No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus does not constitute a public offering of securities.

*The securities qualified for distribution by this 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 the securities laws of any state of the United States of America, its territories, possessions or the District of Columbia (the "**U.S.**"), and may not be offered, sold or delivered, directly or indirectly, in the U.S. unless exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws are available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the U.S. Securities Act). See: "Plan of Distribution".*

PROSPECTUS

Initial Public Offering July 8, 2019

AVICANNA™

AVICANNA INC.

2,228,328 Common Shares and 1,114,164 Warrants issuable without payment upon the conversion of 2,228,328 Special Warrants

No securities are being offered or sold pursuant to this non-offering prospectus. This Prospectus (as defined herein) qualifies the distribution of 2,228,328 common shares (the "**Qualifying Shares**") in the capital of Avicanna Inc. ("**Avicanna**", "**us**", "**we**" or the "**Corporation**") and 1,114,164 common share purchase warrants of Avicanna (the "**Qualifying Warrants**" and, together with the Qualifying Shares, the "**Qualifying Securities**"). Each Qualifying Warrant shall entitle the holder to acquire one common share (a "**Common Share**") in the capital of Avicanna (each such acquired Common Share, a "**Warrant Share**") for a period of 24 months from the Closing Date (as defined herein) at a price of $10.00 per Warrant Share.

The Qualifying Securities will be issuable for no additional consideration upon automatic exercise of previously-issued special warrants of the Corporation (the "**Special Warrants**"). Avicanna issued 2,228,328 Special Warrants on April 15, 2019 (the "**Second Closing**") at a price of $8.00 per Special Warrant (the "**Offering Price**") to purchasers in Ontario, Alberta, and British Columbia (the "**Qualifying Jurisdictions**"), the U.S. and certain other jurisdictions agreed to by the Corporation and the Agents (as defined herein) pursuant to an agency agreement dated December 13, 2018 and amended on March 13, 2019 and April 15, 2019 (the "**Agency Agreement**") among the Corporation, Sprott Capital Partners LP ("**Sprott**"), as lead agent, and Paradigm Capital Inc. (collectively, the "**Agents**"). See "*Avicanna – Our History – Special Warrant Financing*" and "*Plan of Distribution*".

The Special Warrants are not available for purchase pursuant to this Prospectus and no additional funds are to be received by the Corporation from the distribution of Qualifying Securities other than the exercise price payable upon exercise of the Qualifying Warrants if and when exercised.

	Price to the Public(1)	Agents' Fee(2)(3)	Net Proceeds to the Corporation(4)
Per Special Warrant......................................	$8.00	$0.0555	$7.9445
Total Second Closing(2).................................	$17,826,624	$670,800	$17,155,824

Notes:

(1) The price per Special Warrant was determined by arm's length negotiation between Avicanna and Sprott, on behalf of the Agents. Certain insiders purchased Special Warrants under the Offering. See: "*Plan of Distribution".*

(2) Pursuant to the terms of the Agency Agreement, Avicanna completed two closings of Special Warrants. Avicanna issued 540,484 Special Warrants in connection with the First Closing on December 13, 2018. In accordance with the terms of the Special Warrants, the Special Warrants issued on the First Closing automatically converted into 540,484 Common Shares and 270,242 Warrants on April 12, 2019. This Prospectus does not qualify the underlying securities that have already been issued pursuant to the automatic conversion of the Special Warrants issued on the First Closing. As part of the First Closing, Avicanna paid the Agents a cash commission equal to 6% of the value of Special Warrants not issued to subscribers on the Strategic Investors' List (as such term is defined in the Agency Agreement), which, for the First Closing, amounted to 18,090 non-transferable compensation options (each, a "**Compensation Option**") representing 6% of the Special Warrants sold on the First Closing and 3% of the Special Warrants sold under the Offering to subscribers on the Strategic Investors' List. The Compensation Options entitle the Agents to purchase one unit (a "**Compensation Unit**") at an exercise price of $8.00 per Compensation Unit on or before the date that is 24 months from the date of issue (collectively, the "**Agents' Fee**"), as more particularly described below.

(3) On the Second Closing, we issued 2,228,328 Special Warrants and paid the Agents' Fee of $670,800 representing 6% of the gross proceeds raised on the Second Closing (not including Strategic Investors' List subscribers) and 129,290 Compensation Options. See "*Plan of Distribution – Second Closing*".

(4) After deducting the cash portion of the Agents' Fee, but before deducting payment of the expenses of Avicanna or the Agents in connection with the Second Closing (estimated to be approximately $135,000), which were paid out of the general funds. See: "*Use of Available Funds*".

The following table sets out the number of compensation securities that were issued or are issuable by Avicanna to the Agents:

Agent's Position	Number of Additional Securities	Exercise period or acquisition date	Exercise price
Compensation Options (First Closing)	18,090 Compensation Units(1)	On or before the date that is 24 months from the date of issue	$8.00 per Compensation Unit
Compensation Options (Second Closing)	129,290 Compensation Units(1)	On or before the date that is 24 months from the date of issue	$8.00 per Compensation Unit

Note:

(1) Pursuant to the Agency Agreement, the Agents were entitled to Compensation Options equal to 6% of the Special Warrants issued to subscribers other than those subscribers on the Strategic Investors' List, in an amount equal to: (i) 3% of the Special Warrants issued to subscribers on the Strategic Investors' List for all amount raised up to $5,000,000; and (ii) 6% of the securities issued under the Offering to subscribers on the Strategic Investors' List raised in excess of $5,000,000. Each Compensation Unit is comprised of one Common Share and one half of one common share purchase warrant (each whole warrant, a "**Compensation Warrant**"). Each Compensation Warrant is exercisable into one Common Share of the Corporation at a price of $10.00 per Common Share on or before the date that is 24 months from the respective date of issue, subject to acceleration. The Compensation Options and securities issuable thereunder are not qualified for distribution by this Prospectus and shall be subject to the applicable hold periods under Canadian securities laws. See: "*Plan of Distribution*".

The TSX has conditionally approved the listing of the Common Shares, including the Qualifying Shares. Listing is subject to Avicanna fulfilling all of the requirements of the TSX on or before October 1, 2019. See "*Plan of Distribution*" and "*Risk Factors – TSX Listing*".

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

The Special Warrants are governed by the terms of the special warrant certificates (the "**Special Warrant Certificates**") issued by the Corporation to the holders thereof. Each Special Warrant that has not already converted will be automatically converted, without payment of additional consideration and subject to customary anti-dilution adjustments, into one unit of the Corporation (a "**Unit**") consisting of one Qualifying Share and one half Qualifying Warrant at 5:00 p.m. (Toronto time) on the earlier of: (a) the date that is 120 days from the Closing Date (the "**Qualification Date**"); and (b) the third (3rd) Business Day after receipt for a final prospectus qualifying the distribution of the Qualifying Securities in the Qualifying Jurisdictions (the "**Prospectus Qualification**"). The Corporation has agreed to use reasonable commercial efforts to complete the Prospectus Qualification on or before the Qualification Date.

The Qualifying Warrants when issued, are governed by the terms of the warrant certificates (the "**Qualifying Warrant Certificates**") issued by the Corporation to the holders thereof upon conversion of the Special Warrants. Each Qualifying Warrant entitles the holder thereof to acquire one Warrant Share until the date that is 24 months from the issue date of the Special Warrants at a price of $10.00 per Warrant Share, subject to acceleration. The Qualifying Warrant Certificates also provide that, if the Common Shares are listed and posted for trading on a stock exchange and the volume weighted average price of the Common Shares on such stock exchange is equal to or greater than $12.50 for a period of 10 consecutive trading days, the Corporation may at its option elect to accelerate the expiry of the Qualifying Warrants by providing notice to the holders thereof, in which case the Qualifying Warrants will expire on the 30th calendar day following delivery of such notice.

The Special Warrants were purchased by subscribers pursuant to certain exemptions from the prospectus requirements of applicable securities legislation in the Qualifying Jurisdictions in compliance with laws applicable to each subscriber. There is no market through which the Special Warrants may be sold and none is expected to develop. Unless the Prospectus Qualification occurs, the Qualifying Securities issued in connection with the Offering will remain subject to the relevant hold periods under applicable securities legislation. Further, any securities of the Corporation not qualified for distribution by this Prospectus shall be subject to the relevant hold periods under applicable securities legislation.

Certain legal matters in connection with the Offering and this Prospectus have been or will be reviewed on behalf of the Corporation by Dentons Canada LLP and on behalf of the Agents by CC Corporate Counsel Professional Corporation.

The Corporation's head office is located at 661 University Avenue, Suite 1300, Unit 1397, MaRS Centre, West Tower, Toronto, Ontario, Canada, M5G 0B7. The registered office of the Corporation is located at 510 King Street East, Suite 323, Toronto, Ontario, Canada, M5A 1M1.

Lucas Nosiglia, David Allan White, Giancarlo Davila Char and Janet Giesselman (collectively, the "**Foreign Officers**"), each an officer or director of the Corporation, reside outside of Canada and will be providing a certificate under Part 5 of National Instrument 41-101 - *General Prospectus Requirements*. The Foreign Officers have appointed Dentons Canada LLP, 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto, Ontario, M5K 0A1, Canada as agent for service of process. Investors are advised that it may not be possible 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.

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GLOSSARY

"**ACMPR**" means the Access to Cannabis for Medical Purposes Regulations.

"**Agency Agreement**" has the definition ascribed thereto on the face page of this Prospectus.

"**Agents**" has the definition ascribed thereto on the face page of this Prospectus.

"**allowable capital loss**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains and Capital Losses*".

"**Altea**" means Altea Farmaceutica S.A., a Colombian company specialized in the manufacturing and development of pharmaceutical products and derma-cosmetics.

"**Altea Manufacturing Agreement**" has the meaning ascribed thereto under *"Our Products – Manufacturing and Selling Phyto-Therapeutics in Colombia"*.

"**Audit Committee**" means the Audit Committee of the Corporation in accordance with NI 52-110.

"**Avicanna**" means Avicanna Inc.

"**Avicanna LATAM**" means Avicanna LATAM S.A.S., a wholly-owned subsidiary of Avicanna.

"**Board of Directors**" or "**Board**" means the board of directors of the Corporation.

"**Bondue**" means Inmobiliaria Bondue S.A.S.

"**Business Day**" means any day except Saturday, Sunday, any statutory holiday in the Province of Ontario or any other day on which the principal chartered banks in the City of Toronto are closed for business.

"**CAIMED**" means the Centro de Atencion e Investigacion Medica CAIMED S.A.S.

"**Canadian Holder**" has the meaning ascribed thereto under *"Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada"*.

"**Cannabis Act**" means Bill C-45, An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts, which, when combined with the proposed Bill C-46, An Act to Amend the Criminal Code, provides a framework for the legalization of recreational cannabis in Canada.

"**Cannabis Regulations**" has the meaning ascribed thereto under *"Regulatory Framework – Canada – Federal Regulatory Framework".*

"**CARG**" has the meaning ascribed thereto under *"Research and Development – Material Research and Development Agreements – U of T Sponsored Research and Collaboration Agreement"*.

"**CBD**" means cannabidiol.

"**Closing Date**" means April 15, 2019, being the closing date of the Second Closing.

"**Code of Conduct**" has the meaning ascribed thereto under *"Corporate Governance – Board of Directors – Ethical Business Conduct"*.

"**Common Shares**" means the voting common shares in the capital of the Corporation.

"**Compensation Options**" has the meaning ascribed thereto on the second page of this Prospectus.

"**Compensation Unit**" means has the meaning ascribed thereto on the second page of this Prospectus.

"**Compensation Warrant**" has the meaning ascribed thereto on the second page of this Prospectus.

"**Conversion Price**" means the price at which all owed and accrued amounts under the Debentures shall convert into Common Shares, initially set at $8.00 per Common Share.

"**Corporation**" means has the definition ascribed thereto on the face page of this Prospectus.

"**CRA**" means the Canada Revenue Agency.

"**Debenture Certificates**" means the certificates issued to the holders of Debentures representing and governing the terms and conditions of the Debentures.

"**Debenture Warrants**" means the Common Share purchase warrants issued by the Corporation on March 1, 2019 in connection with the issuance of the Debentures.

"**Debentures**" means the 8% convertible debentures in the capital of Avicanna issued on March 1, 2019.

"**Dvine**" means Dvine Laboratories Inc.

"**Edibles Regulations**" means the *Regulations Amending the Cannabis Regulations (New Classes of Cannabis)* and the *Order Amending Schedules 3 and 4 to the Cannabis Act*.

"**Extracts**" means plant-derived cannabinoid extracts, purified cannabinoids including distillates and isolates.

"**FDA**" means the Food and Drug Administration of the United States of America.

"**First Closing**" means the first closing of the Offering which occurred on December 13, 2018 and pursuant to which 540,484 Special Warrants were issued.

"**FNE**" has the meaning ascribed thereto under *"Regulatory Framework – Colombia – Cannabis Legalization Framework and Oversight of the Colombian Cannabis Industry"*.

"**Foreign Officers**" has the meaning ascribed thereto on the third page of this Prospectus.

"**forward-looking statements**" has the meaning ascribed thereto under "*Forward-Looking Statements*".

"**Founders**" has the meaning ascribed thereto under "*Research and Development – History and Development*".

"**GACP**" *has the meaning ascribed thereto under* "*Avicanna – Intercorporate Relationships* – Sativa Nativa S.A.S.*"*.

"**GMP**" means Good Manufacturing Practice.

"**Holder**" has the meaning ascribed thereto under *"Certain Canadian Federal Income Tax Considerations*".

"**ICA**" means Colombian Agriculture Institute.

"**IFRS**" means International Financial Reporting Standards.

"**IHR**" has the meaning ascribed thereto under *"Regulatory Framework – Canada – Federal Regulatory Framework".*

"**IMA**" has the meaning ascribed thereto under *"Avicanna – Our History– Acquisitions*".

"**INVIMA**" means the Instituto Nacional de Vigilancia de Medicamentos y Alimentos, a regulatory authority created under the Colombian Ministry of Health.

"**IT**" has the meaning ascribed thereto under *"Risk Factors – Risks Related to the Corporation's Business and Industry – Information Systems Security Threats*".

"**Jimenez**" has the meaning ascribed thereto under *"Avicanna – Our History – Acquisitions – Sativa Nativa*"*.*

"**Legacy Plan**" has the meaning ascribed thereto under *"Executive Compensation – Legacy Stock Option Plan*".

"**Licences**" has the meaning ascribed thereto under "*Cultivation"*.

"**Listing Date**" means the date the Common Shares are listed and posted for trading on a recognized Canadian exchange.

"**Maturity Date**" means March 1, 2021.

"**MD&A**" means management's discussion and analysis.

"**Minister**" has the meaning ascribed thereto under "*Regulatory Framework – Canada – Federal Regulatory Framework – Security Clearances*"*.*

"**MJL**" means the Colombian Ministry of Justice and Law.

"**Mountain Valley**" means Mountain Valley MD Inc.

"**My Cannabis**" means 2516167 Ontario Inc., an Ontario corporation doing business as My Cannabis, a wholly-owned subsidiary of Avicanna.

"**Named Executive Officers**" or "**NEOs**" has the meaning ascribed thereto under *"Executive Compensation"*.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**Non-Canadian Holder**" has the meaning ascribed thereto under "*Certain Canadian Income Tax Considerations – Holders Not Resident in Canada*".

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**Offering**" means the offering of Special Warrants which took place on the First Closing and the Second Closing pursuant to the terms of the Agency Agreement.

"**Offering Price**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Order**" has the meaning ascribed thereto under "*Directors and Executive Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions and Conflicts Of Interest – Cease Trade Orders*".

"OTC" means over-the-counter medicines sold directly to consumers without a prescription.

"**Percos**" means Percos S.A.

"**person**" includes an individual, partnership, association, body corporate, trustee, executor, administrator or legal representative.

"**Plan Options**" has the meaning ascribed thereto under "*Executive Compensation – Legacy Stock Option Plan*".

"**Pre-Plan Options**" has the meaning ascribed thereto under *"Executive Compensation – Outstanding Stock Options"*.

"**Proposed Amendments**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations*".

"**Prospectus**" means this prospectus.

"**Prospectus Qualification**" has the meaning ascribed thereto on the third page of this Prospectus.

"**Puerta**" has the meaning ascribed thereto under *"Avicanna – Our History – Acquisitions – Sativa Nativa"*.

"**Qualification Date**" has the meaning ascribed thereto on the third page of this Prospectus.

"**Qualifying Jurisdictions**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Qualifying Securities**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Qualifying Shares**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Qualifying Warrant Certificates**" has the meaning ascribed thereto on the third page of this Prospectus.

"**Qualifying Warrants**" has the meaning ascribed thereto on the face page of this Prospectus.

"**R&D**" means research and development.

"**Regulations**" has the meaning ascribed thereto under "*Regulatory Framework – Canada – Federal Regulatory Framework*".

"**Second Closing**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Section 56 Exemption**" has the meaning ascribed thereto under "*Research and Development –Research and Development Agreements – U of T Research and Development Agreement*".

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval, accessible at www.sedar.com.

"**SickKids**" has the meaning ascribed thereto under "*Research and Development – Material Research and Development Agreements – The Hospital for Sick Children ("SickKids")*".

"**SMGH**" means Santa Marta Golden Hemp S.A.S.

"**SMGH Shareholders' Agreement**" has the meaning ascribed thereto under "*Our Business – History and Development – Santa Marta Golden Hemp*".

"**SMGH SPA**" has the meaning ascribed thereto under "*Our Business – History and Development – Santa Marta Golden Hemp*".

"**SN**" means Sativa Nativa S.A.S.

"**SN Share**" has the meaning ascribed thereto under "*Avicanna – Our History – Acquisitions – Sativa Nativa S.A.S."*.

"**SN Shareholders' Agreement**" has the meaning ascribed thereto under *"Avicanna – Our History – Acquisitions – Sativa Nativa S.A.S."*.

"**SN SPA**" has the meaning ascribed thereto under "*Avicanna – Our History – Acquisitions – Sativa Nativa S.A.S."*.

"**Special Warrant Certificates**" has the meaning ascribed thereto on the third page of this Prospectus.

"**Special Warrants**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Sprott**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Stock Options**" has the meaning ascribed thereto under *"Executive Compensation – Outstanding Stock Options"*.

"**Tax Act**" has the meaning ascribed thereto under *"Certain Canadian Federal Income Tax Considerations*".

"**Tax Regulations**" has the meaning ascribed thereto under *"Certain Canadian Federal Income Tax Considerations*".

"**taxable capital gain**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains and Capital Losses*".

"**THC**" means tetrahydrocannabinol.

"**TSX**" means the Toronto Stock Exchange.

"**U de A**" has the meaning ascribed thereto under "*Research and Development – Material Research and Development Agreements – U de A Framework Agreement*".

"**U of T Dentistry Service Agreement**" has the meaning ascribed thereto under "*Research and Development – Material Research and Development Agreements – U of T Service Agreement*".

"**U of T Faculty of Pharmacy**" has the meaning ascribed thereto under "*Research and Development – Our Research and Development Activities*".

"**U.S.**" means the United States of America.

"**U.S. Securities Act**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Unit**" has the meaning ascribed thereto on the third page of this Prospectus.

"**USD**" means U.S. dollars.

"**UWI**" means the University of West Indies.

"**UWI Services Agreement**" has the meaning ascribed thereto under "*Research and Development – Material Research and Development Agreements – UWI Services Agreement*".

"**Vergara**" has the meaning ascribed thereto under "*Avicanna – Our History – Acquisitions – Sativa Nativa S.A.S.*".

"**Warrant**" means a common share purchase warrant in the capital of the Corporation.

"**Warrant Share**" has the meaning ascribed thereto on the face page of this Prospectus.

"**We Bay**" means We Bay S.A.S.

GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise "we", "us", "our" and the "Corporation", all refer to Avicanna Inc. Prospective investors should rely only on the information contained in this Prospectus. We have not authorized any other person to provide prospective investors with additional or different information. If anyone provides prospective investors with additional or different or inconsistent information, including information or statements in media articles about us, prospective investors should not rely on it. We are not making an offer to sell or seeking offers to buy our shares or other securities. Prospective investors should assume that the information appearing in this Prospectus is accurate only as at its date, regardless of its time of delivery. Our business, financial conditions, results of operations and prospects may have changed since that date.

All financial information herein has been presented in Canadian dollars in accordance with IFRS. Words importing the singular number include the plural, and vice versa, and words importing any gender include all genders. All dollar amounts set forth in this Prospectus are stated in Canadian dollars except where otherwise indicated.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking information and forward-looking statements, within the meaning of applicable Canadian securities legislation, (collectively, "**forward-looking statements**"), which reflect management's expectations regarding the Corporation's future growth, results from operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects, future business plans and opportunities. Wherever possible, 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. These forward-looking statements include, among other things, statements relating to:

- expectations regarding our revenue, expenses and operations;
- expectations with respect to regulatory approvals including, Health Canada and INVIMA approvals with respect to our products and the genetic registration process and quota applications in Colombia;
- plans for future products and enhancements of existing products, including, without limitation, our expectations and intentions regarding pharmaceuticals, phyto-therapeutics, derma-cosmetics and Extracts;
- plans to sell our Extracts;
- the ailments for which our intended pharmaceutical products will be used to treat;
- business plans, growth strategy and growth rate, including, without limitation, our intentions with respect to market positioning, our projected synergies expected from vertical integration of our business and our business segments;
- the timing of our business objectives including our clinical trials, product testing, product manufacturing and production of Extracts;
- 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;
- the use of our available funds and potential use of currently unallocated funds;
- expected grants of Options and RSUs prior to listing on a recognized Canadian stock exchange;
- expectations with respect to changes to the Canadian and Colombian cannabis regulatory regimes;
- our treatment under regulatory regimes and applicable laws;
- expected production, yield and capacity;
- initial manufacturing numbers and demand for distribution from Percos;
- the construction schedule for facilities in Colombia, including, without limitation, the expected size and scope of such facilities;
- the jurisdictions in which we will pursue distribution and manufacturing licences;
- our 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;

- our planned business objectives and future dividend policy;
- the time and attention each executive officer and director will devote to our business;
- the compensation structure for executive officers and directors;
- our corporate governance practices and policies;
- future intellectual property, R&D, product formulations, and business lines;
- the costs associated with the preparation and filing of this Prospectus;
- the intentions of the Board with respect to the executive compensation plans and corporate governance plans described herein; and
- our anticipated cash flows and costs, and their effect on our ability to achieve our stated business objectives.

