taxation year. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Holder that is a corporation as proceeds of disposition or a capital gain. Holders that are corporations should consult their own tax advisors having regard to their own circumstances in computing its taxable income.

Individuals (other than certain trusts) may be subject to alternative minimum tax in respect of dividends. See "*Alternative Minimum Tax*" below.

Disposition of Common Shares and Warrants

Upon a disposition (or a deemed disposition) of a Common Share (other than a disposition to the Company, unless purchased by the Company in the open market in the manner in which shares are normally purchased by any member of the public in the open market) or a Warrant (other than on the exercise thereof), a Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of such security, as applicable, net of any reasonable costs of disposition, are greater (or are less) than the ACB of such security, as applicable, to the Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under "*Capital Gains and Capital Losses*".

Capital Gains and Capital Losses

A Holder will generally be required to include one-half of any capital gain in income as a taxable capital gain and one half of any capital loss may normally be deducted as an allowable capital loss against taxable capital gains realized in the year of disposition. Any unused allowable capital losses may be applied to reduce net taxable capital gains realized in the three preceding taxation years or any subsequent taxation year, subject to the provisions of the Tax Act in that regard.

The amount of any capital loss realized on the disposition or deemed disposition of Common Shares by a Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstances described by the Tax Act. Similar rules may apply where a Holder that is a corporation is a member of a partnership or beneficiary of a trust that owns such shares or that is itself a member of a partnership or a beneficiary of a trust that owns such shares.

A Holder that is throughout the relevant taxation year a "Canadian controlled private corporation" (as defined in the Tax Act) also may be liable to pay an additional refundable tax on its "aggregate investment income" for the year, which will include taxable capital gains.

Individuals (other than certain trusts) may be subject to alternative minimum tax in respect of realized capital gains. See "*Alternative Minimum Tax*" below.

Alternative Minimum Tax

Capital gains realized and dividends received or deemed to be received by a Holder that is an individual or a trust, other than certain specified trusts, may result in such Holder being liable for alternative minimum tax under the Tax Act. Such Holders should consult their own tax advisors in this regard.

RISK FACTORS

An investment in the Units, as well as the Company's prospects, should be considered highly speculative and involves certain risks due to the nature of its business and the present stage of its development. Investors may lose their entire investment. When evaluating the Company and its business, investors should carefully consider all of the information contained and incorporated by reference in this Prospectus before purchasing any of the Units distributed under this Prospectus. Some of the factors described herein, in the documents incorporated or deemed incorporated by reference herein are interrelated and, consequently, investors should treat such risk factors as a whole. If any of the adverse effects set out in the risk factors described herein, or in another document incorporated or deemed incorporated by reference herein occur, it could have a material adverse effect on the business, financial condition and results of operations of the Company.

The risks and uncertainties described or incorporated by reference herein are not the only ones the Company faces and should not be considered exhaustive. Additional risks and uncertainties, including those that the Company is unaware of or that are currently deemed immaterial, may also materially and adversely affect the business, operations and condition, financial or otherwise, of the Company. The Company cannot provide assurance that it will successfully address any or all of these risks. There is no assurance that any risk management steps taken will avoid future loss due to the occurrence of the adverse effects set out in the risk factors herein, or in the other documents incorporated or deemed incorporated by reference herein or other unforeseen risks.

These below risk factors, together with all other information included or incorporated by reference in this Prospectus, including, without limitation, the risks set out under the heading "Risk Factors" in the Annual Information Form and the information contained in the section "*Cautionary Note Regarding Forward-Looking Statements*" should be carefully reviewed and considered by investors. Investors should consult with their professional advisors to assess any investment in the Company.

Risks Related to the Common Shares and the Offering

Trading Price for the Common Shares is Volatile

The Common Shares are currently listed and posted for trading on the TSX. The market price for 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, including the following: actual or anticipated fluctuations in quarterly results of operations; changes in estimates of future results of operations; changes in forecasts, estimates or recommendations of securities research analysts; changes to expectations regarding future results of operations or financial performance; changes in the economic performance or market valuations of other companies that investors deem comparable; additions or departures of senior management or other key employees; sales or perceived sales of additional Common Shares; significant acquisitions or business combinations, strategic partnerships, joint ventures capital commitments; news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the industry or target markets in which the Company operates; macroeconomic developments in North America and globally; and market perceptions of the attractiveness of particular industries.

Financial markets have in the past experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, 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, financial condition or prospects have not changed. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares. 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 business, financial condition and results of operations could be materially adversely impacted and the trading price of the Common Shares could be materially adversely affected.

Securities or Industry Analysts

The trading market for the Common Shares will depend in part on the research and reports that securities or industry analysts publish about the Company or its business. Avicanna does not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence covering the Company, the trading price for the Common Shares may be negatively impacted. If the Company obtains securities or industry analyst coverage and if one or more of the analysts who cover it downgrade the Common Shares or publish inaccurate or unfavorable research about its business, the trading price of the Common Shares may decline. If one or more of these analysts cease coverage of the Company or fails to publish reports on it regularly, demand for the Common Shares could decrease, which could cause the trading price and volume of the Common Shares to decline.

Concentration of Ownership of Common Shares

The officers and directors of the Company currently own, directly and indirectly, or exercise control or direction over, approximately 27.86% of the issued and outstanding Common Shares, on an undiluted basis. The Company's shareholders nominate and elect the Company's board of directors, which generally has the ability to control the acquisition or disposition of the Company's assets, and the future issuance of its Common Shares or other securities. Accordingly, for any matters with respect to which a majority vote of the Common Shares may be required by law, the Company's directors and officers may have the ability to control such matters. Because the directors and officers control a substantial portion of such Common Shares, investors may find it difficult or impossible to replace the Company's directors if they disagree with the way the Company's business is being operated.

