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Avicanna Announces Partial Revocation of Cease Trade Order and Proposed Financing

TORONTO, August 3, 2021 (GLOBE NEWSWIRE) -- Avicanna Inc. (the "**Company**" or "**Avicanna**") (TSX: AVCN) announces that the Ontario Securities Commission ("**OSC**") has issued an order dated July 30, 2021 (the "**Partial Revocation Order**") partially revoking the failure-to-file cease trade order issued against the Company on June 11, 2021 (the "**FFCTO**") for failing to file certain outstanding continuous disclosure documents (collectively, the "**Documents**") within the timeframes prescribed by applicable securities laws.

The Partial Revocation Order permits the Company to conduct a financing on a private placement basis (the "**Proposed Financing**"). The FFCTO continues to apply in all other respects.

Pursuant to the terms of the Proposed Financing, one or more investors (each, an "**Investor**") may advance between \$1,000,000 and \$2,000,000 (the "**Funded Amount**") in favour of the Company in the form of a secured debenture (the "**Debentures**"), each of which will have an original issue discount of approximately 15%. It is anticipated that the Debentures will have a term of 14 months plus one day from the date of issuance thereof and will accrue interest at a rate of 5% per annum, subject to an increase to 18% per annum upon the occurrence of certain events of default. The Company will be expected to repay the face value of the Debentures in 12 equal monthly installments beginning on the two-month anniversary of the issuance date thereof, with a right of prepayment in full, subject to the payment of interest that would have accrued had the Debentures remained outstanding for the full 14 month term. The Debentures are expected to be secured against the assets of the Company of sufficient value.

In connection with the Debentures, the Company will issue such number of common share purchase warrants (each, a "**Warrant**") of the Company representing 100% warrant coverage for the Funded Amount, each of which Warrants will be transferable and entitle the holder to acquire one common share of the Company (each, a "**Common Share**") for a period of 36 months. The exercise price of the Warrants (the "**Exercise Price**") is proposed to be 125% of the five-day volume-weighted average trading price (the "**5-day VWAP**") of the Common Shares on the Toronto Stock Exchange (the "**TSX**") for a period of five trading days following (i) the full revocation of the FFCTO, (ii) satisfaction of all additional conditions set by the TSX, and (iii) resumption of trading of the Common Shares on the TSX, subject to an upward adjustment in the event that such exercise price would otherwise result in the Investors holding Warrants exercisable for such number of Common Shares representing more than 25% of the number of Common Shares outstanding, on a non-diluted basis, as at such date. The number of Warrants to be issued by the Company shall be the Funded Amount divided by the Exercise Price.

By way of example only: (i) in the event that the Funded Amount is \$2,000,000, being the maximum amount anticipated to be raised under the Proposed Financing, and the 5-day VWAP is \$1.07, being the 5-day VWAP of the Common Shares on the TSX immediately prior to the issuance of the FFCTO, the Investor(s) will be issued such number of Warrants as are exercisable for 1,492,537 Common Shares, representing 3.62% of the outstanding Common Shares, on a pre-transaction and non-diluted basis, and which Warrants shall have an Exercise Price of \$1.34 per share; and (ii) in the event that the Funded Amount is \$1,000,000, being the minimum amount anticipated to be raised under the Proposed Financing, and the 5-day VWAP is \$1.07, being the 5-day VWAP of the Common Shares on the TSX immediately prior to the issuance of the FFCTO, the Investor(s) will be issued such number of Warrants as are exercisable for 746,268 Common Shares, representing 1.81% of the outstanding Common Shares, on a pre-transaction and non-diluted basis, and which Warrants shall have an Exercise Price of \$1.34 per share.

The terms of the Proposed Financing have been negotiated on an arm's length basis. No insider of the Company will be participating in the Proposed Financing. The terms of the Proposed Financing provide that no Investor shall, pursuant thereto, become the beneficial owner of more than 9.99% of the Common Shares of the Company. Accordingly, the Proposed Financing is not expected to materially affect control of the Company.