Forward-looking statements are not a guarantee of future performance and are 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 that management believes to be relevant and reasonable in the circumstances, as of the date of this Prospectus including, without limitation, the following:

- the future customer concentration;
- the ability to anticipate future needs of customers;
- no unusual delays to receive regulatory approvals for our clinical trials or cultivation quotas;
- our expectations with respect to the competitive landscape of the industry in which we operate and our present intentions to differentiate our business within that industry;
- the regulatory framework governing cannabis for recreational and medicinal use in Canada, Colombia, and any other jurisdiction in which we may conduct our business in the future;
- there being no significant delays in the completion of our cultivation facilities;
- there being no significant delays in the development and commercialization of our products;
- maintaining sufficient and effective production and R&D capabilities;
- our ability to analyze customer data;
- our ability to secure partnerships with manufacturers and distributors in international markets;
- the ability of our strategic partnerships to effectively operate;
- our ability to develop a brand to market our products successfully to consumers;
- future production and supply levels, and future consumer demand levels;
- the price of cannabis and cannabis related products;
- continuing to attract and retain key personnel;
- the demand for our products will grow for the foreseeable future; and
- there being no significant barriers to acceptance of our products in the market.

While we consider these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks, uncertainties, contingencies and other factors that could cause actual actions, events, conditions, results, performance or achievements to be materially different from those projected in the forward-looking statements. Many assumptions are based on factors and events that are not within our control and there is no assurance they will prove to be correct.

Furthermore, such forward-looking statements involve a variety of known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of the Corporation to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements. Such risks include, without limitation:

- our business segments are heavily regulated in Canada and Colombia;
- the regulatory regime is evolving and uncertainty exits regarding the impact of the regime on the Corporation;
- the political environment surrounding the cannabis industry is 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;
- potential involvement in regulatory or agency proceedings, investigations and audits;
- compliance with evolving environmental, health and safety laws;
- the potential risk of exposure resulting from the control of foreign subsidiaries in Colombia;
- 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;
- 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;
- there are no assurances that the cannabis industry and market will continue to exist or grow as anticipated;
- the industry is changing at rapid speeds, and we may be unable to keep pace;
- the consumer perception of cannabis can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media, and other publicity;
- future clinical research into effective medical cannabis therapies could raise concerns regarding, and perceptions relating to, cannabis;
- limited history of operations;
- the inability to retain and attract employees and key personnel;
- potential for delays in obtaining, or restructuring conditions imposed by, regulatory approvals;
- potential increases in material and labour costs;
- we have incurred losses since inception and may continue to incur losses in the future;
- the ownership of the Common Shares is heavily concentrated among our 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;
- construction risk in connection with the facilities in Colombia;
- potential for adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment;
- reliance on third-party manufacturers and distributors;
- there can be no assurances of profit generation or immediate results;
- risks against which we are unable or unwilling to insure against;
- shareholder dilution pursuant to additional financings;
- transportation disruptions to our courier services;
- the cost of our key inputs is unpredictable;
- compliance with laws relating to privacy, data protection, and consumer protection;
- potential for information systems security threats;
- we are reliant on key suppliers and skilled labour;
- inability to effectively implement quality control systems;
- there is a potential for conflicts of interest to arise among our key stakeholders;
- we may be unable to sustain our pricing models;
- we may not be able to successfully identify or complete future acquisitions;

- we may be unable to effectively protect personal information;
- exposure to product recalls, liability claims, regulatory action and litigation based on products;
- we may be unable to protect intellectual property in relevant markets;
- the market price for the Common Shares may be volatile and subject to wide fluctuations;
- we may not be able to effectively prevent fraudulent or illegal activities by our employees, contractors or consultants;
- we may not be able to effectively prevent security breaches at our facilities;
- management may not be able to effectively manage our growth;
- outside factors may harm our reputation;
- we may become subject to legal proceedings from time to time;
- management has limited experience managing public companies;
- we may be unable to effectively protect our trade secrets;
- securities analysts may publish negative coverage;
- our financial statements have been prepared on a going concern basis;
- we may be dependent on the performance of our subsidiaries;
- certain of our operating subsidiaries are not wholly-owned;
- there may be substantial expenses related to going public and ongoing disclosure obligations;
- there may be future sales of the Common Shares by directors, officers and principal shareholders;
- interruptions or changes in the availability or economics of our supply chain; and
- other factors discussed under "*Risk Factors*".

Although we have attempted to identify important factors that could cause actual actions, events, conditions, results, performance or achievements to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events, conditions, results, performance or achievements to differ from those anticipated, estimated or intended. See "*Risk Factors*" for a discussion of certain factors investors should carefully consider before deciding to invest.

Readers are cautioned that the foregoing lists of important assumptions and risks, uncertainties and other factors are not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, the forward-looking information contained herein. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking statements.

Forward-looking statements contained herein are made as of the date of this Prospectus and we disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as and to the extent required by applicable securities laws.

FUTURE-ORIENTED FINANCIAL INFORMATION

Select financial information included in this Prospectus is unaudited. There is a material risk that the audited financial results will differ significantly from the unaudited financial information presented herein.

This Prospectus also contains future-oriented financial information and financial outlook information (collectively, "**FOFI**") including, without limitation:

- our expected use of available funds; and
- the expected costs of achieving our business objectives, including, without limitation, the cost to scale the cultivation infrastructure in Colombia, the cost of ongoing R&D initiatives, the cost of funding our collaboration agreements, the cost of clinical trials, the cost of planned marketing activities, the cost to scale our human capital, per unit costs of manufacturing and anticipated selling price per unit.

In addition to the same estimates, assumptions, limitations, and qualifications as set forth in the above paragraphs, the FOFI contained herein is based on the following assumptions:

- that there will not be any unseen or unexpected costs incurred in connection with our research agreements aside from what is set out therein and the budgets prepared in connection therewith;
- that the cost of the Colombian cultivation infrastructure will be in accordance with the various budgets and estimates provided by anticipated service providers;
- that the cost of clinical trials will be in accordance with budgets provided by consultants;
- that we will be able to find individuals that meet our employment objectives at rates consistent with those currently paid for similar talent in the market; and
- that there will not be unforeseen costs in the manufacturing of our first round of derma-cosmetic products and the initial supply demanded from Percos will be equal to management's current expectations.

In addition to the risk factors as set forth in the above paragraphs, the FOFI contained herein involves a variety of known and unknown risks, uncertainties and other factors which may cause our actual plans, intentions, activities, results, performance or achievements to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such FOFI. Such additional risks include, without limitation:

- service providers and consultants engaged to assist with the completion of our business objectives may incur unexpected costs or go over budget which may result in unexpected costs for us;
- there may be difficulties in sourcing non-cannabis derived ingredients or the prices of such ingredients could fluctuate;
- clinical trials may experience delays in approvals or may not generate anticipated results;
- we may experience turnover or other unexpected costs that may increase our cost to acquire sufficient talent.

FOFI contained in this Prospectus was made as of the date of this Prospectus and was provided for the purpose of describing the anticipated effects of the expected revenue and proceeds on our business objectives. We disclaim any intention or obligation to update or revise any FOFI contained in this Prospectus, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this Prospectus should not be used for purposes other than for which it is disclosed herein.

FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS

The following financial statements have been prepared in accordance with IFRS and are included in this Prospectus under Schedules A, B and C hereto (collectively, the "**Financial Statements**"):

Schedule A - Avicanna Financial Statements and Management's Discussion and Analysis

- Audited consolidated statements of loss and comprehensive loss for years ended December 31, 2018, December 31, 2017 and December 31, 2016 of the Corporation, including notes thereto.
- Management's discussion and analysis of operations, financial position and outlook for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.
- Unaudited condensed interim financial statements of the Corporation for the three months ended March 31, 2019 and March 31, 2018. Including notes thereto.
- Management's discussion and analysis of operations, financial position and outlook for the three months ended March 31, 2019 and March 31, 2018.

Schedule B – Primary Business Financial Statements

- Audited statements of income for the period of January 1, 2017 to May 31, 2017 of My Cannabis and audited statements of income for the period from the date of incorporation, April 29, 2016, to December 31, 2016.
- Management's discussion and analysis of operations, financial position and outlook of My Cannabis for the five month period ended May 31, 2017 and the period from the date of incorporation, April 29, 2016, to December 31, 2016.
- Audited statements for the period from January 1, 2018 to February 28, 2018, the year ended December 31, 2017 and from the date of incorporation, December 23, 2016 to December 31, 2016, including notes thereto for Sativa Nativa S.A.S.
- Management's discussion and analysis of operations, financial position and outlook as at and for the period from January 1, 2018 to February 28, 2018, as at and for the year ended December 31, 2017 and as at and for the period from incorporation, December 23, 2016 to December 31, 2016 for Sativa Nativa S.A.S.
- Audited statements for the nine months ended September 30, 2018 and the year ended December 31, 2017 and from the date of incorporation, July 27, 2016, to December 31, 2016, including notes thereto for Santa Marta Golden Hemp S.A.S.
- Management's discussion and analysis of operations, financial position and outlook as at and for the nine months ended September 30, 2018 and as at and for the year ended December 31, 2017

and from the date of incorporation, July 27, 2016, to December 31, 2016, for Santa Marta Golden Hemp S.A.S.

Schedule C – Pro Forma Financial Statements

- Pro forma consolidated statement of income (loss) and comprehensive income (loss) of the Corporation that gives effect to the acquisition of SMGH, as if the acquisition had taken place at January 1, 2018 for the year ended December 31, 2018.

EXCHANGE RATE INFORMATION

The following table lists the high and low exchange rates, the average of the exchange rates on the last day of each month during the year ended December 31, 2018 and the three month period ended March 31, 2019 and the exchange rates at the end of such periods for one Canadian dollar, expressed in U.S. dollars, based on exchange rates from the Bank of Canada.

	Year Ended December 31, 2018(1) USD$	Three Months ended March 31, 2019(3) USD$
High for the period	0.8138	0.7637
Low for the period	0.7330	0.7353
End of the period	0.7330	0.7483
Average for the period(2)	0.7721	0.7522

Notes:

(1) Calculated using the average daily rates of the Bank of Canada.

(2) Calculated as an average of the respective Bank of Canada rates for each day during the period.

(3) Calculated to March 29, 2019, being the last Business Day of the period.

TRADEMARKS AND TRADE NAMES

This Prospectus includes trademarks which are protected under applicable intellectual property laws and are the property of the Corporation, including, without limitation, the trademarks "Avicanna", "Pura Earth", and "Pura Elements". Solely for convenience, the trademarks and trade names referred to in this Prospectus may appear without the ®, ™, © or other applicable symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights in our intellectual property, including the aforementioned trademarks and trade names. All other trademarks used in this Prospectus are the property of their respective owners. See also "*Our Intellectual Property – Trademarks*".

PROSPECTUS SUMMARY

The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Prospective investors should carefully consider, among other things, the matters discussed under "Risk Factors". Certain capitalized terms and phrases used in this Prospectus are defined in the "Glossary".

Avicanna: We were incorporated under the name "Avicanna Inc." on November 25, 2016 pursuant to the provisions of the OBCA. Our head office is located at 661 University Avenue, Suite 1300, Unit 1397, MaRS Centre, West Tower, Toronto, Ontario, Canada, M5G 0B7. The registered office of the Corporation is located at 510 King Street East, Suite 323, Toronto, Ontario, Canada, M5A 1M1. See "*Avicanna – Name, Address and Incorporation*".

Description of the Business: We aim to establish ourselves as a leader in the global medical cannabis industry through our product discovery and development processes, intellectual property portfolio, strategic relationships, and cultivation infrastructure. Through our Colombian based subsidiaries, we are currently cultivating non-psychoactive cannabis plants to produce CBD Extracts required in certain formulations of our products that we created through our R&D program. Once we have our required quotas for psychoactive plants, we can begin to cultivate the cannabis plants to produce the THC Extracts required in the formulation of our products that we created through our R&D program. See "*Our Business",* "*Research and Development*", "*Our Products*", and "*Cultivation*".

We intend to capitalize on the nexus between our R&D and cultivation business segments where the intellectual property gained from our R&D program is used to inform and improve the products of our cultivation and extraction activities and the raw materials from our cultivation and extraction activities will be used to create the tailored Extracts required for our proprietary formulations developed through our R&D activities; in both cases at a reduced cost from what would be incurred through purchasing such intellectual property or raw materials, as the case may be, from third parties.

Summary Financial Information: The following sets out selected financial information for the periods or as at the dates indicated. The summary financial information should be read in conjunction with Avicanna's audited and unaudited financial statements and MD&A and the audited and unaudited financial statements of My Cannabis, SN and SMGH and corresponding MD&A included in this Prospectus under Schedules A, B and C.

	Unaudited for the three months ended March 31, 2019 ($)	**Audited for the year ended December 31, 2018 ($)**
Revenue	24,023	117,971
Operating expenses	3,788,140	8,564,066
Other income (expense)	(121,359)	1,156,698
Net income (loss)	(3,885,476)	(7,289,397)
Current assets	2,258,915	1,191,527
Total assets	29,660,802	28,181,001
Current liabilities	3,648,612	1,786,885
Total liabilities	4,439,057	1,801,326

Shareholders equity (deficit)	25,221,745	26,379,675

The Offering: On December 13, 2018, we completed the First Closing of the Offering and issued 540,484 Special Warrants at a price of $8.00 per Special Warrant to purchasers in the Qualifying Jurisdictions pursuant to the Agency Agreement for aggregate gross proceeds of $4,323,872. On April 12, 2019, the Special Warrants issued on the First Closing were automatically converted into 540,484 Common Shares and 270,242 Warrants.

On April 15, 2019, we issued 2,228,328 Special Warrants pursuant to the Second Closing for gross proceeds of $17,826,624. See "*Plan of Distribution*".

The distribution of the Qualifying Securities underlying the Special Warrants issued on the Second Closing is being qualified hereunder. Each Special Warrant issued on the Second Closing will be automatically exercised, without payment of additional consideration and subject to customary anti-dilution adjustments, into one Unit consisting of one Qualifying Share and one half Qualifying Warrant at 5:00 p.m. (Toronto time) on the earlier of: (a) August 13, 2019; and (b) the 3rd Business Day after receipt for this Prospectus qualifying the distribution of the Qualifying Securities in the Qualifying Jurisdictions. See "*Plan of Distribution*".

Available Funds: As at the date of this Prospectus, we have approximately $15,649,702 available to us for use over the next 12 months. This includes the amounts raised from the First Closing and the Second Closing of the Offering (net of funds already expended in furtherance of our business plan and the Agents' Fee and expenses), the offering of Debentures, which closed on March 1, 2019, and various funds received to date from the exercise of outstanding Warrants and Stock Options. See "*Use of Available Funds*".

Use of Available Funds: The following table outlines our intended use of the funds available to us. Following the below expenditures, we will have approximately $650,000 of unallocated funds available to cover unexpected expenditures or cost overruns while achieving our stated business objectives.

Principal Purpose (Unaudited)	**Budgeted Amount**
Complete construction of cultivation infrastructure	$4,478,063
Obligations under R&D agreements	$1,455,135
Marketing activities	$1,038,180
Initial product orders for derma-cosmetics distribution	$91,649
Initial product orders for phyto-therapeutic and pharmaceutical testing	$365,500
General and administrative expenses	$7,568,114
TOTAL	**$14,996,641**

See: "*Use of Available Funds*".

Risk Factors:

An investment in our securities is speculative and involves a high degree of risk due to the nature of our business. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include: there are no assurances that the cannabis industry and market will continue to exist or grow as anticipated; 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; the industry is changing at rapid speeds, and we may be unable to keep pace; the consumer perception of cannabis can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media, and other publicity; potential government policy changes or shifts in public opinion; future clinical research into effective medical cannabis therapies could raise concerns regarding, and perceptions relating to, cannabis; limited history of operations; the inability to retain and attract employees and key personnel; potential increases in material and labour costs; we have incurred losses since inception and may continue to incur losses in the future; the ownership of the Common Shares is heavily concentrated among the 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; construction risk in connection with the facilities in Colombia; potential for adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment; reliance on third-party manufacturers and distributors; there can be no assurances of profit generation or immediate results; our business segments are heavily regulated in Canada and Colombia; potential for delays in obtaining, or restructuring conditions imposed by, regulatory approvals; the regulatory regime is evolving and uncertainty exits regarding the impact of the regime on the Corporation; the political environment surrounding the cannabis industry is 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, 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; potential involvement in regulatory or agency proceedings, investigations and audits; compliance with evolving environmental, health and safety laws; the potential inability to obtain or retain licences required to grow, store and sell cannabis in Colombia; the potential risk exposure resulting from the control of foreign subsidiaries in Colombia; Colombian political and economic conditions are subject to intervention and change; exposure to foreign exchange risks; inflationary risks based on Colombia's historic experience of double digit rates of inflation; constraints on marketing of products; and other risk factors outlined in this Prospectus. Readers should carefully consider the information set out under "*Risk Factors*" and the other information in this Prospectus.

AVICANNA

Name, Address and Incorporation

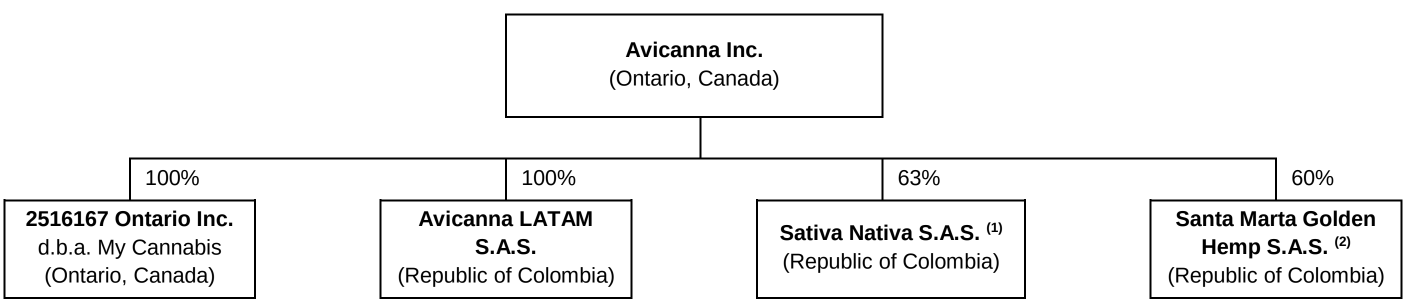
We incorporated under our current name, Avicanna Inc., on November 25, 2016, under the OCBA. Our head office is located at 661 University Avenue, Suite 1300, Unit 1397, MaRS Centre, West Tower, Toronto, Ontario, Canada, M5G 0B7. Our registered office is located at 510 King Street East, Suite 323, Toronto, Ontario, Canada, M5A 1M1.

The Corporation is subject to a shareholders' agreement by and among the shareholders of the Corporation (the "**Shareholders' Agreement**"). The Shareholders' Agreement contains customary rights of first refusal, drag along rights, confidentiality obligations, and transfer restrictions. The Shareholders' Agreement provides Setu Purohit, Aras Azadian, and Kyle Langstaff with the right to nominate the directors of the Corporation. In connection with the special meeting of the shareholders held on June 20, 2019 the Shareholders' Agreement was amended to address certain housekeeping matters, including providing that the Shareholders' Agreement shall automatically terminate upon the listing of the Common Shares on a recognized exchange, or such earlier time as may be determined by the Board. In connection with the filing of this Prospectus, the Board resolved to terminate the Shareholders' Agreement on July 8, 2019.

Additionally, at the June 20, 2019 shareholders' meeting, the shareholders passed a resolution authorizing the Board to file articles of amendment to remove the private company restrictions. Such articles of amendment were filed on July 8, 2019.

Intercorporate Relationships

Avicanna has two wholly-owned subsidiaries, My Cannabis, an Ontario corporation, and Avicanna LATAM, a corporation governed by the laws of Colombia. The Corporation holds a 63% controlling equity interest in SN, a corporation governed by the laws of Colombia, and a 60% controlling equity interest in Santa Marta Golden Hemp S.A.S. ("**SMGH**"), a corporation governed by the laws of Colombia.



Notes:

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

(2) The remaining 40% of SMGH is owned by Bondue (38.4%) and Lucas Echeverri Robledo (1.6%). Bondue is owned and controlled by Mr. Giancarlo Davila Char, one of our directors.

My Cannabis

We acquired My Cannabis on June 1, 2017 from two of our founders. My Cannabis does not represent a material portion of our business from a financial or operational basis. My Cannabis is the patient onboarding and data collection component of our business. See *"Avicanna – Our History – Acquisitions – My Cannabis".*

Avicanna LATAM

On March 28, 2018, we incorporated Avicanna LATAM in Colombia as our wholly-owned subsidiary. Avicanna LATAM employs our Colombian operations team and our agricultural, engineering, horticulture, and genetic experts. Avicanna LATAM and its team act as a manager and intermediary body that is focused on maintaining efficient operating practices for our cultivation and extraction operations. Avicanna LATAM acts as: (i) manager of SN through a management agreement; and (ii) manager of SMGH through a management agreement.