Future Sales of Shares by Shareholders

Sales of a large number of the Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Company's ability to raise capital through future sales of the Common Shares. The Company cannot predict the effect that future sales of Common Shares or other equity-related securities would have on the market price of the Common Shares. The price of the Common Shares could be

affected by possible sales of the Common Shares by hedging or arbitrage trading activity. If the Company raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

No Guarantee of a Positive Return in an Investment

There is no guarantee that an investment in the Units will earn any positive return in the short term or long term. An investment in the Units involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Dilution

The Company may issue additional securities, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company in the form of incentive stock options under the Company's stock option plan and upon the exercise of outstanding options and warrants. The market price of the Common Shares could decline because of issuances by the Company or sales by existing shareholders of Common Shares in the market, or the perception that these sales could occur. Sales by shareholders might also make it more difficult for the Company to sell equity securities at a time and price deemed appropriate. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants, including the Warrants and the Broker Warrants.

Completion of the Offering

Completion of the Offering remains subject to a number of conditions precedent. There can be no certainty that the Offering will be completed. If the Offering is not completed, the Company may not be able to raise the funds required for the purposes contemplated under "*Use of Proceeds*" from other sources on commercially reasonable terms or at all.

Discretion in the Use of Proceeds

The Company intends to spend the funds available as stated in this Prospectus. See "*Use of Proceeds*". However, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary. In such circumstances, the net proceeds will be reallocated at the Company's sole discretion. Management will have discretion concerning the use of proceeds of the Offering, as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the proceeds of the Offering. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Company's results of operations may suffer.

No Current Market for Warrants

The Warrants constitute a new issue of securities of the Company. There is currently no market through which the Warrants may be sold and purchasers of Units may not be able to resell the Warrants purchased under this Prospectus. The Company does not plan to apply to list the Warrants on the TSX or any other securities exchange or other trading system. No assurance can be given as to whether an active trading market will develop or be maintained for the Warrants. To the extent that an active trading market for the Warrants does not develop or fails to be sustained, the liquidity and trading prices for the Warrants may be adversely affected. The market price of the Warrants will be based on a number of factors, including but not limited to: (i) the markets for similar securities; (ii) the financial condition, results of operations and prospects of the Company; (iii) the market price and volatility of the Common Shares; (iv) changes in the industry in which the Company operates and competition affecting the Company; and (v) general market and economic conditions. Purchasers may not be able to resell Warrants purchased under this Prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of

trading prices, the liquidity of these securities and the extent of issuer regulation.

Holders of Warrants Have no Rights as a Shareholder

The Warrants do not confer any rights of common share ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire Common Shares at a fixed price for a limited period of time. Specifically, commencing on the date of issuance, holders of the Warrants may exercise their right to acquire Common Shares and pay an exercise price of $● per Common Share, prior to 24 months following the Closing Date, after which date any unexercised Warrants will expire and have no further value.

Dividends

The Company currently intends to retain future earnings, if any, for future operation and expansion and has no current plans to pay any dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Company's Board of Directors and will depend on, among other things, the Company's financial results, cash requirements, contractual restrictions and other factors that the Board of Directors may deem relevant. In addition, the Company's ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness it incurs. As a result, investors may not receive any return on an investment in their Common Shares unless they sell them for a price greater than that which they paid for it.

Risks Related to the Business

Risks Related to the COVID-19 Pandemic

The current outbreak of the novel coronavirus (COVID-19) that was first reported from Wuhan, China in December 2019, and the spread of this virus could continue to have a material adverse effect on global economic conditions which may adversely impact the Company's business. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak and characterized it as a pandemic on March 11, 2020. Cases of COVID-19 have been reported in 216 countries, areas or territories as of August 31, 2020, including China, the United States, Canada, and countries in the European Union. The extent to which the outbreak impacts the Company's business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the outbreak and the actions to contain the outbreak or treat its impact, among others. Moreover, the actual and threatened spread of the coronavirus globally could also have a material adverse effect on the regional economies in which the Company intends to operate, continue to negatively impact stock markets, adversely impact the Company's ability to raise capital, and cause continued interest rate volatility. In particular, the outbreak in the United States, which has resulted in restrictions including quarantines, closures, cancellations and travel restrictions, may have a material adverse effect on the Company's business including operating, manufacturing supply chain, regulatory submissions and project development delays and disruptions, labour shortages, travel and shipping disruption and shutdowns, interruptions in product supply or restrictions on the export or shipment of the Company's products and reduced customer demand. The Company may incur expenses or delays relating to such events outside of the Company's control, which could have a material adverse impact on the Company's business, operating results and financial condition. Any of these developments, and others, could have a material adverse effect on the Company's business.

New Industry and Market

The cannabis industry and market are relatively new in the jurisdictions in which the Company operates, and this industry and market may not continue to exist or grow as anticipated or Avicanna may ultimately be unable to succeed in this new industry and market. These licensed producers are operating in a relatively new cannabis industry and market. The licensed producers are subject to general business risks, as well as risks associated with a business involving an agricultural product and a regulated consumer product. The Company holds a controlling interest in two licensed producers in Colombia that are licensed to harvest, extract, produce and sell both psychoactive (THC) and non-psychoactive (CBD) medical cannabis extract. Within Colombia, the Company intends to sell and market its proprietary medical and cosmetic cannabinoid-based products. To this extent the Company needs to build brand awareness in this industry, and in the markets it operates in through significant investments in its strategy, its licensed

producers production capacity, quality assurance, and compliance with regulations. These activities may not promote the Company's brand and products as effectively as intended, or at all. Competitive conditions, consumer tastes, patient requirements and spending patterns in this new industry and market are relatively unknown and may have unique circumstances that differ from existing industries and markets. There are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the medical cannabis industry and market could have a material adverse effect on Avicanna's business, financial condition and results of operations.

