



## **AVICANNA REPORTS THIRD QUARTER 2020 FINANCIAL RESULTS AND PROVIDES CORPORATE UPDATE**

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*Another double-digit increase in revenue quarter over quarter as the company continues to execute on its business plan to commercialize its brands in different geographic markets and product segments.*

*Successful launch of the RHO Phyto line of advanced medical cannabis products nationwide in Canada in partnership with Medical Cannabis by Shoppers Drug Mart Inc.*

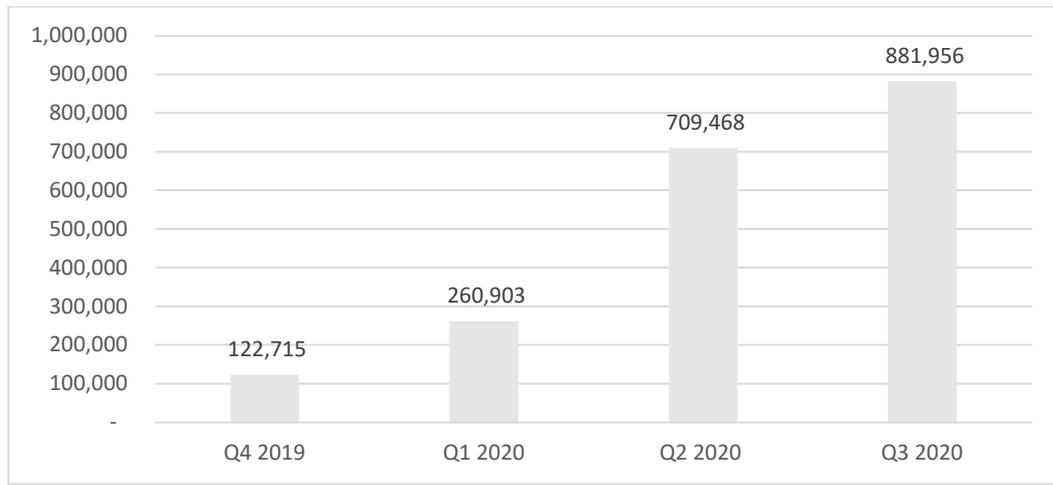
*Good Preparation Practices certification and authorization by the National Institute for Drug and Food Surveillance (“INVIMA”) for the sale of compounded pharmaceutical products to service medical prescriptions of individual patients in Colombia.*

**Toronto, Ontario – November 11, 2020** – Avicanna Inc. ("**Avicanna**" or the "**Company**") (TSX: AVCN) (OTCQX: AVCNF) (FSE: 0NN) a biopharmaceutical company focused on the development, manufacturing and commercialization of plant-derived cannabinoid-based products announces results for the third quarter ended September 30, 2020.

Aras Azadian, Chief Executive Officer of Avicanna, commented “We are thrilled to report the tremendous progress our team continues to make in our commercialization and research efforts. During the third quarter, we were able to demonstrate the superiority of our technologies and products with several strategic commercial partnerships but also with an incredibly successful launch of our medical products in the Canadian market.”

### **Third Quarter Highlights**

- The Company continued to make strides in its strategic commercial initiatives, leading to an increase in revenue of approximately 24% from Q2-2020, continuing the trend of double-digit growth, quarter over quarter from Q4-2019. In addition, the Company was able to reach a major milestone with the launch of certain products from its RHO Phyto product line in Canada and further diversified its revenue streams. Below is a summary of the revenue trend over the last four quarters.



- Avicanna launched the first product of its RHO Phyto branded line of medical cannabis products on the Medical Cannabis by Shoppers™ (“Shoppers”) platform on August 12, 2020. As of the date of this MD&A, Avicanna has launched its oil drops and sublingual sprays, for a total of four SKUs, through the Shoppers online platform, which offers nationwide service to Canadians.
- Certain of the RHO Phyto products are participating in the Medical Cannabis Real-World Evidence study (“MC-RWE study”) at the University Health Network (“UHN”). This first-of-its-kind Canadian study is led by Dr. Hance Clarke, Director of Pain Services at 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.
- The Company hosted its third annual symposium, “Medical Cannabis 2.0”, through a virtual format on July 21, 2020. The presentations focused on the evolution of medical cannabis including the Avicanna led advancements in R&D for novel cannabinoid delivery forms and formulations. Presenters including Dr. Ruth Ross (Professor and Chair, Department of Pharmacology & Toxicology, Faculty of Medicine, University of Toronto, Senior Scientist, Campbell Family Mental Health Research Institute, Centre for Addiction and Mental Health) and Dr. Hance Clarke (Staff Anesthesiologist, Director Pain Services, Director Good Hope Ehlers Danlos Clinic, Medical Director of The Pain Research Unit, Department of Anesthesia and Pain Management, Toronto General Hospital, University Health Network, Associate Professor, Department of Anesthesia, University of Toronto). Over 1,000 participants attended the symposium.
- The Company announced on September 14, 2020 that through Avicanna LATAM S.A.S., the Company’s pharmacy in Bogota has been certified with Good Preparation Practices and authorized by 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.