Sativa Nativa S.A.S

SN is a licensed cannabis producer in Colombia focused on large scale production of indoor and outdoor greenhouse (and shadehouse) cannabis flower and the subsequent production and extraction of cannabis extracts for domestic and international distribution. SN is focused on harnessing the optimal weather conditions of Colombia to operate an economic, environmentally sustainable, and socially responsible cultivation project which adheres to the standards of good agriculture cultivation practices ("**GACP**"). SN's cultivation operations are currently situated on a 2.8 hectare plot of land, which it owns. SN also holds an option to purchase an additional 27 hectares of land that is contiguous to the 2.8 hectare plot that is currently owns. However, SN has no plans to exercise the option to purchase that additional land at this time. For more information please see the financial information with respect to SN included in Schedule B to this Prospectus.

Santa Marta Golden Hemp S.A.S

SMGH is licensed in Colombia to cultivate, extract, export and manufacture cannabinoids and cannabinoid-containing products. It is located in Santa Marta, Colombia, close to the SN lands, and therefore enjoys all of the same environmental and economic benefits for low cost cultivation, and intends to operate an economic, environmentally sustainable, organic and socially responsible cultivation project which adheres to GACP standards. SMGH's cultivation operations are currently situated on a 16 hectare plot of land, which it owns. For more information please see the financial information with respect to SMGH included in Schedule B to this Prospectus.

Avicanna's interest in SN and SMGH represents the cultivation business of Avicanna. The acquisition of our interests in SN and SMGH are significant acquisitions in accordance with applicable securities laws. For more information on the acquisition of such interests and the businesses of SN and SMGH please see the disclosure under "*Avicanna – Our History – Acquisitions*" below*.*

Our Corporate Structure

We believe the current corporate structure does not affect the ability of management or the Board to oversee operations. However, we continue to take steps to streamline our accounting, reporting and operational systems to maximize efficiency as well as accountability and the control and mitigation of risk. We believe that we have sufficient controls in place to inform and monitor operating decisions made at lower levels of our corporate hierarchy. Our senior management team based in Colombia have frequent contact with executive management as well as our onsite employees. Our Chief Executive Officer, Chief Financial Officer and President routinely travel to Colombia and spend time in our local Colombian office and on site. We are mindful of the risks associated with cultivation and extraction operations in Colombia. See "*Risk Factors – Risks Specifically Related to Colombian Operations*".

Our History

The following is a summary of certain material developments since incorporation.

Previous Financings

On April 21, 2017, we issued 2,359,160 units for gross proceeds of $1,651,413. Each unit was issued at $0.70 per unit and included one Common Share and one Warrant. All such Warrants have been exercised or otherwise expired on April 21, 2019. See "*Prior Sales*".

On December 22, 2017, we closed the first tranche of a private placement, under which we issued 135,000 units for gross proceeds of $270,000. Each unit was issued at $2.00 per unit and included one Common Share and one half of one Warrant. Each whole Warrant is exercisable into one Common Share at an exercise price of $2.50 per Common Share. These Warrants expired on June 23, 2019.

On December 27, 2017, we closed a second tranche of the private placement, under which we issued 225,000 units for gross proceeds of $450,000. Each unit was issued at $2.00 per unit and included one Common Share and one half of one Warrant. Each whole Warrant is exercisable into one Common Share at an exercise price of $2.50 per Common Share. These Warrants expired on June 28, 2019.

On January 29, 2018, we closed a third tranche of the private placement, under which we issued 2,015,008 units at a price of $2.00 per unit for aggregate gross proceeds of $4,030,016. Each unit issued under the third tranche of the offering was comprised of one Common Share and one-half of one Warrant. Each whole Warrant is exercisable into one Common Share at an exercise price of $2.50 per Common Share for a period expiring on the earlier of: (i) 18 months from the date of issuance, and (ii) three months subsequent to the date that the Corporation completed an initial public offering and listing on a recognized stock exchange in Canada.

On July 31, 2018, we issued 325,324 Common Shares for gross proceeds of $2,374,865. Each Common Share was issued at $7.30. Mr. Davila Char acquired, indirectly through various corporations he owns or controls, 177,296 Common Shares under this private placement.

Special Warrant Financing

On December 13, 2018, we completed the First Closing of the Offering pursuant to which we issued 540,484 Special Warrants at a price of $8.00 per Special Warrant pursuant to the terms of the Agency Agreement. On April 12, 2019, each Special Warrant issued pursuant to the First Closing was automatically converted, without payment of additional consideration or action by the holder, into one Common Share and one Warrant. Each Warrant is exercisable into one Common Share at an exercise price of $10.00 per Common Share until December 13, 2020, subject to acceleration.

On March 13, 2019, we amended the Agency Agreement to provide for: (i) the Second Closing; and (ii) to reflect the correct syndicate. On April 15, 2019, we amended the Agency Agreement a second time to increase the amount of Special Warrants issuable thereunder.

On April 15, 2019, we completed the Second Closing of the Offering pursuant to which we issued 2,228,328 Special Warrants at a price of $8.00 per Special Warrant pursuant to the terms of the Agency Agreement.

Other than: (i) Mr. Davila Char who indirectly acquired 254,156 of the Special Warrants issued on the First Closing; and (ii) Mr. Jose Beltran who acquired 13,038 Special Warrants pursuant to the Second Closing, no insiders participated in the Offering. See: "*Plan of Distribution*".

The Debenture Offering

On March 1, 2019, we completed a non-brokered private placement offering of Debentures. The Debentures were issued as part of a unit which included 62.5 Debenture Warrants for every $1,000 principal amount of Debenture acquired. Pursuant to the offering of Debentures, we raised gross proceeds of $783,000 and issued: (i) Debentures having an aggregate principal amount of $783,000 (issued in denominations of $1,000); and (ii) 48,937 Debenture Warrants. The Debentures are governed by and issued pursuant to the terms of the Debenture Certificates. The Debentures incur interest at 8.0% per annum and become due on the Maturity Date.

Mr. Davila Char indirectly acquired Debentures having an aggregate principal amount of $406,000 and 25,375 Debenture Warrants. For further information on the Debentures please see "*Description of Our Securities*".

In connection with the issuance of the Debentures, we issued 48,937 Debenture Warrants. Each Debenture Warrant entitles the holder thereof to acquire one Common Share at a price of $10.00 per share for a period of 12 months following March 1, 2019, subject to our right to accelerate the expiry date of the Debenture Warrants upon 30 days' notice in the event that our Common Shares become listed on a recognized stock exchange and the volume weighted average trading price of the Common Shares equals or exceeds $12.50 for a period of 10 consecutive trading days on such exchange. See "*Prior Sales*".

Acquisitions

My Cannabis

On June 1, 2017, we acquired My Cannabis from Setu Purohit and Kyle Langstaff (two of the three Founders), each a related party of Avicanna. The total purchase price was satisfied through the issuance of 100,000 Common Shares (at a deemed issue price of $0.70 per Common Share) to each of Setu Purohit and Kyle Langstaff. The acquisition closed on June 1, 2017 and there are no ongoing payments or additional benefits related to the transaction payable to related parties. We believe that the transaction was completed on commercially reasonable terms and it was approved by a board resolution passed by our independent directors.

My Cannabis is a medical cannabis on-boarding and data collection company. Through the activities of My Cannabis, we build our understanding of the potential therapeutic and medical benefits of cannabinoid products for a wide range of symptoms and conditions. In particular, My Cannabis collects data from registered patients relating to: (i) indications/symptoms addressed; (ii) source of cannabinoid products; (iii) types of cannabinoid products; (iv) frequency of use; and (v) use of other medications in combination with cannabinoid products. My Cannabis generates this information during the patient on-boarding process where patients provide information related to the use of cannabis, as well as the specific medical ailments they use cannabis to treat. My Cannabis also regularly follows up with registered patients to review the use and effectiveness of the medical cannabis treatment. Data collected by My Cannabis is correlated and used to increase our awareness about the potential therapeutic benefits of cannabinoids. We also analyze the collected data to assist with product and clinical development plans for Avicanna (including drug and product discovery, investigational brochures, or where to focus our resources for product and drug research development initiatives).

Clients of My Cannabis are sourced through presentations across the greater Toronto area where staff present information about the medical cannabis regulatory framework and the potential therapeutic benefits of cannabis. Potential clients are then able to consult with staff directly at such presentations or make appointments online through the My Cannabis website. My Cannabis earns client registration fees and commissions from licensed producers who receive income from individuals sourced by My Cannabis. Currently, My Cannabis has approximately 1,000 patients that have registered and completed their onboarding with the company.

Sativa Nativa S.A.S.

We acquired our initial interest in SN pursuant to a share purchase and subscription agreement (the "**SN SPA**") with Jose Rafael Lopez Vergara ("**Vergara**"), Sergio Aurelio Puerta ("**Puerta**"), and Carlos Andres Jimenez ("**Jimenez**") dated August 18, 2017. At that time, SN had applied for a psychoactive (THC dominant strains) cannabis cultivation licence and a cannabis derivatives manufacturing licence and on January 4, 2018 it applied for a non-psychoactive cannabis cultivation licence (collectively, the "**Licences**"). SN had applied for the Licences from the Colombian Ministry of Health and Social Protection and the MJL. Prior to the negotiation of the SN SPA, Vergara was the sole shareholder of SN. Pursuant to the SN SPA, each of Puerta, Jimenez, and Avicanna subscribed for common shares in the capital of SN (each, an "**SN Share**"). The effect of these subscriptions was that, on closing, Puerta owned approximately 25% of the SN Shares, Jimenez owned approximately 3% of the SN Shares, Avicanna owned approximately 35% of the SN Shares and Vergara owned the remaining 37%.

On August 18, 2017, each of Avicanna, Vergara, Puerta, and Jimenez entered into a shareholders' agreement (the "**SN Shareholders' Agreement**") which sets out the principal terms and conditions that govern the relationships between the shareholders of SN. The SN Shareholders' Agreement does not contain any provisions that require unanimous approval. Pursuant to the terms of the SN Shareholders' Agreement, SN cannot issue any type of securities without Avicanna's approval. The SN Shareholders' Agreement also includes: (i) a right of first refusal provision for the shareholders in the event that another shareholder desires to sell or transfer any shares; and (ii) a provision that prohibits the dilution of our ownership interest in SN Shares below 30%.

On December 6, 2017, SN purchased a 2.8 hectare plot of land in Santa Marta, Colombia from Inversiones Frutas del Campo S.A.S. for approximately CAD $92,440 and the issuance of 2,925,606 SN Shares (equal to 3% of the total issued and outstanding SN Shares at that time).

On February 21, 2018, SN issued 63,510,032 SN Shares (equal to approximately 25% of the total issued and outstanding SN Shares at that time) to Avicanna for a total subscription price of USD $750,000 (approximately CAD $900,000). This subscription increased Avicanna's ownership interest from 35% to 60% of the total issued and outstanding SN Shares.

On March 1, 2018, we exchanged an aggregate of 9,661,814 SN Shares held by Vergara for 90,000 Common Shares and exchanged 6,441,209 SN Shares held by Puerta in exchange for 60,000 Common Shares. As a result, we then held approximately 70% of the SN Shares.

On April 4, 2019, we, with the other shareholders of SN, entered into a subscription agreement and share purchase agreement with Mountain Valley under which Mountain Valley, through a wholly owned subsidiary, subscribed for SN Shares equal to 10% of the total issued and outstanding SN Shares from treasury for an aggregate acquisition cost of $2,800,000 and acquired 15% of the total issued and outstanding securities of SN from Vergara Lopez and Jimenez. In connection with this transaction, Mountain Valley (through its wholly owned subsidiary) became a party to the SN Shareholders' Agreement. Following this transaction, Jimenez is no longer a shareholder of SN and our ownership interest decreased to 63%. The subscription agreement provided that $1,400,000 of the subscription funds are to be used by SN to fund SN's current business objectives, which includes the expansion of the cultivation facilities at the SN site. See "*Cultivation – Cultivation, Processing and Extraction Facilities – Investment in Cultivation*". The other $1,400,000 may be used at our discretion.

Santa Marta Golden Hemp S.A.S.

On October 22, 2018, we completed the purchase of 60% of the total issued and outstanding common shares of SMGH from Bondue pursuant to a master investment agreement ("**IMA**") which governed the disposition of the 60% interest in SMGH to Avicanna pursuant to the SMGH SPA (defined below), the subscription for 1,477,818 Common Shares at a price of $7.30 per Common Share by We Bay S.A.S. ("**We Bay**"), an affiliate of Bondue, and the terms of the SMGH Shareholders' Agreement (defined below).

Following the terms of the IMA, Avicanna entered into a shareholders' agreement (the "**SMGH Shareholders' Agreement**") with Bondue and one other minority shareholder, Lucas Echeverri Robledo. The SMGH Shareholders' Agreement requires that all major decisions of SMGH (such as the sale of all or any substantial part of the business, approval of annual financial statements, or the capitalization of SMGH) must be made with an affirmative vote of at least 80% of the issued and outstanding shares of SMGH. Furthermore, the SMGH Shareholders' Agreement provides that in the event of a deadlock in approving a major decision, and a shareholder, acting reasonably, determines that in the absence of approving that major decision there will be a material adverse effect to the business of SMGH, and the deadlock cannot be resolved in the prescribed period of time, that shareholder must deliver a notice to the other shareholders setting a price per share to either be purchased or sold. The SMGH Shareholders' Agreement provides the shareholders further assurances that any capitalization will be done on a pro-rata basis and the shareholders agreed to vote their shares in favor of a capitalization by Avicanna of USD $2,000,000 and further agreed that this capitalization will not change the ownership interests of the shareholders. The SMGH Shareholders' Agreement also provides the shareholders of SMGH with a right of first refusal, as well as a right of first offer in the event any of the shareholders receive an offer to sell, or wish to dispose of, their shares. In addition, the SMGH Shareholders' Agreement also provides the shareholders with a drag-along right in the event a shareholder, holding more than 60% of the issued and outstanding shares, receives a bona fide offer from a third party to buy all of the shares of SMGH. Likewise, the SMGH Shareholders' Agreement provides tag-along rights to minority shareholders, on a pro-rata basis, in the event a majority shareholder wishes to transfer 50% of the shares currently held by that shareholder.

Industry Competition

We operate in a fast-growing market that has created a competitive environment for companies who operate in the cannabis industry. However there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Because of the rapid growth of this sector, we face competition from other companies in the sector who are accessing the equity capital markets and/or who have a greater amount of unallocated funds to take advantage of opportunities in the cannabis industry. See "*Risk Factors – Risks related to the Corporation's Business and Industry – Competition*".

The industry is also entering a period of significant consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Corporation. To remain competitive, we will require a continued level of investment in R&D and protection and capitalization of our proprietary information. Readers are cautioned that we may not have sufficient resources at all times to maintain a level of R&D and cultivation to remain competitive, which could materially and adversely affect our business, financial condition and results of operations. See "*Risk Factors – Risks related to the Corporation's Business and Industry – Competition".*

There are an increasing number of market entrants in Colombia and, as a result, we anticipate facing increased competition for the production of Extracts. However, we hope to differentiate ourselves from our competitors with the products of our R&D activities and industrial scale extraction, distillation, and isolation equipment to lower the cost of production and, therefore, increase our margins relative to other market participants. As the process for cannabinoid isolation requires specific expertise, and resources and associated costs, we anticipate there to be few companies with the capacity to provide the quality of isolates demanded by companies as they move toward manufacturing practices that require batch-to-batch consistency. See "*Risk Factors – Risks related to the Corporation's Business and Industry –Competition*".

We further intend to differentiate ourselves from other market entrants by using organic agricultural practices and we plan to do so at scale.

We believe that the climates in jurisdictions that permit industrial hemp (including Canada and Europe), which is a source of CBD for local manufacturers of downstream products, remain less favourable when compared to Colombia for cost advantages and year-round growth.

Our Extracts, when ultimately produced, are expected to be used in the manufacturing of our own products, so that the cost of R&D as well as production can be lowered and controlled as much as possible. Our Extracts, when produced, are also expected to be sold to third parties since our projected capacity will outweigh what is required to formulate our products.

Intangible Properties

We recognize the importance of our intangible assets such as brand names, copyrights, licences, patents and trademarks. See "*Our Intellectual Property*". We have submitted one provisional U.S. patent application and intend to seek patent protection for other products in accordance with our intellectual property strategy.

Cycles

We do not expect our business to be cyclical or seasonal. Our R&D activities are year-round and the climate in Colombia is ideal for year-round growing and processing of all possible varieties of cannabis.

Environmental Protections

The operation of our business has no extraordinary environmental protection requirements. As a result, we do not anticipate that any environmental regulations or controls will materially affect our business.

Foreign Operations

At present, approximately half of our operations are focused in Colombia. For a description of the regulatory environment to which we are subject, please see "*Regulatory Framework – Colombia*".

Business in Colombia

As of 2018, the population of Colombia was approximately 49.5 million people, making it the third most populous nation in Latin America.[1] Over 90% of Colombia's population lives in the northwest part of the country, with the majority of Colombians living in urban centres.[2] Currently, over 80% of the Colombian population lives in urban centers, a figure which is growing at an annual rate of 1.22%.[3] Bogota is Colombia's largest city, with a population of 7.9 million people.[4]

The Colombian economy has been steadily growing over the past three years, hovering around approximate real growth rates between 2% and 3%.[5] Last year, the GDP of Colombia was US$309 billion, with Colombia's services sector comprising the largest portion of the economy.[6] Colombia's GDP per capita as of December 2017 was US$6,380.[7] The Colombian economy has seen inflation decline over the years from 7.5% in 2016, to 4.3% in 2017, and averaged 3.2% for 2018.[8]

Colombia is part of, or is currently negotiating, free trade agreements with over a dozen countries.[9] It is also a founder and current member of the Pacific Alliance, a trade bloc formed in 2012 with Chile, Mexico, and Peru.[10] In May 2018, it joined the Organization for Economic Co-operation and Development ("**OECD**"). It did so after many reforms to align with OECD standards in areas such as: labour, justice system reform, corporate governance of state-owned enterprises, anti-bribery, and trade.[11] Furthermore, Colombia is open to foreign direct investment. Since the 1990s, it has implemented a number of reforms to encourage foreign direct investment. These include lifting restrictions on the remittance of profits and

[1] http://worldpopulationreview.com/countries/colombia-population/

[2] https://www.cia.gov/library/publications/the-world-factbook/geos/co.html

[3] https://www.cia.gov/library/publications/the-world-factbook/geos/co.html

[4] http://worldpopulationreview.com/countries/colombia-population/

[5] https://www.cia.gov/library/publications/the-world-factbook/geos/co.html

[6] https://www.cia.gov/library/publications/the-world-factbook/geos/co.html

[7] https://www.ceicdata.com/en/indicator/colombia/gdp-per-capita

[8] https://tradingeconomics.com/colombia/inflation-cpi

[9] "The World Factbook – Colombia" online: *CIA World Factbook* <https://www.cia.gov/library/publications/the-world-factbook/geos/co.html>.

[10] "The World Factbook – Colombia" online: *CIA World Factbook* <https://www.cia.gov/library/publications/the-world-factbook/geos/co.html>.

[11] "A mutually beneficial relationship" online: *OECD* < http://www.oecd.org/latin-america/countries/colombia/>.

capital, allowing foreign investment in most industries and providing for national treatment of foreign investors.[12]

Cannabis in Colombia

For the greater part of the last 50 years, Colombia developed comprehensive regulations that took a hardline approach to narcotics and trafficking in response to the growing influence of certain international treaties and the efforts of governments to coordinate their drug policies.

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

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

As a result of the commission and the final report, the Colombian president approved and sanctioned Law 1787 of 2016 which was intended to regulate the use of cannabis for therapeutic purposes. Since this law was enacted, resolutions have been issued that establish: (i) costs for the monitoring and control of licences granted for the production and fabrication of derivatives of cannabis; (ii) technical regulations in regards to licences for the production and fabrication of derivatives of cannabis; (iii) technical regulations in regards to licences for the use of seeds for cultivation and cultivation of psychoactive and non-psychoactive cannabis plants; (iv) the costs for the monitoring and control for the licences granted for the use of seeds for cultivation and cultivation of psychoactive and non-psychoactive cannabis plants; and (v) the regulation of the small and medium-sized national farmers of medicinal cannabis plants. See "*Regulatory Framework – Colombia*".

In conjunction with legalizing the use of marijuana, the Colombian government has embraced a model of licencing producers and distributors to manage the industry rather than issuing cards to consumers.[13] It is estimated that there are currently about 400,000 Colombian patients with conditions that can be treated with medical marijuana use.[14] Additional research is being done collaboratively by the Colombian government, the private sector, and health professionals on how medical marijuana can further help treat Colombia's 5.6 million medical patients.[15]

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[12] "Colombia – Country Report," *PRS Group Inc.*, September 2017 pg. 1.

[13] https://www.marijuanadoctors.com/intemational-patients/colombia/

[14] https://www.marijuanadoctors.com/intemational-patients/colombia/

[15] https://www.newswire.ca/news-releases/lchiron-secures-medical-catmabis-endorsements-from-two-of-the-largest-medical-associations-in-colombia-685116281.html

Employees, Specialized Skill and Knowledge

As at the date of this Prospectus, Avicanna has 15 employees located in Canada and 24 independent contractors. Of this total, two independent contractors are located in the U.S., one independent contractor is located in Germany, one independent contractor is located in Spain, one independent contractor is located in Argentina, and 17 independent contractors are located in Canada.