Rapidly Changing Industry

The market for the Company's products and services is characterized by rapid intellectual property advances, changes in customer requirements, changes in protocols and evolving industry standards. If the Company is unable to develop enhancements to its existing products and services or acceptable new products and services that keep pace with rapidly changing developments, its products and services may become obsolete, less marketable and less competitive and the Company's business will be harmed.

Publicity or Consumer Perception

The Company believes that the economic viability of the legal cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of cannabis products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the legal cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and services, and, correspondingly, on the Company's business, results of operations, financial condition and cash flows. The effect of consumer perceptions on the legal cannabis market means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the demand for the Company's products and services, and, correspondingly, on the Company's business, results of operations, financial condition and cash flows. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Future Clinical Research into Effective Medical Cannabis Therapies

Research in Canada and internationally regarding the medical benefits, viability, safety, efficacy, use and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this Prospectus or the documents incorporated by reference herein or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations or prospects.

Limited Operating History

Avicanna has a limited history of operations and is considered a start-up company. As such, Avicanna is subject to

many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of the Company's early stage of operations.

Key Personnel

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's Chief Executive Officer, technical experts, and scientists. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or scientific and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company and results of operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any employees.

Realization of Growth Targets

The Company is currently in the early development stage. The Company's growth strategy contemplates expanding the cultivation facilities of Sativa Nativa and SMGH with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors as well as: delays in obtaining, or conditions imposed by, regulatory approvals; plant design errors; environmental pollution; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output or efficiency; breakdown, aging or failure of equipment or processes; contractor or operator errors; labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; or major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms. As a result, there is a risk that the Company may not have products, or a sufficient amount of products, available to meet the anticipated demand or to meet future demand when it arises.

Forward-Looking Information May Prove Inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements and forward-looking information. By its nature, forward-looking statements and forward-looking information involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements and forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this Prospectus under the heading "*Cautionary Note Regarding Forward- Looking Statements*".

Negative Cash Flow from Operations

The Company had a negative operating cash flow for the financial years ended December 31, 2019 and 2018 and for the nine months ended September 30, 2020. To the extent that the Company has negative cash flow in any future period, the Company may be required to use net proceeds from the Offering to fund such negative cash flow from operating activities. In order to stay in business, in the absence of cash flow from operations, the Company will have to raise funding through financing activities. However, there is no certainty the Company will be able to raise funds at all or on terms acceptable to the Company in the event it needs to do so. Furthermore, additional funds raised by the Company through the issuance of equity or convertible debt securities would cause the Company's current shareholders to experience dilution. Such securities also may grant rights, preferences or privileges senior to those of the Company's shareholders. The Company does not have any contractual restrictions on its ability to incur debt and, accordingly, the Company could incur significant amounts of indebtedness to finance its operations. Any such indebtedness could contain restrictive covenants, which likely would restrict the Company's operations. See "*Use of*

Proceeds".

Inability to Develop New Products and Remain Competitive in the Market

The cannabis industry is in its early stages and it is likely that the Company and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company will need to expend significant amounts of capital in order to successfully develop and generate revenues from, new products. The Company may also be required to obtain additional regulatory approvals from applicable authorities based on the jurisdiction(s) in which it plans to distribute its products in, which may take significant time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which together with capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

Introduction of New Products

Avicanna has a number of new products in the prototype stage which it anticipates will be introduced by the Company. Detailed costing of these products has not been completed. There can be no assurance that these new products can be brought to market, that they can be produced at a competitive price, or that they are commercially viable.

Construction Risk Factors

The Company is subject to a number of construction risk factors, including the availability and performance of engineering and contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of the facilities at Sativa Nativa and SMGH in Santa Marta, Colombia. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with construction could delay or prevent the construction of any expansion of the facilities. There can be no assurance that current or future construction plans implemented by the Company will be successfully completed on time, within budget and without design defect, that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects, that the Company will be able to obtain all necessary governmental approvals and permits, or that the completion of the construction, the start-up costs and the ongoing operating costs will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

Co-Investment Risk

The Company has co-invested and may continue to co-invest in one or more investments with certain strategic investors and/or other third parties through joint ventures or other entities, which parties in certain cases may have different interests or superior rights to those of the Company. Although it is the Company's intent to retain control and other superior rights over the Company's investments, under certain circumstances it may be possible that the Company relinquishes such rights over certain of its investments and, therefore, may have a limited ability to protect its position therein. In addition, even when the Company does maintain a control position with respect to its investments, the Company's investments may be subject to typical risks associated with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Company, or may be in a position to take (or block) action in a manner contrary to the Company's objectives. The Company may also, in certain circumstances, be liable for the actions of its third-party partners or co-investors. Co-investments by third parties may or may not be on substantially the same terms and conditions as the Company, and such different terms and conditions may be disadvantageous to the Company.

Risk of Unspecified Investments

There can be no assurance that the Company will acquire favourable investment opportunities or that any such

investments will generate revenues or profits. Failure to successfully manage the acquisition of investments could harm the Company's business, strategy and operating results in a material way. The Company's inability to implement its financing strategy successfully could adversely affect its profitability and its ability to satisfy its financial obligations. The transactions and their success may be exposed to a number of risks, including the risks that the Company may not be able to identify viable opportunities or, if it does identify viable opportunities, effect the transaction and that the investment may fail to perform.