- Avicanna announced on July 24, 2020 that its research collaborators had received two independent peer-reviewed grants from the Natural Sciences and Engineering Research Council of Canada ("NSERC"). In addition to a recent MITACS award, Dr. Christine Allen, a Professor at the University of Toronto, was awarded an NSERC grant for development of cannabinoid-based pharmaceutical formulations for the treatment of COVID-19 induced lung inflammation. Avicanna further expanded its existing neurobiological research collaboration with Dr. Jibrán Khokhar, a Professor at the University of Guelph, with a 2-year NSERC grant to investigate the neural basis of cannabis-induced toxicosis. The NSERC grants are being used to expand the investigators' collaborative research with Avicanna at little to no additional cost to the Company.
- Avicanna and Red White & Bloom Brands Inc. ("RWB") entered into a distribution agreement (the "Distribution Agreement") on August 11, 2020, 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. In exchange for this exclusivity, RWB is required to pay Avicanna an upfront exclusivity fee in the amount of CAD\$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.
- The Company issued an aggregate of 1,952,410 units (the "August Units") at a price of \$1.40 per August Unit, for aggregate gross proceeds of approximately \$2.7 million on August 18, 2020. Each August Unit was comprised of one Common Share and one-half of one Common Share purchase warrant, each whole warrant exercisable into one Common Share at a price of \$2.00 per share until August 18, 2022, subject to acceleration rights.
- The Company announced on August 24, 2020 that it completed exports of CBG and CBD isolates into the USA and CBD isolate into Germany. The Company also commenced a pilot tracking system for the export of its active pharmaceutical ingredient products in partnership with TruTrace Technologies Inc.
- The Company announced on September 4, 2020 that it completed further exports of CBD water soluble formula into the USA and CBD-based cosmetics into the United Kingdom. The Colombian Ministry of Health also granted SMGH a commercial and industrial fabrication quota to produce psychoactive THC derivatives.
- The Company announced that it entered into an agreement with a US distributor partner on September 29, 2020, whereby the Company plans to develop certain hemp-derived cannabinoid-based products, including sublingual and sustained release tablets intended for the sleep market for such US distributor. Under the agreement, the Company is developing the intellectual property



that forms the basis of the products for a development fee. The Company will receive an ongoing royalty payment based on the gross revenue of the products, and the Company will have the opportunity to supply cannabinoid for the manufacture of the products.

- During the quarter, the Company incurred general and administrative (G&A) expenses that total \$2,954,438. While the Company's G&A expenses did marginally increase from the previous quarter, there were several expenses incurred that were one time in nature. Below is a summary of the adjusted EBITDA of the Company over the last four quarters, indicating its continued improvement.

	Q1 2020	Q2 2020	Q3 2020
Revenue	260,903	709,468	881,956
Adjusted EBITDA*	(3,063,524)	(3,641,496)	(2,608,063)

\* Adjusted EBITDA is a Non-GAAP measure. Please refer below for a reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA.

- Subsequent to quarter end, 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"). With these funds the Company was able to strengthen its balance sheet and provide the necessary working capital to make a large commercial push in the first quarter of 2021.

### Summary of Operations (\$CDN)

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
			\$	\$
<b>Revenues</b>	881,956	4,943	1,852,327	45,537
Impairment on inventory	(612,105)	-	(612,105)	-
Inventory Production Costs expensed to Cost of Sales	(439,099)	-	(673,387)	-
Fair value changes in biological assets included in inventory sold	(37,818)	-	(607,370)	-



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Unrealized gain/(loss) on changes in fair value of biological assets	(1,103,910)	-	723,361	-
General and administrative	2,954,438	5,673,540	9,064,843	12,604,022
Share-based compensation	839,954	262,498	2,455,916	1,982,066
Depreciation and amortization	419,914	326,983	1,259,742	512,100
Impairment of goodwill	2,520,382	-	3,207,227	
<b>Total Expenses</b>	<b>(6,734,688)</b>	<b>(6,263,021)</b>	<b>(15,987,728)</b>	<b>(15,098,188)</b>
<b>Other income (loss)</b>	<b>378,512</b>	<b>72,748</b>	<b>(2,117,968)</b>	<b>473,646</b>
<b>Net loss before taxes</b>	<b>(7,667,152)</b>	<b>(6,185,330)</b>	<b>(17,422,870)</b>	<b>(14,579,005)</b>
<b>Net loss after taxes</b>	<b>(7,667,152)</b>	<b>(6,185,330)</b>	<b>(17,422,870)</b>	<b>(14,579,005)</b>
Weighted average number of Common Shares outstanding – basic and diluted	26,566,915	21,830,153	25,348,330	19,298,899
Loss per share – basic and diluted	(0.35)	(0.33)	(0.82)	(0.84)