In addition, as at the date of this Prospectus: (i) Avicanna LATAM has 30 employees and 16 independent contractors, all of which are located in Colombia; (ii) SMGH has 25 employees, all of which are located in Colombia; and (iii) SN has seven employees, all of which are located in Colombia.

Our business requires specialized knowledge and technical skill around cannabis cultivation and processing in Colombia, clinical sciences, product formulations, product testing, clinical testing, quality assurance, GMP standards and ingredient sourcing. The required skills and knowledge are available to us through our current employees and management.

Reorganizations

Since incorporation, we have not completed any material reorganization and no material reorganization is currently proposed.

Management Experience in Colombia

We have taken steps to ensure that our management and Board are familiar with all applicable aspects of doing business in Colombia. We have hired three independent law firms in Colombia to assist us with compliance with Colombian law and advising us as to the various regulations and customs applicable to our business. In addition, our Colombian team includes one in-house lawyer who is based in Bogota and who is fluent in Spanish and English.

Additionally, we work with internationally recognized accounting firms who support our internal finance and accounting team in Colombia, who are Colombian and have extensive experience in Colombia. Our Colombian office also includes a large regulatory team, two of whom are former INVIMA staff members and one of whom is a former ICA staff member.

Giancarlo Davila Char, one of our directors, Jose Beltran, our Executive Vice-President, Corporate Development and Janeth Mora, our Executive Vice President, Commercialization all have experience doing business in Colombia and are familiar with the laws and requirements of Colombia.

For more information and biographies of these individuals, see "*Directors and Executive Officers – Management*".

Our management ensures key business documents are translated into English in order to properly read and assess the documents. Additionally, with their advisors, they have a thorough understanding of the laws and requirements of Colombia. Our management team visits the Colombia operations at least every three to six weeks, with our Chief Financial Officer visiting at least once every six weeks. The majority of our operations in Colombia are staffed by full time residents of Colombia.

OUR BUSINESS

Overview

We believe that our business segments of: (i) R&D; and (ii) cultivation, strategically position us for the development, manufacturing and commercialization of plant-derived cannabinoid-based products and Extracts.

We aim to establish ourselves as a leader in the global medical cannabis industry through our product discovery and development processes, intellectual property portfolio, strategic relationships, and cultivation infrastructure. See "*Research and Development*", "*Our Products*" and "*Cultivation*".

RESEARCH AND DEVELOPMENT

History and Development

The starting concept for our business arose from a problem inherent in the transition in Canada from a government-run medical cannabis regulatory framework to that of a privatized system in which patients would, initially and for some time after, only be permitted access to cannabis for medical purposes in an inhalable format – dried cannabis flower. In May 2015, the founders of Avicanna, Aras Azadian, Kyle Langstaff, and Setu Purohit (collectively, the "**Founders**"), recognized that healthcare professionals, the gatekeepers of the new commercial medical cannabis system, were hesitant to give access to a product that has traditionally been known to be consumed in a manner that may have adverse effects on the lungs. The Founders further recognized that for a product to be considered a therapy and to be recommended by healthcare professionals, it would be important to provide data collected and analyzed from well-run clinical studies to all relevant stakeholders – patients, healthcare professionals, payors, and regulators.

Those two understandings form the basis of our foundational concept – the development of novel cannabinoid therapeutic products backed by clinical research data. This positioning in the medical cannabis industry in Canada allowed us to attract key skilled personnel who have assisted us in developing our mandate, including scientists, clinicians, strategic business advisors, and biopharmaceutical industry senior managers. This positioning also helped us attract interest from respected academic and clinical research institutions looking to partner with us on clinical and research development initiatives.

Our Research and Development Activities

Our R&D business is primarily conducted out of Canada at our headquarters in the Johnson & Johnson Innovation centre, JLABS @ Toronto. We were one of the first cannabis R&D companies to gain admission to JLABS. Our scientific team develops products and we have engaged the services of researchers at the Leslie Dan Faculty of Pharmacy at the University of Toronto ("**U of T Faculty of Pharmacy**") to optimize and improve upon our products.

Cannabis has been used in natural therapies for many years and by many cultures worldwide. For our product development purposes, we use the information gained from historical records as part of our understanding for how cannabinoids can be used to target various physical conditions, therapeutic areas and diseases. Our concept discovery process includes the review and analysis of data collected from external sources such as online publications and information regarding past and present use in various international markets. Internal data collection from My Cannabis and data sharing from our relationships with healthcare professionals also assist in our product and clinical development. These concepts are tested through our R&D activities and further realized and enhanced by our strategic relationships with universities and medical establishments.

Our R&D activities include the conception, development and clinical trial of pharmaceutical products geared towards certain indications. We are currently working on indications for pain, neurology and dermatology. Through our R&D efforts we have also developed formulations for various phyto-therapeutics and derma-cosmetic products and completed the formulations and characterization of our Pura Earth and Pura Elements products. Pursuant to various research and development agreements, we are currently testing additional products so our products can be marketed with the research data to support their applications. We hope that the research behind our production will differentiate us from our competitors. See "*Our Products*".

Our current goals with respect to our R&D are to commence and complete clinical trials of our pharmaceutical products, complete testing to support our phyto-therapeutic products and to commence manufacturing and distributing our derma-cosmetic products. See "*Use of Available Funds – Business Objectives & Milestones*".

JLABS @ Toronto Licence Agreement

On April 10, 2017, we signed a one year licence agreement to become a resident company of JLABS @ Toronto, located in the MaRS Discovery District and strategically located among the major academic and medical research centres in Toronto, including the University of Toronto, University Health Network, SickKids, Sinai Health System, St. Michael's Hospital, Sunnybrook Health Sciences Centre, and the Centre for Addiction and Mental Health. We have increased our footprint at JLABS @ Toronto from one office in April 2017 to currently occupying two offices, a lab suite, and two additional lab benches. The licence agreement was subsequently amended to extend the term to April 9, 2020.

JLABS is a collaboration among Johnson & Johnson Innovation, the University of Toronto, MaRS Discovery District, Janssen Inc., MaRS Innovation, and the Government of Ontario and provides us with access to a 40,000 square foot facility that includes lab space, state-of-the-art equipment, and access to scientific, industry and capital funding experts. JLABS operates on a "no strings attached" model of incubation accelerators that do not take any equity or any rights to products, revenue or control.

Material Research and Development Agreements

Our R&D activities are conducted pursuant to a number of key agreements with various medical and educational facilities. Below is a summary of each of the material R&D agreements entered into with other parties which support the development of our products.

U of T Sponsored Research and Collaboration Agreement

Effective November 20, 2017, we entered into a sponsored research and collaboration agreement with the University of Toronto for a project to be performed by Dr. Christine Allen of the U of T Faculty of Pharmacy as the Principal Investigator. Pursuant to this agreement, Dr. Allen, through her role as a professor at the University of Toronto, has committed to doing research using cannabis, hemp, or their extracts or derivatives for drug delivery with Avicanna for a three year term. On November 1, 2018, Dr. Allen was appointed as our Chief Scientific Officer.

All work done under this agreement is performed out of Dr. Allen's laboratory, by the Christine Allen Research Group ("**CARG**"), and is conducted pursuant to the appropriate Health Canada authorizations, including an exemption under Section 56 of the *Controlled Drugs and Substances Act* (the "**Section 56 Exemption**"). The Section 56 Exemption permits CARG to possess cannabis, its resin, and cannabinoids.

It is pursuant to this agreement that all of our products and processes undergo optimization and physico-chemical characterization and analysis. The services provided under this agreement improve and optimize a number of aspects of our products and processes, including: (i) our extraction and purification processes and methods; (ii) development of assays that assist in our analytical methods; (iii) the solubility and interactions of our excipients in the formulations; (iv) the toxicity of our products; (v) the stability of our products; (vi) permeability of our topical formulations; and (vii) the drug release profiles of our products.

Our scientists develop formulations without any cannabinoids in them and leverage CARG's Section 56 Exemption to add in the cannabinoids for further optimization. Because all of our activities with cannabinoids performed in Canada are currently performed at CARG, we do not have any direct contact with cannabis or cannabinoids in Canada at this time.

The project also includes a collaborative portion, which has not yet commenced. This involves an investigation and assessment of polymer and/or lipid materials that may be compatible for preparing THC and/or CBD delivery systems. The most compatible materials will be used to formulate nanoparticles and their properties will be characterized for size, drug loading, stability, and drug release. The intent of this collaboration is to prepare an oromucosal spray for improved delivery of THC and/or CBD.

All intellectual property and rights developed under the services portion of the project belong solely to Avicanna. The collaborative portion of the project will provide for all newly developed intellectual property rights to be shared between Avicanna and the University of Toronto. See: "*Our Intellectual Property – Development and Management Plan*".

For any jointly held intellectual property, we have the first right to elect to file a patent and a further option to notify the University of Toronto, within 15 months of the University of Toronto disclosing sufficient details of such intellectual property, that we wish to exercise an exclusive licence to use and exploit the University of Toronto's interest in the intellectual property. The terms of such exclusive licence will be negotiated on commercially reasonable terms. Up until the time that such exclusive licence is executed, the University of Toronto will not be permitted to disclose any of its interest in the applicable joint intellectual property to any third party.

If Avicanna chooses not to exercise its right to obtain the exclusive licence to the University of Toronto's interest in any jointly held intellectual property described above, Avicanna will be automatically granted a non-exclusive, royalty-free, fully paid-up, worldwide licence to the University of Toronto's interest in the applicable intellectual property. Any University of Toronto interest will be licensed on an "as is" basis and excluded from any representations and warranties regarding patentability, validity, enforceability or that it is free from infringement of intellectual property rights of any third party. See: "*Our Intellectual Property – Development and Management Plan*" and "*Risk Factors*".

The project commenced with a budget of $126,000 per year for the first two years of the three year term with the commitment to review the budget and scope at four to six month intervals. The agreement was amended effective March 5, 2018 and then again effective October 5, 2018 to reflect an expanded scope to include *in vitro* and animal studies as well as the addition of a post-doctoral research fellow and additional research students to assist with advanced formulation development. The total budget for the first two years of the project was increased by approximately $310,000. We are not contemplating any additional budget increases over the next 12 months with respect to this project.

The following table outlines the payments paid and payable and various budget amendments for this project:

Payment Date	**Amount Paid/Payable**	**Notes**
November 20, 2017	$63,000.00	Based on original budget of $126,000, payments of $63,000 were required every six months from effective date.
March 5, 2018	-	Budget increased to payments of $106,477.14 every six months.
May 20, 2018	$106,477.14	Paid
October 5, 2018	-	Budget increased to payments of $133,414.30 every six months.
February 20, 2019	$133,414.30	Paid
May 20, 2019	$133,414.30	Paid
TOTAL Budget	**$436,305.74**	

CAIMED Framework Agreement

In September 2018, we entered into an agreement with CAIMED, one of the largest clinical research organizations in Colombia and certified by INVIMA in "Good Clinical Practices". CAIMED has six offices in Colombia and also has offices in Panama, Dominican Republic and Mexico. The agreement with CAIMED is a framework agreement that establishes the relationship for clinical studies to be proposed by us and carried out by CAIMED for our products. The parameters for each study will be determined on a case-by-case basis. This agreement provides that CAIMED will exclusively work with us for the study of medical cannabis products for the duration of the agreement. The term of the agreement is five years and will be automatically renewed, unless terminated by either party at least 30 days before the expiry of any term, for successive one year periods.

CAIMED is drafting a study protocol and ethics approval application for phase I studies to establish the safety of increasing doses of CBD in topical preparations aimed to be a foundation of our dermatological portfolio for chronic skin conditions, such as eczema and acne; these products are intended to be OTC drug products. The studies are expected to commence by the fourth quarter of 2019, once the study protocol and ethics approval have been obtained as well as the authorization by INVIMA for the clinical trial to proceed. The studies are expected to take approximately one month to complete once they have commenced. We have allocated $250,000 towards the studies to be incurred over the next 12 months, of which $40,428 has been paid as of the date of this Prospectus, which amount includes the amounts required to obtain the necessary internal and external clearances by the research ethics board and INVIMA.

CAIMED will also be conducting clinical studies on three of our derma-cosmetics products to demonstrate their effectiveness with specific cosmetic endpoints, such as reduction of fine lines or increased moisture levels in the skin. Cosmetics are not required to be tested in clinical trials. However, we intend to demonstrate our products efficacy with respect to the endpoints being studied as a competitive advantage over our competitors' products. CAIMED has obtained ethics approval for these cosmetics studies and expects to commence the studies in the third quarter of 2019. The trials are expected to be run in parallel and will take up to two months. As the studies involve healthy human subjects and no bodily fluids are being drawn, approval of the clinical trial is not required by a regulatory authority (in this case INVIMA, the relevant regulatory authority for clinical trials conducted in Colombia). The total cost of these studies is approximately $330,000, which amount includes the cost to obtain ethics approvals for such studies.

The Hospital for Sick Children ("SickKids")

On November 23, 2018, we signed an agreement with SickKids for phase I/II and III clinical studies to explore the safety, tolerability, and efficacy of our topical product containing a pharmaceutical formulation of CBD on patients with a dermatological indication. The agreement is for a term of two years and has a budget of approximately $240,000 payable by Avicanna. All data and analyses of data resulting from this agreement will belong to Avicanna. The budget covers the anticipated costs of working with SickKids on certain clinical trials over the two year term and includes the costs required to obtain the internal ethics approvals and Health Canada authorizations required to conduct the trial.

It is anticipated that it will take four months to recruit patients and to conduct and finalize the phase I/II trial; and it is anticipated that it will take six months to recruit patients for phase III and an additional eight months to conduct and finalize phase III. The data entry, analysis, and drafting of the results is expected to be completed within six months of completing phase III. Over the next 12 months, we will be required to spend $50,000 to commence the project upon receipt of the required Health Canada approvals and to spend another $100,000 within the 12 months thereafter. An additional $50,000 is payable within 18 months of the start of the project with remaining amounts payable upon project completion. The Research Ethics Board of SickKids provided conditional approval for the study to commence once a No Objection Letter is received by Health Canada following the submission of a clinical trial application. SickKids has advised us that they intend to submit a clinical trial application to Health Canada before the end of July 2019 for authorization to conduct the study. We anticipate the study to be granted the authorization by Health Canada and to commence in the fourth quarter of 2019. The product used in this trial is expected to be a prescription drug. See "*Our Products – Pharmaceuticals*" below.

UWI Services Agreement

On December 12, 2018, we signed a services agreement with UWI (the "**UWI Services Agreement**") relating to two studies – a prevalence study and a follow-on intervention study. The prevalence study will determine the prevalence of neuropathic pain in a random sample of 500 to 600 patients suffering from Sickle Cell disease. Ethics approval has been obtained for the prevalence study and it has commenced, with an expected completion date by the end of the first quarter of 2020.

The prevalence study is expected to identify a sample of approximately 100 to 120 patients who present themselves with neuropathic pain. As this study is a data gathering study only, it is not product specific. These patients will be entered into an intervention study which will be a double blind cross over study using one or more of our proprietary cannabinoid formulations containing CBD and/or THC. The intervention study is expected to be considered a phase II trial for drug development purposes. It is intended that the product(s) from this study will be for prescription pharmaceutical application.

The cost of the prevalence study is approximately $110,000, which amount includes the cost required to obtain the necessary ethics approvals, of which $55,000 has been paid as of the date of this Prospectus. The cost for the intervention study will be determined on commercially reasonable terms after receiving the results from the prevalence study. All data and analyses of data resulting from this agreement will belong to Avicanna. See: "*Our Intellectual Property – Development and Management Plan*".

U of T Dentistry Service Agreement

On March 29, 2019, we entered into a service agreement with the University of Toronto ("**U of T Dentistry Service Agreement**") to conduct anti-inflammatory and anti-bacterial testing of three of our cannabinoid-containing oral health formulations using the methodology developed by the lead researcher of the study, a professor of dentistry at U of T. The U of T Dentistry Service Agreement expires on the earlier of (i) October 1, 2019, or (ii) at the conclusion of the performance of the service contemplated in the agreement. The total amount payable to U of T for the services under the U of T Dentistry Service Agreement is $114,750 payable in four equal installments of $26,687.50, which amount includes the cost required to obtain the necessary ethics approval for the testing performed under the services.

As services to be provided under the U of T Dentistry Service Agreement require the use of derivative human blood samples, ethics approval is required by the U of T research ethics board prior to commencement of such testing. Ethics approval was obtained and a preliminary test was conducted in April 2019. Testing is expected to continue through to September 2019, once the results of the test have been analyzed, we will be able to determine which of our products would be most appropriate to develop and use for further testing pursuant to this agreement.

The following table outlines the payments paid and payable and various budget amendments for this project:

Payment Date	Amount Paid/Payable	Notes
April 1, 2019	$28,687.50	Paid
June 1, 2019	$28,687.50	Remains payable
August 1, 2019	$28,687.50	Remains payable
October 1, 2019 / completion of service	$28,687.50	Remains payable
TOTAL Amount Payable	**$114,750**	

U de A Framework Agreement

Universidad de Antioquia ("**U de A**") is a public university located in Medellin, Colombia and is a major academic and research institution in Colombia. We entered into a framework agreement (the "**U de A Framework Agreement**") on April 1, 2019 that allows us to perform specific projects with U de A researchers at the Faculty of Medicine. It is proposed that the Faculty of Medicine at U de A will work with us on an exclusive basis relating to the medical uses of cannabis for the term of the agreement, which is expected to be four years. Each project will be documented in separate ancillary agreements and each agreement will describe the project parameters, responsibilities and respective rights of the parties. Project terms are currently being defined for dose escalation safety and tolerability studies for oral formulations.

Protocols are expected to be ready to be submitted for ethics approval and INVIMA authorization in the third quarter of 2019. These studies are expected to cost a total of $300,000, including the cost to obtain the necessary ethics approvals and INVIMA authorization to conduct the studies, and will take approximately six months to complete once they commence, which is expected to occur in the fourth quarter of 2019. See: *"Our Products – Pharmaceuticals".*

Summary of R&D Agreements

Our research and product development activities are ongoing and are anticipated to include the development of new CBD-based products and formulations, commencement of phase I and phase II clinical trials for select pharmaceuticals, testing our phyto-therapeutic products (see "*Our Products*") and the establishment of other partnerships with key research partners around the world to broaden our collaborative research activities. The following is a summary of the various agreements we have entered into for our R&D activities as also described above, outlining the current status of the activities under such agreements and the amounts we are obligated to pay under them. These agreements are ongoing and additional payments will be required throughout the term of the agreements. The table below provides the costs for the next 12 months only.

Agreement	Services Provided	Current Status	Attributable Costs
U of T Sponsored Research and Collaboration Agreement	Physico-chemical characterization and analysis of our processes and of our products containing various concentrations of THC/CBD optimization of formulations including identification of appropriate materials for THC/CBD delivery systems. *In vitro* and *in vivo* studies for formulations and final products.	Completed characterization and optimization of Pura Earth and Pura Elements products. Ongoing analysis of several pharmaceutical formulations under development. R&D is ongoing on over 15 oral and topical formulations with various release profiles.	$133,414
CAIMED Framework Agreement	Study protocol and ethics approval application for phase I study to establish safe dosage limits of CBD in our dermatological preparations.	Application is being drafted.	$580,000
Hospital for Sick Children	Clinical studies to explore safety, tolerability and efficacy of CBD on patients with dermatological indication.	Received ethics approval. Clinical trial application is being prepared for submission to Health Canada by the end of July 2019	$240,000 ($150,000 to be paid within the next 12 months based on the budget)
UWI Services Agreement	Prevalence study of neuropathic pain.	Ethics approval obtained.	$110,000
	Intervention study (phase II).	Trial protocol is being drafted.	Not yet determined
U of T Dentistry Service Agreement	Anti-inflammatory testing of 3 of our cannabinoid-containing oral health formulations.	Initial study complete and results being analyzed to determine what further studies are required.	$88,000
U de A Framework Agreement	Clinical studies for various products.	Project terms and research protocols being drafted for multi-dose safety and tolerability studies.	$300,000

OUR PRODUCTS

The products that we intend to manufacture and distribute are grouped into three main categories, namely, pharmaceuticals, phyto-therapeutics and derma-cosmetics. We intend to have our pharmaceuticals, phyto-therapeutics and derma-cosmetics products produced using Extracts created with our proprietary extraction techniques developed through our R&D processes at our Colombian facilities using our cultivated cannabis. To date, we have spent approximately $1,258,000 on the development of our products, comprised of the obligations under our various R&D agreements and direct labour costs of our scientists and consultants involved in the formulation of our products. As of the date hereof we have not manufactured, distributed or sold any of the products described below. The demand for our products is currently unknown, we plan to start production in small batches and ramp up production to meet consumer demand. See "*Our Products – Bringing our Products to Market*".

It is our intention to produce the Extracts needed to manufacture the products from our cultivation and extraction facilities in Colombia and have the products manufactured and distributed for us by third parties using our proprietary processes and formulations. Based on our current cultivation capacity, our formulations and our initial indications of demand, we expect to be capable of producing more Extracts than we require to formulate our products. Although no formal agreements are in place, we may look to sell our Extracts to third parties. For a discussion on Extracts, see "*Cultivation*".

In Canada, we do not hold any cannabis authorizations that would permit manufacturing or distribution of cannabis products. We do not directly compete with licensed producers in Canada as we are focused on the R&D of more advanced medical cannabis products not currently regulated by the new cannabis legislation in Canada. We do not intend to apply for any manufacturing or distribution licences in Canada.