Insurance and Uninsured Risk

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all of the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

Reliance on Third-Party Suppliers, Manufacturers and Contractors

The Company intends to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada, Colombia, and the U.S., the Company's third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of its suppliers, service providers or distributors would have a material adverse effect on the Company's business and operational results. Disruption of the Company's manufacturing and distribution operations could adversely affect inventory supplies and the Company's ability to meet product delivery deadlines.

Market Conditions

Recent market events and conditions and economic disruptions have in the past impacted capital investment initiatives and sales cycles, and will continue to impact the performance of the global economy and inevitably the Company moving forward.

Adverse and uncertain economic market conditions, particularly in the locations in which the Company operates, may impact customer and consumer demand for its products and its ability to manage commercial relationships with it customers, suppliers and creditors. Consumers may shift purchases to lower-priced or other perceived value offerings during economic downturns, which may adversely affect the result of operations. Additionally, consumers may choose to purchase private label products rather than branded products, which generally have lower retail prices than do their branded counterparts. Distributors and retailers may become more conservative in response to these conditions and seek to reduce their inventories. The Company's results of operations depend upon, among other things, its ability to maintain and increase sales volumes with existing customers, its ability to attract new customers, the financial condition of its customers and its ability to provide products that appeal to consumers at the right price. A prolonged period of adverse market conditions may impede the Company's ability to grow.

No Assurances of Profit Generation or Immediate Results

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

Ongoing Costs and Obligations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increase compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow the business may be costlier than expected, and Avicanna may not be able to increase revenue enough to offset any higher operating expenses. Avicanna may incur significant losses in the future for a number of reasons, including the other risks described herein and documents incorporated by reference, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If Avicanna is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

Additional Financing

The building and operation of the Company's facilities and business are capital intensive. In order to execute the anticipated growth strategy, the Company will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions.

There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect upon future profitability. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further issuances of equity or convertible debt securities existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Competition

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

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of medical cannabis products increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in R&D, marketing, sales and client support. The Company may not have sufficient resources to maintain R&D, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Transportation Disruptions

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

Reliance on Key Inputs

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company. Specifically, the Company plans to use its Extracts for use in its products. If the Company is unable to obtain, maintain and/or renew its quota for commercial cultivation of psychoactive genetic strains to permit it to produce sufficient or any THC Extracts, then the Company may have to purchase THC Extracts from other companies. In this case, the Company may not be able to purchase sufficient quantities of THC Extracts or may have to purchase the THC Extracts at prices that may reduce its margins.

Risks Inherent in an Agricultural Business

A large portion of Avicanna's business involves the growing of medical cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases, natural disasters and similar agricultural risks. While such growing will be completed in controlled outdoor and indoor environments, there can be no assurance that natural elements will not have a material adverse effect on any such future production, which may have an adverse effect on the financial results of the Company.

Success of Quality Control Systems

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

Potential for Conflicts of Interest

Certain of the employees and directors of the Company may also be directors, officers, consultants or stakeholders of other companies or enterprises, operating within the cannabis industry. As a result, there is the potential that conflicts of interest may arise between their duties to the Company and their duties to, or interests in, such other companies or enterprises. Certain of such conflicts may be required to be disclosed in accordance with, and subject to, such procedures and remedies as applicable under the OBCA, and applicable securities laws, however, such procedures and remedies may not fully protect the Company.

Inability to Sustain Pricing Models

Significant price fluctuations for the fair market value of CBD and THC may have an adverse effect on the Company's future revenue, which would adversely affect the Company's results of operations and financial condition. In addition, increasing costs of labour, freight, energy, and other production inputs may increase the Company's costs and it may not be able to offset them through increases in pricing which could adversely affect its results from operations and financial condition.

Acquisition Risks

The Company may acquire other companies in the future and there are risks inherent in any such acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from such acquisitions. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the

anticipated accretive effect of the acquisition and cause a decrease in the market price of the Company's securities. The Company may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such acquired entity with its existing operations. If integration is not managed successfully by the Company's management, the Company may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of any such acquired companies may also impose substantial demands on management. There is no assurance that any such acquisitions will be successfully integrated in a timely manner.

Use of Individual Information

The Company collects, processes, maintains and uses data, including sensitive information on individuals, available to the Company through its subsidiary, 2516167 Ontario Inc. (d.b.a. My Cannabis). The Company's current and future marketing and R&D programs and initiatives may depend on its ability to collect, maintain and use this information, and its ability to do so is subject to evolving international, U.S., and Canadian laws and enforcement trends. The Company strives to comply with all applicable laws and other legal obligations relating to privacy, data protection and customer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict with other rules, conflict with the Company's practices or fail to be observed by its employees or business partners. If so, the Company may suffer damage to its reputation and be subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt the Company's reputation, force it to spend significant amounts to defend its practices, distract its management or otherwise have an adverse effect on its business.

Information Systems Security Threats

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks could result in any person gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, including personally identifiable information, corrupting data, or causing operational disruption. Cyber-attacks could also result in important remediation costs, increased cyber security costs, lost revenues due to a disruption of activities, litigation and reputational harm affecting customer and investor confidence, which could materially adversely affect the Company's business and financial results.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future which could be in excess of any available insurance, and could materially adversely affect the Company's business and financial results. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure program may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of the Company.

Operating Risk and Insurance Coverage

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

Product Liability

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

Product Recalls

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

expenses.