### Summary of Balance Sheet (\$CDN)

	As at September 30, 2020	As at December 31, 2019
Assets	\$	\$
Cash	101,088	441,757
Amounts receivable	2,442,488	1,202,924
Prepaid assets	652,287	704,632
Biological assets	233,644	117,367
Inventory	2,084,414	1,484,371
Right to use asset	392,516	539,710
Property and equipment	19,951,265	22,622,322
Intangible assets	10,504,182	11,063,900
Derivative asset	1,501,034	3,780,000
Investments	72	72
Goodwill	-	3,207,227
<b>Total Assets</b>	<b>37,862,990</b>	<b>45,164,282</b>
<b>Liabilities and Equity</b>		
Amounts payable	4,815,132	5,177,634
Due to related party	4,952,124	3,319,116
Convertible debentures	757,400	715,626
Derivative liability	-	23,434
Lease liability	417,975	555,339
Term loan	-	-



Deferred revenue	3,074,752	3,323,518
Deferred tax liability	2,173,834	2,173,834
<b>Total Liabilities</b>	<b>16,191,217</b>	<b>15,288,501</b>
<b>Shareholder's equity</b>	<b>21,671,773</b>	<b>29,875,781</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>37,862,990</b>	<b>45,164,282</b>

## About Avicanna

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, and pharmaceutical market segments.

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. In addition to its developing pharmaceutical pipeline, Avicanna's team of experts have developed and commercialized several industry leading product lines, including:

- Pura H&W: an advanced and clinically tested line of CBD consumer dermocosmetic products; and,
- RHO Phyto: an advanced line of medical cannabis products containing varying ratios of CBD and THC 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, containing oils, sprays, capsules, creams, and gels, all developed with scientific rigour, manufactured under GMP standards and supported by pre-clinical data.

With ongoing clinical trials on its dermocosmetic (Pura H&W), medical cannabis (RHO Phyto) 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. Furthermore, Avicanna's commitment to education is demonstrated through its annual medical symposium, the Avicanna Academy educational platform, and the My Cannabis Clinic patient program through its subsidiary company.

Avicanna manages its own supply chain including cultivation and extraction through its two majority-owned subsidiaries, Sativa Nativa S.A.S. and Santa Marta Golden Hemp S.A.S., both located in Santa Marta, Colombia. Through these sustainable, economical, and industrial scale subsidiaries, Avicanna cultivates, processes, and commercializes a range of cannabis and hemp cultivars dominant in CBD, CBG, THC, and other cannabinoids for use as active pharmaceutical ingredients. Avicanna's Avesta Genetica program specializes in the development and optimization of rare cultivars for commercial production along with feminized seeds for global export. In June 2020, Avicanna 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.

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For more information about Avicanna, visit [www.avicanna.com](http://www.avicanna.com), call 1-647-243-5283, or contact Setu Purohit, President by email at [info@avicanna.com](mailto:info@avicanna.com).

### **Cautionary Note Regarding Forward-Looking Information and Statements**

*This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation (each such statement a "forward-looking statement"). Such forward-looking statements are not representative of historical facts or information or current condition, but instead represent only Avicanna's current beliefs and assumptions regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Avicanna's control. Generally, such forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information and forward-looking statements contained herein may include, the Company's revenues to continue to increase through fiscal 2021, the Company's anticipated activities and results of its various commercial initiatives, its availability and sufficiency of working capital, the anticipated growth of the Company's business in the first quarter of 2021 and the anticipated further development and improvement of products by the Company.*

*By identifying such information and statements in this manner, Avicanna is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Avicanna to be materially different from those expressed or implied by such information and statements. In addition, in connection with the forward-looking statements contained in this press release, Avicanna has made certain assumptions.*

*Among others, the key factors that could cause actual results to differ materially from those projected in the forward-looking information and statements are the following: decreases in the prevailing prices for cannabis and cannabis products in the markets in which the Company operates; adverse changes in applicable laws; adverse changes in the application or enforcement of current laws, including those related to taxation; increasing costs of compliance with extensive government regulation; changes in general economic, business and political conditions, including changes in the financial markets ; risks related to licensing, including the ability to obtain the requisite licenses or renew existing licenses for the Company's existing and proposed operations; dependence upon third party service providers, skilled labor and other key inputs; risks inherent in the agricultural and retail business; intellectual property risks; risks related to litigation; dependence upon senior management; and the other risks disclosed in the Company's long form final prospectus dated July 8, 2019 and the Company's annual information form dated April 15, 2020. Should one or more of these risks, uncertainties or other factors materialize, or should assumptions underlying the forward-looking information or statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected.*

*Although Avicanna believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking statements are reasonable, undue reliance should not be placed on such statements, and no assurance or guarantee can be given that such forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.*