The following provides a summary of the pharmaceutical, phyto-therapeutic and derma-cosmetic products on which we have concentrated our efforts.

Pharmaceuticals

Our pharmaceutical products follow the traditional drug discovery and development process for eventual submission to the applicable government agencies, such as Health Canada or the FDA, of a drug application for approval and market authorization. Our pharmaceutical products use only isolated Extracts and our intention is to use the isolated Extracts produced by our subsidiaries in Colombia in the pharmaceutical products we offer.

Our initial pipeline of pharmaceutical products will address neurology, dermatology, and pain. The neurology products are intended to treat neurological disorders, our dermatology products are meant to be applied on the surface of the skin to address various skin diseases and our products developed to address pain, both through ingestible methods and topical application, are intended to combat a wide range of forms of pain, including but not limited to, chronic pain, neuropathic pain, and pain resulting from inflammatory and joint disorders.

Each of our pharmaceutical products will go through the process outlined below under the heading "*Drug Discovery and Development Process*". Phase I trials assess a drug's safety and are not specific to the intended purpose. During phase II trials, the intended indications are tested for efficacy. Where a particular product may be found to not be effective for its originally intended targeted indication the process does not need to restart at phase I, but rather, a different phase II trial can be designed to determine other indications. The phase I results of our initial products can be applied to the expanded indications without having to run a new phase I trial because phase I would have already confirmed safety.

Accordingly, following the completion of our phase I trials on these initial products, we may replace certain of the product line if a product was found to not be effective for its original intended indications and/or, based on available capital, we may expand the product line to address certain other indications including oncology, psychiatry and gastrointestinal therapeutic indications. In these circumstances, additional time and funds would be necessary to complete phase II trials for such other products.

Costs of clinical studies for our pharmaceuticals will depend on certain variables including, number of products tested, number of patients in the trial, and number of staff. These particulars are determined based on the requirements of the specific product and end goals sought.

Our pharmaceutical products will be manufactured, first, in test batches for use in our clinical trials, and then, provided the products successfully complete the process, for distribution to end users by Altea under the terms of the Altea Manufacturing Agreement that is further described below under the heading *"Our Products – Manufacturing and Selling Phyto-therapeutics in Colombia"*.

Drug Discovery and Development Process

Pharmaceuticals refer to medicinal drugs and include both prescription and non-prescription drugs (such as over-the-counter painkillers or allergy medicine). These products are governed by strict regulatory oversight and it is usually each country's respective medicine, drug, or health agency that is charged with ensuring the safety and efficacy of medicinal drugs before approving them for use by the public. In Canada, Health Canada is the agency responsible for the review of drug applications; in Colombia INVIMA is the relevant government agency. This section provides a general description of the main steps involved in the drug development process.

Drug Discovery and Initial Research

A product is first formulated in the laboratory using specific compounds and/or molecules that researchers have identified through prior research, which can include laboratory experimentation, new information regarding disease processes, new technologies, or educated conclusions based on review of publications and information such as anecdotal evidence. The formulation is developed to treat, mitigate, or prevent a disease, disorder, abnormal physical state, or its symptoms.

Pre-clinical Studies

Once the researchers have identified a promising formulation, they perform testing for stability, activity, efficacy and toxicity and ultimately, gather preliminary information on its effectiveness and safety. Laboratory tests are carried out in tissue culture (*in vitro*) and selected species of small animals (in vivo) to determine the effects of the drug. The drug is given to animals in various amounts and over different periods of time. If it can be shown that the drug causes no serious or unexpected harm (toxicity) at the doses required to have an effect, the manufacturer will proceed to clinical trials, which is the next stage of development.

Clinical Trials

All drugs authorized to be marketed or sold must have been studied in clinical trials. The information gathered from these trials is then included in the relevant regulatory dossiers to be reviewed for the drug to be eventually authorized for sale by the government agency responsible for doing so. The results of clinical trials conducted in humans are key components of the review process by these government agencies. The purpose of a trial is to gather clinical information about a drug's effectiveness and safety, determine best dosing/usage in humans, evaluate any adverse drug reactions and compare results to already existing treatments for the same disease or condition or to placebo when no treatment already exists for the aimed pathology (when ethically possible).

Clinical trials are done in phases. Each phase has a different purpose and helps researchers answer specific questions.

Phase I – The Safety Phase	These trials test an experimental drug on a small group of people for the first time. The purpose is to: • assess the drug's safety • find out what a safe range would be for dosage • identify side effects
Phase II – The Effectiveness Phase	The drug is given to a larger group of people (usually 100 or more) to: • obtain preliminary data on the effectiveness of the drug for a particular disease or condition • further assess the drug's safety • determine the best dose
Phase III – The Confirmation Phase	The drug is given to even larger groups of people (usually 1,000 or more) to: • confirm its effectiveness • monitor side effects • compare it to commonly used treatments • collect information that will allow the drug to be used safely on the market
Phase IV – The Monitoring Phase	These trials are done after the drug is approved and is on the market. They gather information on aspects including the optimal way to use a drug, and the long-term benefits and risks.

Our pharmaceutical products currently in development are at various stages of pre-clinical development, and we expect to start phase I trials on many of our products in 2019, all as more particularly outlined in the following table.

Pharmaceuticals					
Product Type	**Neurology**	**Dermatology**			**Pain**
Product	AVCN319301[16]	AVCN585501	AVCN583301	AVCN583601	AVCN467501[17]
Description	Multi-dose sublingual cannabinoid oral formulations for neuropathic pain and intended to be a prescription drug	Topical product used for acne and intended to be an OTC drug	Topical product used for eczema and intended to be an OTC drug	Topical product containing CBD for dermatological indications intended to be a prescription drug	Multi-dose immediate release cannabinoid oral formulations for chronic pain and intended to be a prescription drug

[16] Lead candidate product for the treatment of neurological disorders.

[17] Lead candidate product in the area of pain pharmaceuticals.

Pharmaceuticals					
Product Type	**Neurology**	**Dermatology**			**Pain**
Applicable R&D Agreements	Optimization: U of T Sponsored Research and Collaboration Agreement	Optimization: U of T Sponsored Research and Collaboration Agreement	Optimization: U of T Sponsored Research and Collaboration Agreement	Optimization: U of T Sponsored Research and Collaboration Agreement	Optimization: U of T Sponsored Research and Collaboration Agreement
	Clinical Testing [2]: U de A Framework Agreement for phase I, possibly UWI for phase II (Intervention study) depending on results	Clinical Testing[2]: CAIMED Framework Agreement	Clinical Testing[2]: CAIMED Framework Agreement	Clinical Testing[2]: SickKids	Clinical Testing[2]: U de A Framework Agreement for phase I, possibly UWI for phase II (Intervention study) depending on results
Development Status	Phase I is expected to commence at the U de A in the fourth quarter of 2019 with the data from this study informing further development and intended use for this product.	Commencing phase I studies in second half of 2019 with phase II to commence immediately after completion of phase II.	Commencing phase I studies in second half of 2019 with phase II to commence immediately after completion of phase I.	Completed animal pharmacokinetics and toxicology studies and expect to enter into a clinical trial at SickKids in Q4 of 2019 [2].	Conduct animal efficacy studies in late 2019 which will be followed up by phase I trials. Results of phase I will determine if Phase II is conducted.
Applicable Regulatory Approvals / Regulatory Oversight	INVIMA and ethics approvals are expected to be obtained in the third quarter of 2019.	INVIMA and ethics approvals are expected to be obtained in the third quarter of 2019.	INVIMA and ethics approvals are expected to be obtained in the third quarter of 2019.	SickKids is targeting to submit their application to Health Canada before the end of July 2019.	INVIMA and ethics approvals are expected to be obtained in the third quarter of 2019.
Budget[1]	We have budgeted $150,000 for the completion of the phase I studies.	Phase I studies for both products are anticipated to cost $250,000.		$240,000 has been budgeted to conduct and complete the clinical trial at SickKids. It is expected that $172,000 of this amount will be expended over the next 12 months.	We have budgeted $150,000 for the completion of the phase I studies.

Notes:

(1) Amounts listed represent the anticipated costs of the phase I or clinical trial, as applicable. These amounts will be expended over a period greater than 12 months and as such may not correspond the amounts required to be paid under our R&D agreements over the next 12 months as listed under the table entitled "*Summary of our R&D Agreements*". See also "*Use of Available Funds*".

(2) The phase I trials will be run by the party to the applicable contract.

Phyto-therapeutics

Our phyto-therapeutic products consist of cannabis plant Extracts designed for medical or homeopathic use, but are not pharmaceuticals or drugs. The legalization of cannabis for medical purposes in several countries and in certain states in the U.S. allows for the production of certain phyto-therapeutic products such as oil tinctures, creams, capsules and patches in various ratios of THC and CBD. In these jurisdictions, patients must get approval from healthcare professionals to use cannabis for medical purposes. These are not prescriptions in the traditional sense where the products have been approved and are regulated as medicinal drugs, but rather healthcare professionals grant authorization to patients to use cannabis for medical purposes. Some jurisdictions have an approved list of conditions for which healthcare professionals must assess the patient before granting their authorization for the patient's access to cannabis.

Phyto-therapeutic cannabinoid-based products are legal in Colombia pursuant to decree 613 of 2017, and according to decree 1156 of 2018 which regulates phyto-therapeutic products, it is permitted to use full spectrum cannabis resin to manufacture phyto-therapeutic products. On May 9, 2019, we received confirmation of genetic registration for three strains of psychoactive cannabis and one strain of non-psychoactive cannabis. Now that we have completed our genetic registration with respect to certain strains, we are permitted to manufacture products through Altea. See "*Manufacturing and Selling Phyto-therapeutics in Colombia*" below.

Stability Testing

We plan to conduct stability testing which is anticipated to take three months. Our testing will provide pharmacological support to our therapeutic products to allow us to apply for registration of the Pura Element products with INVIMA. INVIMA has a three month response time to approve applications. This process is required in order to be able to sell products as "over-the-counter" sales and support claims of our products. We are currently growing the necessary plants to make the Extracts required for the stability testing of our CBD only phyto-therapeutic products. We expect to begin stability testing for our THC based phyto-therapeutic products once a quota to cultivate psychoactive cannabis for research purposes is obtained. Stability testing includes the production of three batches of each dosage form and product in both phyto and derma-cosmetics products in small volumes (for example, 500 grams). Samples of individual batches are then separated into final product packages (for example, 50 milliliters), and subsequently tested under intense conditions. The remaining samples are split into two conditions: (i) room temperature; and (ii) warm temperature (over 40 degrees centigrade) and are then tested at specific periodic intervals to ensure product quality and CBD integrity. See also "*Our Products – Derma – cosmetics*".

Manufacturing and Selling Phyto-therapeutics in Canada

In Canada, there are a variety of conditions for which a doctor may provide a medical authorization or administer cannabis for medical purposes. Medical cannabis products are currently limited to: dried cannabis, oil tinctures (cannabis whole plant extract resin and medium chain triglycerides oil), and capsules (tinctures in a capsule). One June 14, 2019, Health Canada published the Edibles Regulations permitting the production and sale of additional cannabis products, including Extracts, which we expect may be used as ingredients in phyto-therapeutic products. Health Canada has advised that the Edibles Regulations will come into force on October 17, 2019, although the date on which the first cannabis Extracts come to market may be significantly later due to licence amendment and new product notification requirements set out in the Edibles Regulations. In anticipation of Health Canada's regulation of these more advanced cannabinoid products, we have entered into a manufacturing and distribution agreement with Dvine, a GMP manufacturer, as described directly below. In Canada, under the Cannabis Act, licenses and permits authorizing the importation or exportation of cannabis may be issued only in respect of cannabis for medical or scientific purposes. Neither SMGH nor SN have applied for export permits to any jurisdiction to date. See: "*Our Products – Exportation of our Products*".

Dvine Manufacturing and Distribution Agreement

On July 5, 2018, we entered into an agreement with Dvine, which operates a contract manufacturing facility located in Lindsay, Ontario. Dvine's facility has been granted certifications for manufacturing and laboratory services, including ISO 9001, cGMP, and ISO 17025. Dvine has also recently been granted its natural health products site licence and Avicanna understands that it intends to apply for an analytical testing licence, a research licence, and a cannabis drug licence under the Cannabis Act and Cannabis Regulations.

Under the agreement, it is anticipated that Dvine will manufacture and distribute our products for research and other drug products in Canada, as their only cannabinoid products, subject to the appropriate manufacturing, sales, and marketing authorizations being granted by Health Canada and subject to certain minimum orders. Dvine has not yet applied for any such authorizations and is reviewing the Edibles Regulations prior to seeking such authorizations.

Dvine will charge a "cost plus" basis to manufacture and distribute the products where Dvine will be reimbursed for its expenses and a specific percentage of the profit from sales. The initial term of the agreement is three years, with renewal terms of two years each, if agreed to by the parties at least 90 days before the expiry of the applicable term.

Manufacturing and Selling Phyto-therapeutics in Colombia

In Colombia, we intend to use the Extracts to be produced by SN and SMGH in our phyto-therapeutic products. Our aim is to manufacture the phyto-therapeutic products through a contract manufacturer, Altea, and to subsequently distribute the phyto-therapeutic products through pharmacies under our Pura Elements™ brand. Our Colombian operations are anticipated to also serve as a base to export the Pura Elements™ product line to markets that will permit the corresponding importation of such products. However, we have not currently entered into any agreements with respect to exportation. See: "*Our Products – Exportation of our Products*".

In addition to the licencing requirements of the MJL and the Ministry of Health for the cultivation and production of medicinal cannabis, in order to be able to sell our phyto-therapeutics we will also be required to manufacture the products in a lab certified by INVIMA and INVIMA will evaluate the products and the scientific evidence supporting the medical claims associated with any product. INVIMA is still defining the guidelines and expectations of evidence to be able to approve such products in the market. This process is expected to continue throughout 2019. See "*Our Products – Phyto-Therapeutics*".

Effective December 11, 2018, we entered into a manufacturing agreement (the "**Altea Manufacturing Agreement**") with Altea pursuant to which Altea will be the exclusive manufacturer of Avicanna products in Colombia. The initial term of the Altea Manufacturing Agreement is five years, with automatic renewal terms of three years each, unless terminated by either party at least 12 months before the expiry of the initial term or each renewal term. Under the Altea Manufacturing Agreement, Altea has committed to exclusively manufacture products containing cannabinoids for Avicanna, subject to certain minimum order quantities purchased from Altea on an annual basis. Altea has also agreed to maintain its current suite of government and regulatory compliances and approvals for its facility and manufacturing for its environmental management system and pharmaceutical production capabilities, including INVIMA for Good Laboratory Practices, Bureau Veritas for ISO 14001 environmental management system, (Australia) for Good Manufacturing Practices, ANVISA (Brazil) for Good Manufacturing Practices, and Health Canada for Good Manufacturing Practices which is necessary for the manufacturing of our pharmaceuticals and phyto-therapeutics.

Under the Altea Manufacturing Agreement, Altea will manufacture, analyze, package, label, store, and release our phyto-therapeutic and derma-cosmetic products for distribution or export. Altea has committed to following GMP standards in the manufacture of our products and to seek and maintain regulatory approvals as required for the manufacture and export of our products to suitable jurisdictions. In addition, under the Altea Manufacturing Agreement, Altea will also manufacture our pharmaceutical products for use in our clinical trials. See "*Our Products – Pharmaceuticals*" above and "*Our Products – Manufacturing and Selling Derma-cosmetics in Colombia*" and "*Our Products – Exportation of our Products*" below.

Currently, we have the following phyto-therapeutic products developed:

<table>
<tr><th colspan="8">Phyto-therapeutics</th></tr>
<tr><th>Product</th><th>Sub-lingual spray</th><th>Capsules</th><th>Oil tinctures</th><th>Topical cream</th><th>Topical gel</th><th>Tablets</th><th>Patches</th></tr>
<tr><td>Description</td><td>CBD only

High CBD, Low THC

High CBD, High THC</td><td>CBD only

High CBD, Low THC

High CBD, High THC</td><td>CBD only

High CBD, Low THC

High CBD, High THC</td><td>CBD only</td><td>CBD only

High CBD, Low THC</td><td>CBD only

High CBD, Low THC

High CBD, High THC</td><td>CBD only

High CBD, Low THC

High CBD, High THC</td></tr>
<tr><td>Status</td><td colspan="7">Formulations for these products are all complete.

Colombia: We plan to manufacture our first test batch of phyto-therapeutics for stability testing in 2019. We have started cultivating and once the current crop has been harvested we will begin extracting the CBD needed for the CBD only variants of these products. We have completed the technical transfer of all products to be manufactured by Altea both for testing and commercial scale production purposes. We will first produce test batches for stability testing. Registration of these products with INVIMA is required before bringing these products to market. We expect these products to be coming to market in 2020. See "Our Products – Phyto-therapeutics – Manufacturing and Selling Phyto-therapeutics in Colombia".

Canada: Phyto-therapeutics will be permitted for legal sale under and pursuant to the Edibles Regulations which will be enacted on October 17, 2019. We are currently considering the most cost efficient way to distribute our products within Canada but we have not yet made any definitive plans.</td></tr>
<tr><td>Costs to bring to market</td><td colspan="7">Colombia: It is currently anticipated that it will cost approximately $130,000 to transfer the technical data and know-how to Altea for formulations and product runs (such cost includes our other products being manufactured by Altea). Once this process is complete, Altea will manufacture a test batch of products. We anticipate Altea will charge approximately $8.60 per unit to manufacture these products. This transfer fee covers all of our products, including pharmaceutical and derma-cosmetics.

Canada: There is no initial technical transfer fee under the agreement with Dvine. Under the agreement with Dvine, Dvine will manufacture and distribute our products on a "cost plus" basis. No manufacturing or distribution is anticipated to occur in Canada in 2019.</td></tr>
</table>

Derma-cosmetics

Derma-cosmetics are products with a more cosmetic purpose, generally topical in nature and designed to achieve a specific aesthetic objective. Our derma-cosmetic products are formulated to maintain and improve the health and beauty of the skin. We are focused on high-end cosmetic formulations supported by research data as a way to differentiate our product line from those of our competitors. We intend to market our derma-cosmetic products using our Pura Earth™ brand.

We have developed a line of derma-cosmetics that include beauty treatments, moisture and protection products, and specialized care. They are intended to be marketed under various product names, depending on the particular jurisdiction that may permit their sale. These derma-cosmetics products have finalized formulations and the ingredients and the way that they are made are trade secrets to Avicanna. See "*Our Intellectual Property*".

We believe the market potential for CBD-based derma-cosmetic products is promising, especially for companies that can control supply of the Extracts to use in their finished products. We plan to offer our products, in markets that will permit imports, at what we believe is at a competitive cost with quality and data advantages, given our research initiatives behind our products. In markets which require locally sourced Extracts (such as Canada), we intend to licence to contract manufacturers and distributors for local sale.

Derma-cosmetics – Colombia

We intend to use our Colombian operations as a hub for export to countries that regulate cosmetics containing cannabinoids. In cases where we cannot export from Colombia, we will explore ways to find and use a strategic local partner to manufacture and distribute our products in the relevant market. See: "*Our Products – Exportation of our Products*".

INVIMA has accepted mandatory health notices, which allow the commercialization of cosmetic products containing CBD in Colombia. On July 18, 2018, we filed mandatory health notices (*notificaciones sanitarias obligatorias*, "NSO") for seven derma-cosmetic products in Colombia with INVIMA containing CBD and we filed two more on December 4, 2018, as detailed in the table below. These health notices grant us the authority to commercialize the following nine products under our Pura Earth™ brand.

Derma-cosmetics									
Product	**Clarifying Cream (aka Dark Spots)**	**Anti-Aging Cream**	**Eye Contour Cream**	**Intensive Emollient Cream**	**Creams for Skin with Blemishes**	**Body Lotion**	**Facial Lotion (AM)**	**Facial Lotion (PM)**	**Anti-Aging Serum**
Mandatory Health Notices	NSOC86610-18CO	NSOC86608-18CO	NSOC86599-18CO	NSOC86609-18CO	NSOC86600-18CO	NSOC86594-18CO	NSOC86606-18CO	NSOC89512-18CO	NSOC89511-18CO
Status	Formulations are complete. Now that we have completed the characterization process for one strain of non-psychoactive cannabis we are currently cultivating and extracting the CBD required for our derma-cosmetic products. These products will be manufactured by Altea and distributed by Percos. We have completed the technical transfer of all products to be manufactured by Altea both for testing and commercial scale production purposes. We manufactured our first test batch of derma-cosmetics in Q2 2019 for initial microbial and stability testing. The results of which indicated that the products meet our minimum quality standards developed internally, which substantially follow the standards								

	prescribed by the European Union Cosmetic Regulations. Based on indications from Percos, we anticipate that these products will be on the market before the end of 2019.
Costs to bring to market	Similar to our phyto-therapeutics, our derma-cosmetics will be manufactured by Altea on a "cost plus" basis. For an example of "cost plus" basis, see the description under the subheading "Manufacturing Agreement" earlier in this Prospectus. Based on early indications from Percos, we believe that our first order of derma-cosmetics will cost $130,000.

INVIMA is a regulatory authority created under the Colombian Ministry of Health. INVIMA is in charge of granting the health notices, inspecting and supervising the marketing, as well as manufacturing, of all health products within Colombia. INVIMA is responsible for identifying and evaluating any violation of health standards and procedures, in addition to implementing best practices and providing cosmetic approval for the import and export of products.