Fraudulent or Illegal Activity by the Company's Employees, Contractors and Consultants

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or fail to disclose unauthorized activities to the Company that violates: (a) government regulations; (b) manufacturing standards; (c) federal and provincial healthcare fraud and abuse laws and regulations; or (d) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Security Breaches at Company's Facilities

Given the nature of the Company's product and its lack of legal availability outside of government approved channels, as well as the concentration of inventory in its Colombian facilities, and despite meeting or exceeding Colombian security requirements, there remains a risk of security breach as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increased expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

Management of Growth

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

Reputational Harm

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes pride in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Legal Proceedings

In the course of the Company's business, the Company may from time to time have access to confidential or proprietary information of third parties, and these parties could bring a claim against the Company asserting that it has misappropriated their technologies and improperly incorporated such technologies into its products. Due to these factors, there remains a constant risk of intellectual property litigation affecting the Company's business. In the future, the Company may be made a party to litigation involving intellectual property matters and such actions, if determined

adversely, could have a material adverse effect on the Company.

Inability to Protect Intellectual Property

The Company's success depends a significant degree upon its ability to develop, maintain and protect proprietary products and technologies. The Company may file patent applications in the U.S., Canada, Colombia, Europe, and selectively in other foreign countries as part of its strategy to protect its proprietary products and technologies. However, patents provide only limited protection of the Company's intellectual property. The assertion of patent protection involves complex legal and factual determinations and is therefore uncertain and expensive. The Company cannot provide assurances that patents will be granted with respect to any of its pending patent applications, that the scope of any of its patents will be sufficiently broad to offer meaningful protection, or that it will develop additional proprietary technologies that are patentable. This could result in the Company's patent rights failing to create an effective competitive barrier. Losing a significant patent or failing to get a patent to issue from a pending patent application that the Company considers significant could have a material adverse effect on its business. The laws governing the scope of patent coverage in various countries continue to evolve. The laws of some foreign countries may not protect the Company's intellectual property rights to the same extent as the laws of Canada and the U.S. The Company holds patents only in selected countries. Therefore, third parties may be able to replicate technologies covered by the Company's patents in countries in which it does not have patent protection.

There can be no assurances that the steps taken by the Company to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Company's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Company's. Other companies may also be able to materially duplicate the Company's proprietary plant strains. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Company may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Company's ability to successfully implement its business plan depends in part on its ability to obtain, maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Company's names and logos. If the Company's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Company's business and might prevent its brands from achieving or maintaining market acceptance.

The Company may be unable to obtain registrations for its intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks or other intellectual property protections, prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Company to incur significant penalties and costs.

Intellectual Property Claims

The Company's future success and competitive position depends in part upon its ability to maintain its intellectual property portfolio. There can be no assurance that any patents will be issued on any existing or future patent applications. Even if such patents are issued, there can be no assurance that any patents issued or licensed to the Company will not be challenged. The Company's ability to establish and maintain a competitive position may be achieved in part by prosecuting claims against others who it believes to be infringing its rights. In addition, enforcement of the Company's patents in foreign jurisdictions will depend on the legal procedures in those jurisdictions. Even if such claims are found to be invalid, the Company's involvement in intellectual property litigation could have a material adverse effect on its ability to distribute any products that are the subject of such litigation. In addition, the Company's involvement in intellectual property litigation could result in significant expense, which could materially adversely affect the use responsibilities, whether or not such litigation is resolved in the Company's favour.

Companies in the retail and wholesale industries frequently own trademarks and trade secrets and often enter into litigation based on allegations of infringement or other violations of intangible property rights. The Company may be

subject to intangible property rights claims in the future and its products may not be able to withstand any third-party claims or rights against their use. Any intangible property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent the Company from offering its products to others and may require that the Company procure substitute products or services.

There can be no assurance that third parties will not assert infringement claims against the Company or that any infringement claim will not result in costly litigation, substantial damages, the need for the Company to refrain from selling its products, or the need to obtain a licence to use third-party intellectual property (which licence the Company may be unable to obtain on favorable terms, or at all). Even if the Company is able to prevail against such claims, intellectual property litigation could be costly and time-consuming and divert the attention of management and key personnel from business operations and its results. Such litigation could also result in the payment of damages and other compensation directly, or the requirement to indemnify the Company's customers for such damages and other compensation.

Moreover, the Company may not be able to detect unauthorized use or take appropriate and timely steps to establish and enforce its proprietary rights. Existing legal systems of some countries in which the Company may conduct business may offer only limited protection of intellectual property rights, if at all.

In addition, certain employees, consultants, advisors, third party service providers, may have access to confidential documents during the course of their work. The loss or dissemination of sensitive and/or confidential information could harm the Company's interest and reputation, and have an adverse effect on its results.

With respect to any intangible property rights claim, the Company may have to pay damages or stop using intangible property found to be in violation of a third party's rights. The Company may have to seek a licence for the intangible property, which may not be available on reasonable terms and may significantly increase operating expenses. The technology also may not be available for licence at all. As a result, the Company may also be required to pursue alternative options, which could require significant effort and expense. If the Company cannot licence or obtain an alternative for the infringing aspects of its business, it may be forced to limit product offerings and may be unable to compete effectively. Any of these results could harm the Company's brand and prevent it from generating sufficient revenue or achieving profitability.

Additionally, the Company will not be able to register any U.S. federal trademarks for its cannabis-related products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is illegal under the Controlled Substances Act, and the Company's marks are being used (or intended to be used) in connection with goods that are illegal under the Controlled Substances Act, the actual lawful use of the marks in association with the Company's products is not permitted. As a result, the Company likely will be unable to protect its cannabis-related product trademarks beyond the geographic areas in which it conducts business.