The Proposed Financing is intended to improve the Company's financial situation during the period that the FFCTO remains in effect. The Company intends to use the proceeds of the Proposed Financing to (i) pay fees to its current and former auditors, accountants and other service providers, as well as audit, accounting, legal and filing fees to be incurred in preparing and filing all outstanding Documents, (ii) fulfill its operational and contractual commitments, and (iii) satisfy its operating expenses to ensure the continuity of the Company's business during such time. The Company reasonably believes that the proceeds from the Proposed Financing will be sufficient to bring its continuous disclosure obligations up to date and pay all related outstanding fees and provide it with sufficient working capital to meet its obligations and continue its business during such period.



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The Company anticipates filing all of the Documents and bringing its continuous disclosure record up to date on or before September 10, 2021.

Prior to completion of the Proposed Financing, each Investor will receive a copy of the FFCTO and the Partial Revocation Order, and will be required to provide a signed and dated acknowledgement to the Company that all of the Company's securities, including the Common Shares issued in the Proposed Financing, will remain subject to the FFCTO until such order is fully revoked, and that the granting of the Partial Revocation Order by the OSC does not guarantee the issuance of a full revocation order in the future.

The Proposed Financing is subject to the approval of the TSX. The Company has applied to the TSX for approval in connection with the Proposed Financing. There can be no assurances that the Proposed Financing will be completed on the terms set out herein, or at all, or that the proceeds of the Proposed Financing will be sufficient for the purposes of the Company.

This news release does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The securities of the Company proposed to be issued pursuant to the Proposed Financing 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 within the United States or to U.S. Persons (as that term is defined in Regulation S promulgated under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

About Avicanna Inc.

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:

- RHO Phyto™: an advanced line of medical cannabis products containing varying ratios of CBD and THC currently available nationwide across Canada in medical channels in partnership with Medical Cannabis by Shoppers™, a subsidiary of Shoppers Drug Mart, and in adult use channels through provincial retailers. RHO Phyto is the first 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; and,
- Pura H&W™: an advanced and clinically tested line of functional CBD consumer derma-cosmetic products currently available nationwide across Canada in medical channels in partnership with Medical Cannabis by Shoppers™, a subsidiary of Shoppers Drug Mart, in adult use channels through provincial retailers in Canada and nation-wide across Colombia.

With ongoing clinical studies on its derma-cosmetic (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



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For more information about Avicanna, visit www.avicanna.com, call 1-647-243-5283, or contact Setu Purohit, President, by email at info@avicanna.com.

The company posts updates through videos from the official company YouTube channel https://www.youtube.com/channel/UCFXPBGdKSxOUOf_VZoSFSUA.

Cautionary Note Regarding Forward-Looking Information and Statements

This news release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information contained in this press release may be identified by the use of words such as, "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "outlook" and other similar expressions, and includes statements concerning the Company's intent to conduct the Proposed Financing, its belief that the proceeds will be sufficient to pay to bring its continuous disclosure record up to date, and its intent to file for a full revocation of the FFCTO, reinstatement of trading on the TSX, the ability to obtain the necessary approvals in connection with the Proposed Financing, and with respect to the timing for the filing of the Documents. Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors relevant in the circumstances, including assumptions in respect of current and future market conditions, the current and future regulatory environment; and the availability of licenses, approvals and permits. Although the Company believes that the expectations and assumptions on which such forward looking information is based are reasonable, undue reliance should not be placed on the forward looking information because the Company can give no assurance that they will prove to be correct. Actual results and developments may differ materially from those contemplated by these statements. Forward-looking information is subject to a variety of risks and uncertainties that could cause actual events or results to differ materially from those projected in the forward-looking information. Such risks and uncertainties include, but are not limited to current and future market conditions, including the market price of the common shares of the Company, and the risk factors set out in the Company's annual information form dated April 15, 2020 and final short form prospectus dated November 27, 2020, filed with the Canadian securities regulators and available under the Company's profile on SEDAR at www.sedar.com. The statements in this press release are made as of the date of this release. The Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.