Cosmetic products in Colombia are regulated by supranational regulations emanating from the Andean Community (a group of trading nations including Colombia, Bolivia, Ecuador and Peru) and by national regulations, which are applicable without contravention of what is established is the Andean regulations (Andean Decisions 516 of 2002 and 833 of 2018). Marketing of cosmetic products in Colombia requires compulsory health notices to INVIMA, which may perform subsequent control. The permitted ingredients in cosmetic products in Colombia and their corresponding restrictions or conditions of use are those allowed in the following reference lists: lists and rules issued by the FDA, ingredient lists of The Personal Care Products Council and Cosmetics Europe - The Personal Care Association, and directives or regulations of the European Union Directives (CosIng) that refer to cosmetic ingredients. In the case where one ingredient is allowed in a reference list and prohibited in the other, INVIMA accepts the use of the ingredient in the cosmetic product.

Manufacturing and Selling Derma-cosmetics in Colombia

As noted earlier, Altea will manufacture, analyze, package, label, store and release our derma-cosmetic products for distribution.

We have also entered into an agreement with Percos S.A. pursuant to which we have appointed Percos as the exclusive distributor of Pura Earth™ derma-cosmetics products in Colombia, subject to certain minimum sales volumes.

Percos is the largest cosmetics distribution company in Colombia and is dedicated to the development and commercialization of dermatological, derma-cosmetic and cosmetic products for the hair, face and body. Percos distributes well-known brands including Pierre Fabre (France), Avene, Dhems, Klorane, Aderma, Ducray, Elancyl, Rene Furterer, and Almay de Revlon.

Altea will charge a "cost plus" basis to manufacture and distribute the products. Altea costs the products based on raw materials costs (both ingredients and packaging materials), manufacturing and quality process plus their production margin. Altea takes care of all materials to assure validated sourcing and quality and to maintain reproducibility between commercial batches around the world. Orders for manufacturing will be placed once Percos determines its initial demand. Based on initial indications of demand from Percos and pricing from Altea, we anticipate the first order from Percos will be 15,000 units. We are scheduling to deliver the first batch of CBD Extracts to Altea in August of 2019. We have been advised that production of the first order should take approximately one week following delivery of the necessary Extracts. The total cost outlay charged by Altea to manufacture this amount would be $130,000 which would include cost of ingredients, manufacturing, quality control analysis and testing and packaging.

The gross revenue from this first order is anticipated to be $170,000 to be paid to us within 70 days of delivery to Percos. We have sufficient funds in our budget to fund the first Percos order. See "*Cultivation – Extracts*" and "*Use of Available Funds*".

Canadian Derma-cosmetics

On June 14, 2019 Health Canada published the Edibles Regulations for the regulation of additional cannabis products, including topicals which are defined in the Edibles Regulations as "products that include cannabis and that are intended to be used exclusively on external body surfaces, specifically skin, hair and nails". This class of products includes cosmetics containing cannabis. Cannabis topicals will be added to the list of classes of cannabis which may be sold in Canada under the Cannabis Act. The Edibles Regulations will come into force on October 17, 2019, although the date on which the first cannabis topicals first come to market may be significantly later due to licence amendment and new product notification requirements set out in the Edibles Regulations. In anticipation of Health Canada's regulation of these more advanced cannabinoid products and the ability to sell cosmetics containing CBD, we have contracted with Dvine, a GMP manufacturer, to prepare for such a market by outsourcing manufacturing, marketing and sales to Dvine. No derma-cosmetics are anticipated to be manufactured or sold by us in Canada in 2019. In Canada, under the Cannabis Act, licenses and permits authorizing the importation or exportation of cannabis may be issued only in respect of cannabis for medical or scientific purposes. Neither SMGH nor SN have applied for export permits to any jurisdiction to date. See "*Our Products – Manufacturing and Selling Phyto-therapeutics in Canada – Dvine Manufacturing and Distribution Agreement*" and "*Regulatory Framework – Canada*" and "*Our Products – Exportation of our Products*".

Bringing our Products to Market

The following table outlines the milestones and the anticipated timeline of bringing our products to market.

Product Class	Time to Production	Time to Market
Pharmaceuticals	We have the necessary genetic registration to produce the pharmaceutical products that use a CBD only formula. For example, the pharmaceutical product required for the SickKids clinical trials is a CBD only formula and we intend to produce test batches of this product for the trials that will commence upon approval from Health Canada. See "*Research and Development – Summary of R&D Agreements*". In order to produce test batches of the pharmaceutical products that use THC, we must first receive the quotas required. See "*Cultivation – Genetic Registration Process in Colombia*".	Most of our pharmaceutical products are in the pre-clinical phase other than the product for the SickKids study which has advanced past the pre-clinical phase. SickKids has advised that they will be submitting an application to Health Canada for approval of the trial before the end of July 2019. Please see an explanation of the process required to bring pharmaceuticals to market under the heading "*Our Products – Pharmaceuticals – Drug Discovery and Development Process*" in this Prospectus. This process is long and we cannot currently anticipate when our pharmaceutical products will be available for production and sale. In Canada, under the Cannabis Act, licenses and permits authorizing the importation or exportation of cannabis may be issued only in respect of cannabis for medical or scientific purposes. Neither SMGH nor SN have applied for export permits to any jurisdiction to date.

Product Class	Time to Production	Time to Market
Phyto-therapeutics	We have the necessary genetic registrations to produce the phyto-therapeutic products that use a CBD only formula. See "*Our Products – Phyto-therapeutics*". In order to produce test batches of the phyto-therapeutic products that use THC, we must first receive the quotas required. See "*Cultivation – Genetic Registration Process in Colombia*".	We have seven main product formulations ready under our Pura Elements™ line of phyto-therapeutic products. We anticipate these products coming to market in Colombia in 2020.
Derma Cosmetics	We have the necessary genetic registration to produce all of our derma-cosmetic products as the formulations of these products do not contain THC.	We have nine derma-cosmetic products ready for production for sale in Colombia under our Pura Earth ™ brand. We are actively cultivating and once harvested, we will extract the cannabis Extracts needed to formulate these products. Our first batch of these products is anticipated to be manufactured and ready for distribution before the end of 2019.

Exportation of our Products

Both SMGH and SN have been issued licenses that allow for the export of cannabinoid containing products to any country permitted to import cannabinoid containing products. The obligation to obtain import permits rests with the recipient in the destination country. SMGH and SN are not required to apply for export permits until the recipient has obtained an import permit. Importing jurisdictions will have their own regulations with respect to the importation and exportation of cannabis, for example, in Canada, under the Cannabis Act, licenses and permits authorizing the importation or exportation of cannabis may be issued only in respect of cannabis for medical or scientific purposes. Neither SMGH nor SN have applied for export permits to any jurisdiction to date.

CULTIVATION

Background

As we continued to expand the R&D of our products, we found that the cannabis resins and extracts presented a significant expense and were often inconsistent, even when purchased from the same licensed producer. To ensure quality and consistency of our products, we expanded our R&D to distillation and isolation processes that would result in purified compounds required for the formulation of our products.

After reviewing the Colombian regulations, it became apparent that the framework fit very well into our business model. Key benefits to the Colombian framework are that it was an extract-only market that would only allow the sale of extracted cannabis and further downstream products for within country or for export and, very importantly, authorized research on products at a much lower cost than would be available in

Canada. A Colombian operation would also provide us with access to our own supply of raw material at a quality that we would be able to control, which is essential for controlled development of our products.

It quickly became apparent that we could realise cost savings by acquiring ownership interests in the cultivators we were currently partnering with and we proceeded to acquire large ownership interests in two Colombian cultivators (SN S.A.S. and SMGH S.A.S.), which have facilities located within a few kilometres of each other. We decided to make this investment to realise cost savings and to ensure that we were able to maintain a controlled environment in which we can cultivate cannabis in a manner that provides consistent, low-cost cannabis that is optimized for use in our R&D activities.

SN and SMGH are focused on commercial cannabis and are both located in Santa Marta, Colombia in the foothills of the Sierra Nevada Mountains. The location offers 12 hours of daily sunlight year-round, while the tropical weather of Santa Marta and micro-climate of the Sierra Nevada Mountains provide optimal conditions to maximize the number and amount of harvests. Access to cost efficient energy sources and construction labour allow for affordable expansion and production. Both companies also have easy access to the local Santa Marta shipping port which is expected to provide low cost shipping for export. See "*Avicanna – Our History – Acquisitions*" and "*Our Products – Exportation of our Products*".

SN and SMGH focus on cultivating high yielding THC and CBD plants, and the production of Extracts to be made available for manufacturing of our products and wholesale distribution.

Although we are still in the registration and quota-setting phase of development, we have the infrastructure in place to commence cultivation and production of Extracts upon receipt of the required regulatory approvals. In the next few years, we intend to allocate a large portion of our resources to our Colombian cultivation subsidiaries. While our Colombian subsidiaries will focus on large-scale cultivation, any extraction and further refinement or purification of the Extracts is expected to be completed by our proprietary methods and processes developed by our R&D activities. We expect our Colombian subsidiaries to add value to our business by supplying the Extracts required for the manufacture of our products. See "*Cultivation – Genetic Registration Process in Colombia*" and "*Our Products*".

Cultivation, Processing and Extraction Facilities

Currently, the SN facilities include 50,000 square feet of shadehouse and 20,000 square feet of customized greenhouse space that are being used for cultivating plants that are undergoing the characterization process to register the genetics that would permit SN to grow plants on a commercial basis. Currently, the production capacity is 250 kilograms of dried flower each month.

We are currently expanding the shadehouse area of the SN facilities to approximately 100,000 square feet of total shadehouse space readily available for cultivation. The projected production capacity upon completion of construction is approximately 500 kilograms of dried flower each month, based on an average estimated capacity of five grams per square foot of shadehouse space. See: "*Cultivation – Our Cultivation Business – Summary*", "*Cultivation – Investment in Cultivation*" and "*Use of Available Funds*".

The SMGH site currently includes 200,000 square feet of shadehouse space and 20,000 square feet of customized greenhouse space with a production capacity of 1,000 kilograms of dried flower per month. The SMGH site also has a post-harvest processing laboratory which includes extraction, distillation, and isolation of cannabinoids in addition to analytical testing and quality control. Our current extraction and laboratory infrastructure has the capacity to process up to 300 kilograms of dried cannabis flower per day and allows us to have different fractionations of cannabinoids with different concentrations and purities for various Extracts, including resins, distillates and isolates.

We plan to increase the size of the laboratory and cultivation facilities with the goal of the SMGH site being our main site for cultivation and extraction starting in the third quarter of 2019. The total cultivation capacity is planned to be approximately 270,000 square feet of shadehouse and 20,000 square feet of greenhouse. The total estimated production capacity of SMGH, after this construction is complete, is approximately 1,400 kilograms of low cost and sustainable cannabis dried flower per month, based on an average capacity of 600 grams per square foot of canopy. The SMGH cultivation centre will operate using GACP and is preparing to achieve organic certifications. The application for these certifications has been submitted and preliminary site visits have been completed. We are expecting to receive these certifications before the end of the 2019 calendar year. We note that these certifications are not required but we believe that they will differentiate us from our competitors.

Extraction and refinement (distillation and isolation) are done using processes developed by Avicanna R&D activities and are thus commercially sensitive proprietary information to Avicanna. In November 2018, we produced 99% pure CBD isolate from a pre-characterization harvest.

We plan to expand our laboratory facilities by constructing an additional laboratory facility which will be used for post-harvest processing under GACP and will include a 6,000 square foot extraction and analytical laboratory facility using GMP and Good Laboratory Practices. We expect construction of this laboratory to be completed by the end of 2019. This proposed new facility is designed to have the capacity to process up to 700 kilograms of dried cannabis flower per day in additional to the capacity of the analytical laboratory. SMGH's analytical laboratory is intended to maintain internal quality control and quality assurance of the Extracts it produces. These analytical testing methods and processes will be our proprietary intellectual property and know-how for extraction and purification (distillation and isolation) of the cannabinoids from the dry flower. See: "*Cultivation – Our Cultivation Business – Summary*", "*Cultivation – Investment in Cultivation*", "*Use of Available Funds*" and *"Our Intellectual Property – Development and Management Plan"*.

Extracts

One of the primary reasons for our cultivation activities is to grow the cannabis plants required to create the Extracts we will use to formulate our products. The cannabinoids that we use in our products are plant-derived, meaning that they are extracted from the cannabis sativa plant and are prepared in several fractionations with different cannabinoid purities using proprietary chemical processes to achieve levels of purity that can range from 50% (whole plant extract crude oil) to 80% (distillate) to greater than 99% (isolates). Using isolates in our products allows us to negate the variation that arises from using different strains or genetics of cannabis and, therefore, maintain consistency so that products are similar to a high level of precision, supported by a certificate of analysis through a manufacturer validation process. Isolates are the main Extracts in our products wherever regulations permit.

Colombia has not adopted any quality standards with respect to the production of Extracts and does not currently impose any auditing standards on the production of Extracts. We have voluntarily opted to follow the standards set out by Health Canada as we believe they are highly respected throughout the industry, however we are not required to comply with these standards and no audit will be conducted or is required to be conducted by Health Canada with respect to our compliance with these standards. We are in the process of acquiring specialized equipment to be able to perform the necessary testing on site to meet the Health Canada standards. If Colombia were to adopt quality standards similar to those prescribed by Health

Canada, a Colombian regulatory body such as ICA or INVIMA would be in charge of any compliance audit. See "*Cultivation – Investment in Cultivation*" and "*Use of Available Funds*".

Once a crop of cannabis plants are harvested, the flower needs approximately one week to dry prior to extraction. Our extraction method takes approximately one week to complete. We anticipate that we will require 3.7 kilograms of CBD-based Extracts to produce our first batch of derma-cosmetics. The plants that we are currently growing should produce approximately 50 kilograms of CBD Extract. We intend to grow our non-psychoactive strains and, once the required quotas are obtained, our psychoactive strains, continuously to be prepared to meet the demand of our products. Based on these expectations, we believe that we would continuously produce more Extract than is needed to formulate our products. This fact will allow us to keep up with demand increases, if any, and sell our Extracts to third parties should we chose to do so. See "*Our Products – Derma-cosmetics*".

The cost for Extracts remains relatively expensive even at a wholesale level. However, we anticipate that Extracts will be traded as a commodity and the global potential market for Extracts is increasing. The Extracts market can be subdivided into resin/whole plant extracts crude oil (30-50% purity of the target compounds), distillates (60-80% purity of the target compounds), and isolates (above 95% purity of the target compounds). Those companies that have good extraction, distillation and isolation capabilities will be able to provide product at all three levels.

We plan to increase the scale and volume efficiencies of our Colombian subsidiaries to produce cannabis Extracts at low cost relative to other jurisdictions, such as Canada, specifically given the inherent advantages in cultivating a plant in Colombia versus Canada.

The applicable regulations in Canada allow for the import of Extracts or finished products containing Extracts to be used for research and clinical development, but not for distribution, subject to the issuance of the appropriate authorizations and import permits under the *Food and Drugs Act* or, where applicable, the Cannabis Act*.* To maintain the consistency in product that we intend to eventually distribute (especially pharmaceutical products), we intend to consult with and apply to Health Canada for authorization to import either: (i) extracts from our subsidiaries in Colombia for use in manufacturing our products in Canada, which will be placed in clinical studies; or (ii) our finished products, manufactured by Altea, from Colombia for use in clinical studies. Where permissible under the applicable regulations and where doing so will assist us in carrying out these proposed activities, we may also partner with organizations that are already authorized to obtain import permits for Extracts for these purposes. See "*Avicanna – Industry Competition*". In Canada, under the Cannabis Act, licenses and permits authorizing the importation or exportation of cannabis may be issued only in respect of cannabis for medical or scientific purposes. Neither SMGH nor SN have applied for export permits to any jurisdiction to date.

Licences and Quotas

Under Colombian law there are four types of cannabis licences that authorize different activities concerning the various stages of the production line of the medical cannabis industry: (i) the Cultivation of Psychoactive Cannabis Licence; (ii) the Cultivation of Non-Psychoactive Cannabis Licence; (iii) the Cannabis Seed Possession Licence; and (iv) the Manufacturing of Cannabis Derivatives Licence. Each of these licences must be issued by the Ministry of Health or the MJL in a term of 30 days, provided all the legal requirements are duly met; this term will be longer in case the corresponding ministry requests information. In accordance with Colombia's international obligations, there is a limit on the amount allowed for cultivation assigned by the Colombian Government (crop quotas) that must be requested when having a Cannabis Psychoactive Cultivation Licence. The activities of cultivation and manufacturing can only be started once the specific quotas have been granted to the licensee.

Once the cultivation licence has been secured, licensees are required to characterize the genetics of the plants before the ICA in order to request registration of the genetics and applying for quotas. Upon approval, licence holders may begin agronomical testing and take descriptors of the genetics during the vegetative stage and flowering stage of growth which typically spans over four months. Within 30 days of completing the agronomical testing the results are to be presented to the ICA for approval. The ICA is required to respond to applications within 15 working days and may grant 15 additional working days to respond to the ICA's requests. Once the ICA approves the results of the agronomical testing of the genetics, licence holders should apply to register the genetics whereby a resolutions and national herbarium certificate is issued for each genetic. See "*Cultivation – Genetic Registration Process in Colombia*".

Quotas are granted by the MJL. There are two types of quotas: (i) crop quotas of psychoactive cannabis (applicable to licences of the Cultivation of Psychoactive Cannabis licensees) that are granted by the MJL; and (ii) the manufacturing quotas of psychoactive cannabis (applicable to the licences of Manufacturing of Cannabis Derivatives licensees that will manufacture psychoactive cannabis) that are granted by the Ministry of Health. Cultivation or manufacturing quotas cannot be obtained until genetic characterization and registration is complete.

We are required to request these quotas no later than the last calendar day of April in each year, and, if they are granted by the applicable authority, they can only be used during the next calendar year (for example, an application made in March 2018 will allow the licensee to use the quota from January 1, 2019 to December 31, 2019). Quotas are valid for one year and must be applied for on an annual basis. See "*Regulatory Framework – Colombia – Licences and Authorizations*".

We cannot guarantee a time expectation to receive a quota to cultivate psychoactive cannabis because we have no control over the review process. Based on standard response time in the industry, we expect to receive a quota within two months of filing the application.

A quota is based on demand, not the production capacity of the facilities. In the event a quota is insufficient to meet our demand, we can apply for a supplementary quota by providing supporting evidence of the need to increase the quota to meet the demand. In order to obtain a quota, we must first show evidence of a quantifiable demand. Following this principle, if our demand increases, we may apply for a supplementary quota to meet the demand. If the supplementary quota granted is not sufficient to produce the THC products, those products will not be produced and we will focus on producing and selling our products which are produced using CBD from the non-psychoactive plants which do not require quotas.

The following is a summary of the licences and quotas granted or applied for by SN and SMGH:

- *Cultivation of Psychoactive Cannabis Licence*

  SN was granted a licence for the cultivation of psychoactive cannabis from the MJL on December 29, 2017 pursuant to resolution number 1102 and amended the licence on July 24, 2018 to include the production of grain as well amending the named Legal Representative of SN pursuant to resolution number 674.

  SMGH was granted a licence for the cultivation of psychoactive cannabis from the MJL on November 24, 2017 pursuant to resolution number 973 and amended the license on June 1, 2018 to permit the cultivation of psychoactive cannabis for scientific purposes.

The Cultivation of Psychoactive Cannabis Licences grant SN and SMGH the right to cultivate psychoactive cannabis plants for: (i) production of seeds for sowing; (ii) grain production; (iii) manufacturing cannabis derivatives; and (iv) scientific purposes.

The MJL granted SMGH quotas for the 2018 calendar year for scientific purposes pursuant to resolution number 713 granted on July 31, 2018 which permitted SMGH to cultivate 171 plants for pre-evaluation and cultivate 80 different genetic strains of cannabis (50 plants per strain) for the purposes of the characterization of the genetics for registration pursuant to resolution number 594 which was issued on June 28, 2018. On May 9, 2019, we received registration and approval of the characterization of three strains of psychoactive cannabis (pursuant to resolution numbers 6149, 6152, and 6153) and one strain of non-psychoactive cannabis (pursuant to resolution number 6148) and we are applying for commercial scale quotas for cultivation of our registered psychoactive cannabis plants. In addition, on June 28, 2019, we applied for a quota for the manufacture of 12kg of resin from psychoactive genetics for export purposes. We do not foresee any issues obtaining these quotas. As soon as these quotas are received, we intend to move quickly towards manufacturing and selling Extracts.

We have applied for and received authorization to characterize 20 strains in SN and intend on registering a minimum of 12 strains for commercial cultivation. To date, we have received registrations for three strains of psychoactive cannabis and one strain of non-psychoactive cannabis. See "*Cultivation – Genetic Registration Process in Colombia*".

- *Cultivation of Non-Psychoactive Cannabis Licence*

SN was granted a license for the cultivation of non-psychoactive cannabis from the MJL on March 7, 2018 pursuant to resolution 230 and amended the licence pursuant to resolution number 673 on July 24, 2018 to amend the named Legal Representative of SN, and to SMGH on May 29, 2018 pursuant to resolution 463. This licence grants SN and SMGH the right to cultivate non-psychoactive cannabis plants for: (i) production of seeds; (ii) manufacturing of cannabis derivatives; (iii) production of grain; and (iv) scientific and industrial purposes.

This licence does not require a quota.

- *Manufacturing of Cannabis Licence*

This licence is granted by the Ministry of Health and contains an authorization to manufacture derivatives of psychoactive and non-psychoactive cannabis for use inside the Colombian territory, exportation and scientific purposes.

SN received a licence for the manufacturing of cannabis on December 18, 2017 pursuant to resolution number 5221 and amended the licence by resolution number 3465 on August 17, 2018 to amend the name of the Legal Representative of SN and the permitted location to perform the activities from "Ronda" to "Bonda".