Constraints on Cross-border Travel for Employees

On October 22, 2018, the U.S. Customs and Border Protection released a policy statement indicating that Canadian citizens working in or facilitating the proliferation of the legal marijuana industry in Canada, travelling to the U.S. for reasons unrelated to the marijuana will generally be admissible. However, if the traveler is found to be entering into the U.S. for reasons related to the marijuana industry, they may be deemed inadmissible. Travel restrictions imposed on the Company's employees impair the Company's ability to take advantage of cost-efficient travel routes that may stop within the U.S. when employees are travelling for business.

Risks Associated with the Development and Expansion of Business in Emerging Markets

The Company's business objectives involve the proposed expansion of its target market into emerging markets. Emerging markets have greater political and economic volatility and are far more susceptible to labour disruptions than established markets. This expansion presents challenges related to more volatile economic conditions, competition from companies that are already present in the market, the need to identify correctly and leverage appropriate opportunities for sales and marketing, poor protection of intellectual property, inadequate protection against crime (including counterfeiting, corruption and fraud), inadvertent breaches of local laws or regulations and

difficulties in recruiting sufficient personnel with appropriate skills and experience.

In many countries outside of Canada and the United States, particularly in those with developing economies, it may be common for others to engage in business practices prohibited by laws and regulations applicable in Canada and the United States, such as Canada's *Corruption of Foreign Public Officials Act* or the United States' *Foreign Corrupt Practices Act (FCPA*). These laws prohibit companies and their employees, contractors or agents from making improper payments to government officials for the purpose of obtaining or retaining business. It is possible that some of the Company's employees, subcontractors, agents or partners may violate such legal and regulatory requirements, which may expose the Company to criminal or civil enforcement actions. If the Company fails to comply with such legal and regulatory requirements, its business and reputation may be harmed.

Tax Risks

Depending on the Company's global expansion plans, the Company may operate and be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Company's earning may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The Company may have exposure to greater than anticipated tax liabilities or expenses.

Furthermore, there is no assurance that any foreign country in which the Company may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company's financial instruments that may be exposed to credit risk consist of cash and cash equivalents, trade receivables/amounts due from customers for contract work. The Company's exposure to credit risk is impacted by the economic conditions for the industry which could affect the customers' ability to satisfy their obligations. Unfavourable economic conditions in certain countries may also increase the time it takes to collect outstanding trade receivables. Financial instability and fiscal deficits in these countries may result in additional austerity measures to reduce costs, including health care. In order to reduce risks, the Company performs periodic credit evaluations of the financial conditions of its customers and typically does not require collateral from them.

Interest Risk

The Company is or may be exposed to interest rate risk on its current or future financial liabilities as well as its cash and cash equivalents. Exposure to interest rate fluctuations is mainly interest paid on short-term borrowings.

Website Accessibility

Internet websites are visible by people everywhere, not just in jurisdictions where the activities described therein are considered legal. As a result, to the extent the Company sells services or products via web-based links targeting only jurisdictions in which such sales or services are compliant with state law, the Company may face legal action in other jurisdictions which are not the intended object of any of the Company's marketing efforts for engaging in any web-based activity that results in sales into such jurisdictions deemed illegal under applicable laws.

Trade Secrets may be Difficult to Protect

The Company's success depends upon the skills, knowledge and experience of its scientific and technical personnel, consultants and advisors, as well as contractors. Because the Company operates in a highly competitive industry, it relies in part on trade secrets to protect its proprietary products and processes; however, trade secrets are difficult to protect. The Company enters into confidentiality or non-disclosure agreements with its corporate partners, employees, consultants, outside scientific collaborators, developers and other advisors. These agreements generally require that the receiving party keep confidential, and not disclose to third parties, confidential information developed by the

receiving party or made known to the receiving party by the Company during the course of the receiving party's relationship with the Company. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to the Company will be its exclusive property, and the Company enters into assignment agreements to perfect its rights.

These confidentiality, inventions and assignment agreements, where in place, may be breached and may not effectively assign intellectual property rights to the Company. The Company's trade secrets also could be independently discovered by competitors, in which case the Company would not be able to prevent the use of such trade secrets by its competitors. The enforcement of a claim alleging that a party illegally obtained and was using the Company's trade secrets could be difficult, expensive and time consuming and the outcome could be unpredictable. The failure to obtain or maintain meaningful trade secret protection could adversely affect the Company's competitive position.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Common Shares.

Risks Related to the Regulatory Environment

The Company's Business is Heavily Regulated

The activities of Avicanna and its subsidiaries are, and will continue to be, regulated as applicable laws continue to change and develop. Achievement of the Company's business objectives are contingent, in part, upon compliance with necessary and applicable regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals necessary. Regulatory compliance and the process of obtaining regulatory approval can be costly and time consuming. No assurance can be given that Avicanna or its subsidiaries will be able to maintain the requisite licences, permits, or authorizations to operate its business. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of the Company's plans and could have a material adverse effect on the business, results of operations and financial condition of the Company. Further, the Company cannot predict what kind of regulatory requirements the business will be subject to in the future.

There is a Substantial Risk of Regulatory or Political Change

Achievement of the Company's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. The regulatory regimes applicable to the cannabis business in each of Canada, Colombia and the U.S. are currently undergoing significant proposed changes and the Company cannot predict the impact of the regime on its business once the structure of the regime is finalized. Similarly, the Company cannot predict the timeline required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Furthermore, there may be unknown additional regulatory fees and taxes that may be assessed in the future. The Company is aware that multiple jurisdictions have imposed or are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could change the net income and return on the Company's investments and/or participation in the selected business opportunities.