SMGH received a licence for the manufacturing of cannabis on October 27, 2017 under resolution number 4282 and which was amended by resolution number 3466 on August 17, 2018 which permits the manufacture of cannabis derivatives for scientific purposes. These activities were registered with the National Narcotics Fund of Colombia on December 28, 2017 pursuant to resolution number 777.

In connection with the amendment made to resolution number 4282 by resolution number 3466, SMGH also registered these activities with the National Narcotics Fund for national use and exportation pursuant to resolution number 763 on December 26, 2017. On September 14, 2018 resolution number 639 was issued which amended resolution number 763 to allow the manufacture of cannabis derivative for scientific purposes. Our application for a quota to cultivate psychoactive cannabis for commercial purposes has not yet been submitted. We anticipate submitting our application by the end of June 2019.

Genetic Registration Process in Colombia

The Colombian government has created a multistage process for the approval and continued monitoring of cannabis that is being cultivated for commercial purposes. The government agencies involved are the MJL and the ICA. The MJL's approval is required for any cultivation of psychoactive cannabis.

Cannabis is classified as either psychoactive (THC content is equal to or greater than 1% by dry weight) or non-psychoactive (THC content is less than 1% by dry weight).

In order to cultivate cannabis for commercial purposes, a licence holder must register the particular genetic strain(s) they wish to cultivate with the ICA. Registration of genetic strains is granted through an approval process that involves the agronomical testing of each genetic strain that the licence holder wishes to grow. This approval process is generally referred to as "characterization" (or the characterization process) and begins with the application to and grant by the ICA for a registration as selected seeds producer. Any plants grown during the characterization process must be declared to the MJL. Any plants of a genetic strain that are eventually granted registration may be used by the licence holder to cultivate for commercial purposes. Any plants of a genetic strain that are not registered, must be destroyed.

The characterization process requires a licence holder to grow 60 plants of each genetic strain that it wishes to register – usually done from planting 60 seeds or from 60 clones (the "**Starting Material**"). The ICA will perform a series of agronomical tests that evaluate descriptors, including the length of the stem, minimum sprouting time, maturity of branches of the plants, plant height, number of leaflets, petiole length, and leaf surface area. These descriptors are collected in the vegetative phase of the plant growth cycle (approximately one month) as well as the flowering phase of the growth cycle (approximately three months).

At the end of the growth cycle, the raw data is collected, analyzed and compared with the parameters described in the ICA's guidelines. If the ICA approves the results of the agronomical tests presented in the final report, it will grant the licence holder with a registration resolution for the particular genetic strain.

For psychoactive cannabis, at any stage of the characterization (or pre-characterization) process as well as after registration of the genetic strain when the licence holder wishes to grow the plant for commercial purposes, the licence holder must apply to the MJL to grow a fixed number of the psychoactive cannabis plants (a quota). There is no requirement to obtain for quotas for non-psychoactive cannabis. As licence holders may not know before characterization (or pre-characterization) whether the genetic strain(s) are psychoactive or non-psychoactive.

Currently, at the SMGH site, we are in the growing phase for 80 genetic strains for characterization. On March 28, 2019 we submitted an application to register four strains of which three were for psychoactive cannabis strains and one for a non-psychoactive strain. On May 9, 2019 we received registrations for these four strains. On May 10, 2019 we submitted an application to register an additional 15 strains, 11 of which were for psychoactive genetic strains and four were for non-psychoactive genetic strains. We expect to receive registrations for these strains before the end of August 2019. We intend to apply for registration of an additional 10 strains by the end of July 2019. Provided that we are able to meet this timeline, we anticipate receiving registrations for such strains by the end of September 2019.

Currently, at the SN site, we are in the growing phase for 20 genetic strains for characterization. We anticipate registering 12 of these genetics before the end of October 2019. Provided we are able to meet this timeline, we expect to receive registrations for these 12 genetics by February 2020. Of the 12 genetics we anticipate submitting for registration before the end of October 2019, we plan to submit applications for seven psychoactive genetics and five non-psychoactive genetics.

Based on the plants that we currently have in the growing phase and the average time it has been taking the ICA to approve genetic registrations, we anticipate that SN will have completed the registration of all 12 genetic strains by February 2020, and SMGH will have completed the registration of all 29 genetic strains by September 2019. We do not need to apply for a quota for the non-psychoactive strains and have commenced growing and extracting for commercial purposes. See: "*Cultivation – Our Cultivation Business – Summary*" and "*Use of Available Funds – Business Objectives and Milestones*".

The following table illustrates the licencing and registration requirements in Colombia and the status of our current licences and registrations.

Licence	**Psychoactive Cannabis**		**Non-psychoactive Cannabis**	
Cultivation Licence	Required	Obtained	Required	Obtained
Genetic Characterization	Required	Complete for 14 strains in SMGH site	Required	Complete for five strains for the SMGH site
Genetic Registration	Required	Three strains have been registered. To date, 21 strains have been submitted for registration	Required	One strain has been registered. To date, 10 strains have been submitted for registration
Quota to Cultivate for Commercial Purpose	Required	Anticipate filing application for a quota for three strains by end of July 2019.	Not Required	N/A
Quota to Manufacture Cannabis Derivatives	Required	Remains outstanding	Not Required	N/A

See "*Regulatory Framework – Colombia*".

Our Cultivation Business – Summary

The following table provides a summary of our current and anticipated cultivation activities.

SMGH Site	Current Status and Activities	Anticipated Status and Activities(1)
Laboratory	Extraction lab 1 is operational and has a capacity of processing 300 kg of flower/day, resulting in production capacity of 45kg of resin per day.	Extraction lab 2 is anticipated to be complete by the end of 2019 and will have capacity to process an additional 700 kg of flower/day, resulting in production capacity of 150 kg of resin per day.
Equipment	High performance liquid chromatography equipment is in place on site to allow for cannabinoid profiling.	Plan to acquire additional equipment including equipment for inductive coupled plasma mass spectrometry (ICP-MS), gas chromatography mass spectrometry (GC-MS) and triple quadrupole mass spectrometry (HPLC-QQQ). The cost for this new equipment is anticipated to be $1,300,000. Orders and deposits for the equipment have been placed.
		New equipment will allow us to perform tests on our Extracts for pesticides, heavy metals, cannabinoid profiling, resulting solvent analysis, mycotoxins, terpene profiling, and alfatoxins in accordance with the standards prescribed by Health Canada.
Shadehouse and Greenhouse Capacity	We currently have 200,000 square feet of shadehouse plus 20,000 customized greenhouse and construction is underway for an additional 70,000 square feet of shadehouse and the related infrastructure.	The construction of the last 70,000 square feet will be complete by September 2019.
Genetic Registration / Quota Status	Achieved genetic registration of 1 non-psychoactive strain and 3 psychoactive strains. Submitted registration applications for 15 strains (11 psychoactive, 4 non-psychoactive).(2)	Anticipate filing application for quota for 3 strains by end of July 2019.
		Awaiting genetic registration of our application for 4 non-psychoactive strains and 11 psychoactive strains. Expect to receive registration of these strains by August 2019.
		Plan to submit registration application for 10 additional genetic strains by end of July 2019.
		Anticipated to have a total of 29 genetic strains registered by September 2019.
Cultivation Activities	Currently growing commercial crop of the registered non-psychoactive strain.	Once the required quotas have been obtained, we will commence commercial cultivation of psychoactive strains.
		Continued cultivation of both psychoactive and non-psychoactive genetic strains.

SN Site	Current Activities	Anticipated Activities (1)
Shadehouse and Greenhouse Capacity	We currently have 50,000 square feet of shadehouse plus 20,000 customized greenhouse and construction is underway for an additional 100,000 square feet of shadehouse.	The construction of the additional 50,000 square feet is expected to be complete by the end of October 2019.

SN Site	Current Activities	Anticipated Activities [1]
Other Space	Construction is underway for an "agro-facility" that will contain administrative offices and drying rooms.	Completion of agro-facility construction is expected by December 2019.
Genetic Registration / Quota Status	Plants for genetic registration are currently in the characterization phase for genetic registration purposes. [2]	Plan to submit 5 non-psychoactive and 7 psychoactive strains for genetic registration by end of October 2019 and expect to receive registration by February 2020.
Cultivation Activities	Currently in the characterization phase for genetic registration purposes.	Once our genetic registration process is complete SN will commence commercial cultivation of the non-psychoactive strains and the required quotas have been obtained, SN will commence commercial cultivation of those strains.

Notes:

(1) For more information on the anticipated costs of these activities, please see the information provided under the heading "*Cultivation – Investment in Cultivation*" below.

(2) See the table under the heading "*Cultivation – Genetic Registration in Colombia*".

Investment in Cultivation

To date, we have invested a total of $8,013,517 towards the acquisition, development and construction of our cultivation facilities. We are currently investing an additional $4,478,063 in our facilities. The following table outlines our planned cultivation and extraction facilities in Colombia and attributable costs:

Cultivation Facilities	Amount Invested ($)	Amount Remaining ($)
Total of 270,000 square feet of shadehouse and 20,000 square feet of greenhouse space at SMGH site (including infrastructure)	1,933,968	966,512
SMGH extraction lab 1	810,457	-
SMGH extraction lab 2		1,584,000
Acquisition of extraction equipment (SMGH site)	1,412,061	451,904
Total of 100,000 square feet of shadehouse and 20,000 greenhouse space at SN site (including infrastructure)	1,059,163	506,250
Construction of agro-facilities	4,212,342	969,397
TOTAL	**8,013,517**	**4,478,063**

Note:

(1) The amount remaining represents the amount remaining to be spent to complete the construction of the facilities listed under "*Cultivation Facilities*". See "*Use of Available Funds"*.

REGULATORY FRAMEWORK

Canada

Federal Regulatory Framework

On April 13, 2017, the Government of Canada released the Cannabis Act which was passed by the Senate of Canada on June 19, 2018, receiving royal asset on June 21, 2018. The production, distribution and sale of cannabis for adult use in Canada became legal on October 17, 2018.

The Cannabis Act provides a licencing and permitting scheme for the production, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis, to be implemented by regulations made under the Cannabis Act. Below are additional highlights of the Cannabis Act:

- Imposes restrictions on the amounts of cannabis that individuals can possess and distribute, and on public consumption and use, and prohibits the sale of cannabis unless authorized by the Cannabis Act.
- Permits individuals who are 18 years of age or older to cultivate, propagate, and harvest up to and including four cannabis plants in their dwelling-house, propagated from a seed or plant material obtained from sources authorized under the Cannabis Act.
- Restricts (but does not strictly prohibit) the promotion and display of cannabis, cannabis accessories and services related to cannabis to consumers, including restrictions on branding and a prohibition on false or misleading promotion and on sponsorships.
- Permits the informational promotion of cannabis in specified circumstances to individuals 18 years and older.
- Introduces packaging and labelling requirements for cannabis and cannabis accessories, and prohibits the sale of cannabis or cannabis accessories that could be appealing to young persons.
- Provides the designated Minister with the power to recall any cannabis or class of cannabis on reasonable grounds that such a recall is necessary to protect public health or public safety.
- Provides for the establishment of a national cannabis tracking system.
- Provides powers to inspectors for the purpose of administering and enforcing the Cannabis Act and a system for administrative monetary penalties.

On July 11, 2018, regulations to support the Cannabis Act, including the *Cannabis Regulations* ("**Cannabis Regulations**"), the new *Industrial Hemp Regulations* ("**IHR**", and together with the Cannabis Regulations, collectively, the "**Regulations**"), were released by the federal government, along with proposed amendments to the *Narcotic Control Regulations* and certain regulations under the *Food and Drugs Act*. The Cannabis Regulations set out rules for the legal cultivation, processing, research, testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes of licences that can be granted, and set standards for cannabis and hemp products that are available for legal sale as of October 17, 2018. Previously, medical cannabis was largely regulated by the ACMPR. As of October 17, 2018, the ACMPR and the previous *Industrial Hemp Regulations* are no longer in force and have been replaced by the Cannabis Act and the Regulations. Further, as the Cannabis Act is now in force, cannabis is regulated under the Cannabis Act rather than the *Controlled Drug and Substance Act*. Although the new IHR replaces the *Industrial Hemp Regulations*, the regulatory scheme for industrial hemp will largely remain the same, however the IHR will permit the sale of hemp plants to licensed cannabis producers, and licencing requirements will be softened in accordance with the low risk posed by industrial hemp.

On June 14, 2019, Health Canada announced the Edibles Regulations setting out the regulations governing the legal production and sale of edible cannabis, cannabis extracts and cannabis topicals. The Edibles Regulations prescribe restrictions on packaging, labeling and marketing activities with respect to a broad range of cannabis products. The new regulations come into force on October 17, 2019, however Health Canada indicated that cannabis products will not be made available to the public for purchase until at least mid December 2019.

In Canada, under the Cannabis Act, licenses and permits authorizing the importation or exportation of cannabis may be issued only in respect of cannabis for medical or scientific purposes. Neither SMGH nor SN have applied for export permits to any jurisdiction to date.

The Government of Canada has provided the following table that outlines the products and the associated proposed regulations:

Type of Regulation	Edible Cannabis	Cannabis Extract (ingesting)	Cannabis Extract (inhaling)	Cannabis Topical (applying to skin, hair, nails)
THC Limit	• 10 mg of THC per package	• 10mg of THC per unit (such as a capsule) or dispensed amount • 1000 mg of THC per package	• 1000 mg of THC per package	• 1000 mg of THC per package
Product Rules	• No added vitamins, or minerals • No nicotine or alcohol • Limits on caffeine	• No added vitamins or minerals • No nicotine • No caffeine • No sugars, sweeteners or colours	• No added vitamins or minerals • No nicotine • No caffeine • No sugars, sweeteners or colours	• No nicotine or alcohol • For use only on skin, hair or nails • Not for use in eyes or damaged skin
Packaging	• Child-resistant • Plain	• Child-resistant • Plain • Maximum package size of 90ml for liquid extracts if under 3% THC • Must include dispensing devise if not in unit form • Maximum package size of 7.5g for solid extracts if over 3% THC	• Child-resistant • Plain • Maximum package size of 90ml for liquid extracts if under 3% THC • Maximum package size of 7.5g for solid extracts if over 3% THC	• Child-resistant • Plain
Label	• Standardized cannabis symbol for products containing THC • Heal warning message • THC/CBD content • Equivalency to dried cannabis to determine public possession limit • Ingredient list • Allergens • Nutritional facts table	• Standardized cannabis symbol for products containing THC • Heal warning message • THC/CBD content • Equivalency to dried cannabis to determine public possession limit • Ingredient list • Intended use	• Standardized cannabis symbol for products containing THC (directly on accessories such as vape cartridges) • Heal warning message • THC/CBD content • Equivalency to dried cannabis to determine public possession limit • Ingredient list • Intended use	• Standardized cannabis symbol for products containing THC • Heal warning message • THC/CBD content • Equivalency to dried cannabis to determine public possession limit • Ingredient list • Allergens • Intended use

Type of Regulation	Edible Cannabis	Cannabis Extract (ingesting)	Cannabis Extract (inhaling)	Cannabis Topical (applying to skin, hair, nails)
Other	• Must not be appealing to youth • Must not make health claims • No elements that would associate the product with alcoholic beverages, tobacco products or vaping products • Must not make dietary claims	• Must not be appealing to youth • Must not make health claims • No elements that would associate the product with alcoholic beverages, tobacco products or vaping products	• Must not be appealing to youth • Must not make health claims • No elements that would associate the product with alcoholic beverages, tobacco products or vaping products	• Must not be appealing to youth • Must not make health claims • No elements that would associate the product with alcoholic beverages, tobacco products or vaping products • Must not make cosmetic claims

Licences, Permits and Authorizations

The Cannabis Regulations introduce six classes of licences:

- Cultivation licences;
- Processing licences;
- Analytical testing licences;
- Sales for medical purposes licences;
- Research licences; and
- Cannabis drug licences.

The Cannabis Regulations also create several sub-classes for cultivation licences and processing licences. Different rules and requirements are attached to each of the licences and each sub-class, with the aim of being proportional to the public health and safety risks posed by each licence category and each sub-class. Producers holding production and sales licences under the ACMPR were transferred to similar licences under the Cannabis Act.

Licences issued under the Cannabis Regulations are valid for a maximum period of five years. The Cannabis Regulations permit cultivation licence holders to conduct both outdoor and indoor cultivation of cannabis, however no licensed activities (except for destruction, antimicrobial treatment and distribution) can take place in a "dwelling-house". The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically lower than those associated with indoor growing.

Security Clearances

Certain people associated with cannabis licences, including individuals occupying a "key position", directors, officers, large shareholders and individuals identified by the Minister of Health (the "**Minister**"), must hold a valid security clearance issued by the Minister. Pursuant to 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 is largely similar to the approach taken by the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals who have histories of nonviolent, 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 on a case-by-case basis.

Cannabis Tracking System

Under the Cannabis Act, the Minister has established a national cannabis tracking system to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the illegal market. The Cannabis Act also provides the Minister with the authority to make a ministerial order requiring certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

Products

The Cannabis Regulations permit the production and sale of dried cannabis, cannabis oil, and fresh cannabis (including in such forms as "pre-rolled" and in capsules and a limited number of other formats), along with cannabis plants and cannabis seeds. The IHR defines industrial hemp as cannabis plants whose leaves and flowering heads do not contain more than 0.3% THC. With Edibles Regulations scheduled to come into force on October 17, 2019, the products permitted for sale has been expanded to include edibles, extracts and topicals (see table above). The THC content and serving size of all cannabis products is regulated by the Cannabis Regulations, as will be amended by the Edibles Regulations.

In order to produce and sell products within the new classes of cannabis created by the Edibles Regulations, individual licensees will need to apply to Health Canada to amend their licence. Health Canada will begin accepting applications for licence amendments as of mid-September 2019. Further, at least 60 days before making a new cannabis product available for sale, holders of a processing licence must provide Health Canada with a written notice describing the product and advising of the date that it will become available for sale. October 17, 2019 is the first day that Health Canada will accept such notices, and accordingly December 16, 2019 is the first day upon which products in the new classes may be sold or made available to provincial wholesalers.

Good Production Practices

The Cannabis Regulations establish requirements pertaining to the production, distribution and storage of cannabis in order to control quality of finished products ("**Good Production Practices**" or "**GPP**"). The Edibles Regulations incorporate additional GPP, many of which have been adapted from the *Safe Food for Canadians Regulations* to address the risk of foodborne illnesses that may be associated with edible forms of cannabis. Of particular note, if a licence holder chooses to process any class of 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 in order to reduce the risk of cross-contamination between ingredients and products.

These additional requirements do not generally apply to holders of analytical testing or research licences, depending upon the particular research activities carried out.

Product Composition and Ingredients

Currently, the Cannabis Regulations do not permit the addition of anything other than cannabis to cannabis products (with the exception of cannabis oil, which may contain the carrier oil and any additives necessary to preserve the quality and stability of the product). The Edibles Regulations will permit a broader diversity of product forms and ingredients for human use.

The composition and ingredient requirements to be imposed by the Edibles Regulations in respect of the new classes of cannabis are extensive and detailed. As summarized in the table earlier in this section, these include: (i) restrictions on the use of sweeteners and flavouring agents; and (ii) prohibitions against the use of any ingredients that could be considered unsafe or that may cause injury to the health of consumers when the product is used as intended or in a reasonably foreseeable way.

Product Testing

The Cannabis Regulations require sampling and testing of cannabis products as follows:

- Testing to determine the content of THC, tetrahydrocannabinolic acid (THCA), cannabidiol (CBD), and cannabidiolic acid (CBDA);
- Testing for microbial and chemical contaminants;
- Testing for the residues of solvents used in the production of cannabis oil; and
- Dissolution or disintegration testing (on discrete units intended for ingestion or nasal, rectal, or vaginal use).

The Edibles Regulations will add the following requirements:

- Testing for solvent residues in all cannabis products;
- Microbial and chemical contaminants will need to be within limits that are generally appropriate for the intended use of the product (e.g. ingestion, inhalation).

Packaging and Labelling

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 and promoting safe consumption.

Cannabis package labels must include specific information, such as:

- product source information, including the class of cannabis and the name, phone number, and email of the cultivator;
- a mandatory health warning, rotating between Health Canada's list of standard health warnings;
- the Health Canada standardized cannabis symbol; and

- information specifying THC and CBD content.

A cannabis product's brand name may only be displayed once on the principal display panel, or if there are separate principal display panels for English and French, only once on each principal display panel. It can be in any font style and any size, so long as it is equal to or smaller than the health warning message. The font must not be in metallic or fluorescent colour. In addition to the brand name, only one other brand element can be displayed.

All-over packaging wraps must be clear, and the interior surface and exterior surface of any container in which a cannabis product is packaged cannot have any embossing, texture, foil, or cut outs. Additionally, packages must be child-resistant and tamper-proof.

The Edibles Regulations impose additional packaging and labelling requirements for all cannabis products and specific to the three new classes of cannabis that will be legally available at the retail level following the coming into force of these regulations. For information on the packaging and labeling of the products regulated under the Proposed Amendments, see the table provided above.

Cannabis for Medical Purposes

Part 14 of the Cannabis Regulations sets out the regime for medical cannabis, which is substantively the same as under the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider continue to have access to cannabis, either purchased directly from a federally licensed producer, or by registering to produce a limited amount of cannabis for their own medical purposes, or designating someone to produce cannabis for them. Following the coming into force of the Edibles Regulations, patients with medical authorizations will also have access to the new classes of cannabis as these become available from licensed producers in the medical market.