Clinical Testing and Regulatory Approval

The Company's success is dependent on the successful completion of clinical trials, regulatory approval and introduction of its products and technology into the market, and the Company does not know if it will be able to complete them. The actual timing of these events can vary dramatically due to factors such as delays or failures in the Company's clinical trials and the uncertainties inherent in the regulatory approval process. The Company might not be able to obtain the necessary results from its clinical trials or to gain regulatory approval necessary for licensing its products and technology. The Company's failure to achieve these objectives will mean that an investor will not be able to recoup their investment or to receive a profit on their investment.

Risks of Foreign Operations Generally

Certain of the Company's cannabis cultivation interests, operations and suppliers are located in foreign jurisdictions. As a result, the Company is subject to political, economic and other uncertainties, including, but not limited to, changes, sometimes frequent, in agriculture and drug policies or the personnel administering them, nationalization, expropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations and their suppliers' operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections. The Company's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with its operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or enforcing Canadian judgments in foreign jurisdictions. In addition, the Company's existing subsidiaries are formed pursuant to, and its operations are governed by, a number of complex legal and contractual relationships. The effectiveness of and enforcement of such contracts and relationships with parties in these jurisdictions cannot be assured. Consequently, the Company's foreign cultivation, development and production activities could be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect on the Company.

Enforcement of Judgements

Certain of the Company's operations and assets are located outside of Canada and certain of its directors and officers reside outside of Canada. Although the directors and officers who reside outside of Canada have appointed an agent for service of process in Canada, it may not be possible for investors to enforce against such person's judgements obtained in Canadian courts. Investors are advised that it may not be possible for them to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or that resides outside of Canada, even if the party has appointed an agent for service of process.

Inability to Obtain or Retain Licences Required for the Business and Future Plans

The Company's ability to grow, store and sell cannabis in Colombia is dependent on the ability of the both Sativa Nativa and SMGH to retain the issued cannabis cultivation, manufacturing and distribution licences from the Colombian Ministries of Health, Justice, and Agriculture . Licences, once issued, are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements would have a material adverse impact on the business, financial condition and operating results of the Company. There is also no assurance of new licences or approvals from the Colombian Ministries of Health, Justice, and Agriculture.

The Company may be required to obtain and maintain certain permits, licences and approvals in the jurisdictions where its products are manufactured and licensed. There can be no assurances that the Company will be able to obtain or maintain any necessary licences, permits, or approvals, including, without limitation, quotas to cultivate

psychoactive cannabis for commercial purposes. Moreover, the Company and/or third party suppliers of CBD and THC extracts could be required to obtain permits and licences. Any material delay or inability to receive these items is likely to result in a delay and/or inhibit the Company's ability to conduct its business and would have an adverse effect on its business, financial condition and results from operations.

Ability to Establish and Maintain Bank Accounts

While Avicanna does not anticipate dealing with banking restrictions, there is a risk that banking institutions in countries and jurisdictions where the Company operates, such as Colombia, will not accept payments related to the cannabis industry. Such risks could increase costs and make it difficult to transfer funds. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that Avicanna may be required to seek alternative payment solutions. There are inherent risks associated with alternative payment methods including but not limited to reliability and security of such methods. The Company's inability to manage such risks may adversely affect its operations and financial performance.

Involvement in Regulatory or Agency Proceedings, Investigations and Audits

The Company's business and the business of the third parties with which it does business, requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company or such third parties to regulatory or agency proceedings or investigations and could also lead to damages awards, fines and penalties. We, or such third parties, may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation or the reputations of the brands that it sells, requires it to take, or refrain from taking, actions that could harm its operations or require it to pay substantial amounts of money, harming the Company's financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operations.

Environmental, Health and Safety Laws

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

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

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

As with other companies engaged in similar activities or that own or operate real property, the Company faces inherent risks of environmental liability at its current and historical production sites. Certain environmental laws impose strict and, in certain circumstances, joint and several liability on current or previous owners or operators of real property for the cost of the investigation, removal or remediation of hazardous substances as well as liability for related damages to natural resources. In addition, the Company may discover new facts or conditions that may change its

expectations or be faced with changes in environmental laws or their enforcement that would increase its liabilities. Furthermore, its costs of complying with current and future environmental and health and safety laws, or the Company's liabilities arising from past or future releases of, or exposure to, regulated materials, may have a material adverse effect on its business, financial condition and results of operations.

U.S. Cannabis Industry

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. A violation by the Company of U.S. federal law could have a material adverse effect on its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results and profitability. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

To date, the Company's involvement in the U.S. has only been in respect of the development and distribution of hemp-derived cannabinoid-based products for third parties and the export of hemp seeds to the United States. The Company may, in future periods, expand its operations in the United States. The Company intends to continue to monitor, evaluate and re-assess the regulatory framework in the United States on an ongoing basis.

Anti-Money Laundering Laws and Regulations

Entities operating in the United States are subject to a variety of laws and regulations in the U.S. that involve anti-money laundering, financial recordkeeping and proceeds of crime, including the *U.S. Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act) and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

While the Company does not anticipate it to be the case given that its operations in the United States are only related to hemp-based products, which are regulated under the 2018 Farm Bill, any proceeds it receives from third parties that engage in businesses related to cannabis may be considered proceeds of crime, and the Company could be deemed to be aiding and abetting, due to the fact that cannabis remains illegal federally in the U.S.

Risks Specifically Related to Colombian Operations

Control of Foreign Subsidiaries

Three of the Company's subsidiaries, Avicanna LATAM (100% equity interest), Sativa Nativa (63% equity interest), and SMGH (60% equity interest), operate in, and are governed by the laws of, Colombia. The Company's Colombian subsidiaries are separate and distinct legal entities but Avicanna is nevertheless exposed to significant political risk resulting from operations in Colombia. In particular, operations in Colombia may be severely impacted by the changing political and legal landscape (described in greater below). These risks may have a significant impact on the ability of Avicanna to carry on business operations. As well, any structure that separates the Board from operating subsidiaries may present challenges for the Board in effectively directing the decision making of the applicable subsidiary. Key operating decisions may be made at lower levels of the corporate hierarchy without being communicated to the Board for its consideration. The Company's corporate structure involving Colombian subsidiaries may also make it more difficult for the Board to fully understand the risks associated with each subsidiary.

Colombian Political and Economic Conditions

The Colombian government has exercised, and continues to exercise, significant influence over the Colombian economy and frequently intervenes in the Colombian economy to control inflation and affect other policies in such areas as wage and price controls, currency devaluations, capital controls and limits on imports, among other things. The Company's cannabis cultivation business, financial condition and results of operations may be adversely affected by changes in policy involving tariffs, exchange controls and other matters, as well as factors such as inflation, currency devaluation, exchange rates and controls, interest rates, changes in government leadership, policy, taxation and other political, economic or other developments in or affecting Colombia, including civil disturbances, regional terrorism, armed conflict and/or war. There is a risk of rebel, terrorist attacks and kidnappings against facilities and personnel involved in the cannabis cultivation operations at the Colombian properties in which the Company has an interest.

Currency Risks

The Company is exposed to foreign exchange risks since much of its revenue, cultivation and manufacturing costs are expected to be received/paid in or by reference to Colombian peso denominated prices while the majority of its general and administrative costs are in Canadian dollars. The exchange rates between Canadian dollars, Colombian pesos, Swiss francs and U.S. dollars have varied substantially recently. The Company does not engage in active hedging to minimize exchange rate risk.

Inflationary Risks

Historically, Colombia has experienced double digit rates of inflation. If this continues, costs may increase substantially given respective changes in the exchange rates. In addition, this may affect the Company's ability to raise additional capital. The government's response to such inflationary pressures might include monetary and fiscal policy that may have an adverse effect on the Company.

Repatriation of Earnings from Colombia

There are currently no restrictions on the repatriation from Colombia of earnings to foreign entities. However, there can be no assurance that restrictions on repatriations of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia (including minerals) be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for the purpose of payments to foreign suppliers, repayment of foreign debt, payments of dividends to foreign stockholders and other foreign expenses.

Colombian Legal System

The Colombian legal system may expose Avicanna to risks such as: (a) effective legal redress in the courts, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (b) a higher degree of discretion on the part of governmental authorities; (c) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (d) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (e) relative inexperience of the judiciary and courts in such matters. The commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain in Colombia, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in Colombia cannot be assured.

LEGAL MATTERS

Certain legal matters related to the securities offered by this Prospectus will be passed upon on the Company's behalf by DLA Piper (Canada) LLP, with respect to matters of law. Certain Canadian legal matters relating to the Offering and this Prospectus will be passed upon by Goodmans LLP, on behalf of the Agents. As of the date of this Prospectus, the partners and associates

of DLA Piper (Canada) LLP and Goodmans LLP, each as a group, own, directly or indirectly, in the aggregate, less than 1% or no securities of the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are MNP LLP ("**MNP**") who prepared an independent auditor's report in respect of the audited consolidated financial statements of the Company for the year ended December 31, 2019.

MNP, having its address at 50 Burnhamthorpe Road West, Suite 900, Mississauga, ON, L5B 3C2, has confirmed that it is independent of the Company within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of (Ontario).

No person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Prospectus or as having prepared or certified a report or valuation described or included in this Prospectus holds any beneficial interest, direct or indirect, in any securities or property of the Company or an Associate or Affiliate of the foregoing.

The Company's Registrar and Transfer Agent for the Common Shares, and the Warrant Agent for the Warrants, is Odyssey Trust Company, at its principal offices at 323 - 409 Granville St. Vancouver, British Columbia, V6C 1T2.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

In an offering of Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in a prospectus is limited, in certain provincial securities legislation, to the price at which the Warrant is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion, exchange or exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal advisor.

CERTIFICATE OF THE COMPANY

Dated: November 12, 2020

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation in each of Alberta, British Columbia, Manitoba, Ontario and Saskatchewan.

(signed) *Aras Azadian*
Aras Azadian
Chief Executive Officer

(signed) Davender Sohi
Davender Sohi
Chief Financial Officer

On behalf of the Board of Directors of the Company

(signed) *Dr. Chandrakant Panchal*
Dr. Chandrakant Panchal
Director

(signed) *David White*
David White
Director

CERTIFICATE OF THE AGENTS

Dated: November 12, 2020

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation in Alberta, British Columbia, Manitoba, Ontario and Saskatchewan.

ECHELON WEALTH PARTNERS INC.

(signed) *Peter Graham*
Peter Graham
Managing Director

BEACON SECURITIES LIMITED

(signed) *Justin Gilman*
Justin Gilman
VP Investment Banking

CANACCORD GENUITY CORP.

(signed) *Graham Saunders*
Graham Saunders
Vice Chairman, Managing Director, Head of Capital Markets Origination