Provincial Regulatory Framework

While the production of cannabis is under the regulatory oversight of the Government of Canada, the distribution of adult-use recreational cannabis is the responsibility of provincial and territorial governments. All of the Canadian provinces have announced that the wholesale distribution of cannabis will fall under the responsibility of their provincial liquor or other governmental authorities. However, as the laws continue to evolve, there is no assurance that provincial and territorial legislation enacted for the purpose of regulating recreational cannabis will continue to allow, or be conducive to, Avicanna's business model. Differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, and increased supply costs. Municipal and regional governments may also choose to impose additional requirements and regulations on the sale of recreational cannabis, adding further uncertainty and risk to Avicanna's business. Municipal by-laws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area, or restrict the geographical locations wherein such retail outlets may be opened. There is no assurance that if and when provincial, territorial, regional and municipal regulatory frameworks are enacted, we will be able to navigate such regulatory frameworks or conduct our intended business thereunder. See: "*Risk Factors – Risks Related to Regulatory Environment*".

Summaries of each jurisdiction's legal age and retail and distribution plan have been provided in the table below.

Province/Territory	Regulating Body	Legal Age	Retail and Distribution Plan
British Columbia	Liquor and Cannabis Regulation Branch	19	Recreational cannabis is sold through both public and privately operated stores, with the provincial Liquor Distribution Branch handling wholesale distribution.
Alberta	Alberta Gaming and Liquor Commission	18	Cannabis products can be purchased from private retailers that receive their products from a government-regulated distributor, similar to the distribution system currently in place for alcohol in the province. Only licensed retail outlets are permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.
Saskatchewan	Saskatchewan Liquor and Gaming Authority	19	Recreational cannabis is sold by private retailers. The Saskatchewan Liquor and Gaming Authority will issue 51 retail permits to private stores located in 32 communities across the province, with municipalities having the option of opting out of having a cannabis store if they choose.
Manitoba	Manitoba Liquor and Lotteries (MBLL)	19	A "hybrid model" for cannabis distribution is used. The supply of cannabis in the Province of Manitoba will be secured and tracked by MBLL; however, licensed private retail stores are permitted to sell recreational cannabis.
Ontario	Alcohol and Gaming Commission of Ontario	19	Consumers may purchase cannabis via an online retail platform provided by the Ontario Cannabis Store or from a limited number of privately-owned, licensed cannabis retail outlets.
Quebec	Société québécoise du cannabis (SQDC), a subsidiary of the Société des alcools du Québec	18	All recreational marijuana is managed and sold by SQDC outlets and is available for purchase online. Quebec has tabled legislation to raise the legal age of consumption to 21 years.
New Brunswick	Cannabis Management Corporation, a subsidiary of New Brunswick Liquor	19	All recreational marijuana is managed and sold through Cannabis NB, a subsidiary of New Brunswick Liquor and is available for sale online.
Nova Scotia	Nova Scotia Liquor Corporation (NSLC)	19	The NSLC is responsible for the regulation of cannabis in the province, and recreational cannabis is sold publicly through government-operated storefronts and online sales.
Prince Edward Island	Prince Edward Island Cannabis Management Corporation	19	The Prince Edward Island Cannabis Management Corporation oversees the operation of cannabis retail locations and an e-commerce platform.
Newfoundland and Labrador	Newfoundland and Labrador Liquor Corporation (the NLC)	19	Recreational cannabis is sold through licensed private stores, with the province's crown-owned liquor corporation, the NLC, overseeing the distribution to licensed private retailers. The NLC also controls the possession, sale and delivery of cannabis, and sets prices. NLC is also the online retailer, although licences may later be issued to private interests.

Province/Territory	Regulating Body	Legal Age	Retail and Distribution Plan
Yukon	Cannabis Licencing Board	19	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.
Northwest Territories	Northwest Territories Liquor Commission	19	The Northwest Territories Liquor Commission controls 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 are able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.
Nunavut	Liquor and Cannabis Commission	19	Under the *Nunavut Cannabis Act*, a person can submit an application for a licence to operate a cannabis store, remote sales store, or cannabis lounge. Licences may not be issued to minors, employees or agents of the Liquor and Cannabis Commission, or a person who does not meet the conditions prescribed by regulation for applicants. Nunavut allows for the sale of marijuana through both public and private retail and online.

Colombia

Law 1787 of 2016 enacted by Colombian Congress, Decree 613 of 2017, regulatory resolutions (577, 578 and 579 of August 8, 2017 enacted by the MJL and resolutions 2891 and 2892 of 2017 enacted by the Ministry of Health) are the main regulations of cannabis for medical and scientific purposes in Colombia.

Approved on July 6, 2016, Law 1787 created a regulatory framework that allows the safe and informed use of cannabis and its derivatives for medical and scientific purposes. Decree 613 of 2017 establishes the type of cannabis licences available and addresses, in general terms, the requirements to obtain them.

Five legal and administrative orders that control the operation of the cannabis sector:

1. Resolutions 577, 578 and 579 of August 8, 2017, enacted by the MJL, regulate the cultivation of non-psychoactive and psychoactive cannabis.

2. Resolutions 2891 and 2892 of August 11, 2017, enacted by the Ministry of Health, regulate the production and/or manufacturing of cannabis derivatives (extracts). The Resolutions define whether the derivatives are to be used in the national market as raw material for final medical products or if they are to be exported to international markets.

3. If the derivative is going to be used in the national market, it can be used as a synthetic or prescription drug, or a final product regulated by Decree 677 of 1995, developed in Resolutions 3183 of 1995, 1087 of 2001, and 1124, 1160 of 2016.

4. The final product sold to the public may be a herbal or branded mass market phytotherapeutic product, a category regulated by Decree 2266 of 2004. Per Decree 613, derivatives extracted from cannabis cannot be commercialized as final products without sanitary approval from INVIMA.

A sanitary permit is required to commercialize derivatives as herbal or synthetic products. INVIMA is the regulatory body responsible for defining the final products that have access to the market. The regulatory framework (Decree 613 of 2017 and Decree 2200 of 2005) allows the introduction of magistral preparations with cannabis. Magistral preparations are customized prescription products that do not require a sanitary permit, as they are not mass market phytotherapeutic products with standardized characteristics but must be prepared by a licence holder in a laboratory that meets GEP Standards.

5. If a product or extract will be exported, the licence holder must obtain a permit from the National Narcotics Fund (Fondo Nacional de Estupefacientes) ("**FNE**") allowing for the delivery of cannabis. The permit process is regulated in Resolution 1478 of 2006, an administrative order that also regulates the quotas that state requests from the International Narcotic Control Board.

Licences and Authorizations

Decree 613 of 2017 is the most significant aspect of the cannabis regulatory framework concerning medical and scientific uses of cannabis, as it establishes a licensing regime for the evaluation, monitoring and control of import, export, cultivation, production, manufacturing, acquisition, storage, transport, marketing, distribution, the use of seeds for planting cannabis, cannabis plants and their derivatives, as well as products containing it.

Decree 613 granted oversight for the licensing program for the production of cannabis derivatives to the Ministry of Health, through the Division of Medications and Health Technologies. The MJL, through the Division of Control and Supervision of Chemical and Narcotic Drugs, has jurisdiction over licences for the use of seeds for planting and cultivating cannabis plants, as well as administrative and operational control of activities related to the management of seeds for planting, cannabis cultivation and cannabis. The FNE was tasked with administrative and operational control of activities related to the management of cannabis and its derivatives. Once a licence is issued, INVIMA and the Colombian Agriculture Institute are responsible for the control of finished products of psychoactive cannabis.

Decree 613 authorizes the granting of 4 types of licences permitting the following activities:

- <u>Production of derivatives from cannabis</u>: This licence authorizes activities related to the transformation of the psychoactive constituent elements of cannabis in oils, resins, and other forms for medical and scientific purposes. The licence may include an authorization by the Ministry of Health to carry out any of the following activities: manufacture, acquisition, import, export, storage, transport, trade, and distribution of psychoactive or non-psychoactive cannabis by-products.

- <u>Use of seeds for sowing</u>: This licence authorizes the management of seeds for planting which comprises their acquisition, import, storage, trade, distribution, possession, and final disposal, as well as their export and use for medical and scientific purposes.

- <u>Cultivation of psychoactive cannabis plants</u>: This licence authorizes the cultivation of High THC Medicinal Cannabis plants, which comprises planting, acquisition, and production of seeds, storage, trade, distribution, and final disposal, as well as export and use for medical and scientific purposes.

- Cultivation of non-psychoactive cannabis plants: This licence authorizes the cultivation of Low THC Medicinal Cannabis plants, and comprises the planting, acquisition, and production of seeds, storage, trade, distribution, and final disposal of plants, as well as export and use for medical and scientific purposes.

Self-cultivation activities, which refer to non-commercial cultivation of up to 20 cannabis plants for personal consumption, do not require a plant cultivation licence, nor will they be subject to the licensing and quota system referred to in the Decree 613.

Licences are not transferable, exchangeable or assignable and are valid for five years and may be renewed for an equal period as many times as requested by the licensee. Licences may not be granted to individuals or legal persons who intend to carry on licensed activities on lands that are in national parks or in protected areas established by the National System of Protected Areas.

Licence holders of manufacturing cannabis derivatives must, at minimum, determine, by means of validated analytical methodologies, the content of THC, CBD and cannabinol in any cannabis crop they receive and in each lot of derivative that is produced.

Licensees are responsible for the electronic registration of basic information and movements of seeds for planting, plants, derivatives and cannabis products and must comply with established safety protocols.

Obligations and Restrictions Imposed on Licence Holders

Licensees are required to meet a number of conditions in the course of carrying on business, including:

- Compliance with the conditions established in the law, the decree, and the technical regulations issued by governmental authorities.
- Present the licence to third parties with whom it is intending to carry out transactions involving seeds for sowing, cannabis plants and cannabis, or their registration with the FNE in the case of transactions with cannabis derivatives.
- Inform governmental authorities of unusual or suspicious operations that licensees become aware of during the performance of activities authorized by the corresponding licence.
- Attend inspections carried out in the exercise of administrative and operational control.
- Maintain up to date records as required by the decree and its technical regulations including the monitoring and follow-up of the activities developed by the licence holders.
- Provide all information and documentation requested by governmental authorities within any prescribed time period.
- Rectify any administrative or operational failures identified by governmental authorities during the inspections, within the deadlines established in the communications issued.
- Begin the process of modification of the licence upon the occurrence of fundamental changes to the licensee.

- Authorized importers and exporters must submit to the MJL and to the FNE, as applicable, within eight days of the completion of the customs clearance process, import and export declarations that indicate the dates and quantities of entry or exit from Colombia of seeds for planting, cannabis plants, cannabis, cannabis derivatives, and products containing them.
- Comply with the administrative requirements and requirements derived from on-site citations issued by the authorities.

The MJL, the Ministry of Health and the Ministry of Agriculture issued Resolution 579 of 2017, stating that small and medium licensed growers are those who grow or cultivate cannabis in an area of 0.5 hectares or less. In an effort to ensure the sustainability of small-scale growers, holders of cannabis derivative production licences, except in the research modality, are required to, within five years following the commencement of their operations, process at least 10% of their assigned annual cannabis quota from a small or medium licensed grower. If market conditions prevent the satisfaction of this requirement, licensees must file a declaration supporting their inability to source cannabis from small or medium growers.

In the course of carrying on business, licensees are restricted from engaging in a number of activities, including:

- Promotion or publicity, through the media or social networks, or by means of flyers or by any other means, of seeds for planting, cannabis plants, cannabis, cannabis derivatives and products containing it. Medicines may only be advertised or promoted in scientific or technical publications, addressed to the medical and/or veterinary community. Specify in the information or propaganda addressed to the medical and/or veterinary community, the actions, indications, therapeutic uses, contraindications, side effects, risks of administration, risks of drug addiction and other precautions and warnings, without omitting any found in scientific literature or known by the manufacturers.
- Marketing or transformation for sale, distributing, reception or delivery to third parties, under any title, the cannabis plants from self-cultivation, as well as the derivatives and seeds for sowing obtained from them, except as momentarily provided as seed source.
- Allowing individuals under 18 years of age to access seeds for planting, cannabis plants, cannabis, cannabis derivatives and products containing them. Minors may access products containing cannabis if there is a medical prescription and the informed consent of the parents or guardians.
- Exporting cannabis plants, dried cannabis flower or unprocessed cannabis, except with authorization for scientific purposes.

Termination of Licences

Decree 613 of 2017 provides that the Ministry of Health or the MJL, as applicable, may terminate a licence upon occurrence of any of the following:

- Failure to correct the administrative and operational failures identified by the control authorities, within the deadlines provided.
- Failure to comply with the security protocol. The security protocols under Colombian Law are described under the heading "*Required Security Measures for Cannabis Activities under Colombian Law*".

- Exceeding the maximum authorized quota for each term.
- Advertising seeds for sowing, cannabis plants, cannabis, cannabis derivatives or any product containing cannabis through media, social networks, flyers or any means, if such advertisements do not relate to academic or scientific purposes. Any advertisement must be addressed to medical and/or veterinary groups and must include the actions, indications, therapeutic uses, contraindications, collateral effects, risks of administration, risks of drug dependence and any other precautions and warnings.
- Failure to initiate the activities authorized in the licence after a six month period, starting from the date the corresponding quotas are granted; or as of the granting of the licences for sowing seeds and cultivation of non-psychoactive cannabis plants.
- Failure to request an amendment to the licence within 30 calendar days following any changes: (i) in legal representation; (ii) regarding the ownership or possession of the real estate properties in which the licensed activities are authorized to take place; and (iii) in the contractor(s) that provide services to the licensee related to activities authorized in the licence.
- Preventing the access of control authorities to conduct administrative and operational control.
- Performing transactions involving seeds for sowing, cannabis plants, cannabis or cannabis derivatives with unlicensed third parties or parties not registered in the FNE when the transaction relates to cannabis derivatives.
- Using seeds for sowing, cannabis plants, cannabis, or cannabis derivatives for non-scientific or medical purposes or beyond the scope authorized by the corresponding licence.
- The licensee is convicted, or its legal representative in case of a company, being convicted for crime related to drug trafficking or related crimes, after the licence was issued.
- Any indication of or actual forgery or fraudulent alteration of the documents supporting the licence application.
- Failure to pay the monitoring fees to the applicable government entity.

Also, in accordance with Colombian regulations, licence holders must refrain from, among other things: (i) allowing individuals under 18 years of age to access seeds, plants and/or products containing cannabis; (ii) exporting the plants, dry cannabis flowers or non-transformed cannabis, except as authorized for scientific purposes; and (iii) commercializing or transforming for sale, distributing, receiving or delivering to third parties, cannabis plants, derivatives and seed for sowing resulting from self-cultivation, except as provided temporarily for seed sources.

Required Security Measures for Cannabis Activities under Colombian Law

The MJL and the Ministry of Health regulate the security protocol requirements established in licences for sowing seeds, the cultivation of psychoactive cannabis plants, and the manufacturing of cannabis derivatives in Resolutions 577 and 2892 of 2017, respectively.

According to Resolution 577 of 2017, licence holders must prepare a security protocol and submit same to the MJL and should include measures to ensure that areas and properties in which sowing seeds, psychoactive cannabis plants and psychoactive cannabis are handled have the appropriate levels of protection, according to the particular environment and scale of the operation. The licence holders must comply with the following minimum specifications related to the security protocols:

- A comprehensive security plan and risk analysis that addresses physical security and operations, and security measures during transportation, which includes the following phases:
    - Diagnosis: including the vulnerability and probability variables of an event and all its consequences;
    - Design: including the risk control mechanisms, as well as the protection management system indicators that demonstrate the effectiveness and efficiency of the risk control mechanisms; and
    - Monitoring or evaluation: including a protection (internal and external) audit program and safety inspections of the risk control mechanisms.
- A protection system with risk control mechanisms for physical and operational safety that includes physical barriers and conduct control procedures to prevent access to unauthorized persons.
- Physical barriers must be built with materials that guarantee the integrity of the installations.
- Establish a single entrance and exit point, where employees, visitors and vehicles access the area, which must have access control for the entry and exit of vehicles, individuals, operational assets and raw materials, seeds for sowing, psychoactive cannabis plants and psychoactive cannabis, and in general all kinds of goods. This exit must by established without compromising the emergency exits and other industrial safety measures that the licensee must ensure in the facilities. Areas where activities related to the management of sowing seeds, psychoactive cannabis plants and psychoactive cannabis take place, must be of restricted access and manual or systematized entry and exit control records are required.
- Establish a monitoring and surveillance service that generates evidence and traceability.
- Establish internal and external signaling indicating that unauthorized access is prohibited.
- Provide and ensure that the plant personnel and visitors carry visible identification at all times. Employees engaged in activities related to the management of sowing seeds, plants for psychoactive cannabis and non-psychoactive cannabis must be fully identified and carry the respective employee identification.
- Ensure that it has the capacity to hold communications internally and with external agents in order to notify or report security incidents and request, in a timely manner, the intervention and support of the state's security forces, if it were necessary.
- Establish risk control mechanisms to deter and control risk situations in the facilities' perimeter, including protective perimeter lighting.
- For transportation purposes, the licence holder must establish control mechanisms that allow it to prove compliance with the protection of areas and facilities, using closed-type vehicles with elements that allow for seal verification control of the transported derivatives at all times.

In addition, the MJL shall conduct a control visit during the assessment of the licence application for the cultivation of psychoactive and non-psychoactive cannabis plants in the premises of the land where the cultivation activities shall take place. The MJL will verify: (i) the location of the property and of the facilities where the activities will take place, as compared to the documentation and photographic record attached to the licence application; (ii) the internal procedures for the implementation of the security protocol; (iii) that the cultivation area is free of pre-existing cannabis crops; and (iv) that the storage areas, if applicable, are free of cannabis crops. Failure to attend the control visit will lead to the rejection of the corresponding licence application.

In addition to the security protocol guidelines set out by the MJL, the Ministry of Health issued Schedule 1 to Resolution 2892 of 2017 which contains guidelines for the elaboration and implementation of the security protocol related specifically to the manufacturing of cannabis derivatives. The following table sets forth the guidelines established by the Ministry of Health and the additional measures that are required by each listed category.

Category	**Specific Measures**
Safety:	• Guarantee the integrity of the facilities and establish a physical barrier to prevent access of unauthorized individuals; • All doors and windows must be in adequate condition so as to allow for full closure of the areas and prevent access to unauthorized individuals; • All openings, ducts and mechanical/electrical passageways must be protected with safety material; • External and internal signals/signage indicating that unauthorized access is prohibited; • Establish personal profiles and responsibilities of company employees and third party contractors that provide security services in the facilities and monitor the fulfilment of the security protocol; • Establish a single entrance and exit point, where employees and visitors access the area, notwithstanding provisions in terms of industrial safety (including emergency exits); and • The structures of buildings must be constructed using resistant materials to prevent forced entry and secured with locking devices. The storage areas of the harvests for production, as well as the manufactured derivatives shall be of exclusive access with control and registration.
Monitoring and detection:	• The licensee must guarantee that the area complies with the following monitoring and detection parameters: • Installation of closed-circuit cameras that operate 24 hours per day and seven days per week around the perimeter of the facilities. The video camera recordings must be saved for a minimum 30 calendar day period; • All managers, employees, contractors and visitors must be identified at all times. An employee inside the cultivation facility must accompany visitors at all times; and • Qualified security surveillance personnel that is prepared to react effectively to any detection of unauthorized access or security incidents. The security personnel must record each event, indicating the place, time, date, personnel present in the facilities, facts and measures adopted. The records of unusual events must be saved for a five year period.
Access control:	• Installation of appropriate access control technology and appropriate measures to restrict access and properly identify any individual entering or leaving the perimeter of manufacturing facilities are required; • Pre-established and appropriate controls for the issuance of locks, keys and access

Category	Specific Measures
	codes; and • Access to storage and production areas should be restricted to only those individuals requiring access.
Electricity supply:	• Facilities for the manufacturing of cannabis derivatives require constant lighting; • The power system must have auxiliary sources to ensure it can be fully operational under any circumstance; and • A response plan in case of interruption of the electric power.
Cooperation with authorities:	• Cooperate with public authorities in order to prevent the diversion or misuse of derivatives or products that contain it; and • Licensees shall immediately inform applicable authorities of suspicious or unusual activities. In case of unjustified loss or theft of psychoactive cannabis or its derivatives during the manufacturing process, the licensee must inform the applicable authorities and the Ministry of Health within 48 hours after the event took place. The notice sent by the licensee must include a complaint form, records describing the event, personnel involved, date and time, location, product type and amount lost. Records of theft or loss products and the subsequent investigation reports must be saved for a minimum five year period.

In addition to the foregoing, the FNE will conduct audit visits during the licence term to verify compliance with the operations plan, security protocol and other obligations the licensee must meet.

The implementation of security measures demands that licence holders work closely with local security forces aimed to ensure the fulfilment of security protocols, as seen in other key industries in Colombia. For example, oil and gas, and mining contract holders in Colombia usually share and coordinate their safety and private security measures with police and military forces. While security protocols in the medical and scientific cannabis industries are mandatory, those security measures may be considered as common good practices in other industries. For example, security measures in other industries aim to ensure that access to unauthorized personnel is limited and operations are conducted by qualified personnel; strict monitoring over operations and related activities take place and are properly recorded; periodic information is provided and audit controls must be attended at all times, among others. In addition, connected services are subject to controls and contractors, in most cases, must be licensed or certified by different authorities with good practice standards.

Both of SMGH and SN follow similar security protocols. The perimeters of both of the facilities are protected with electrical fences and are complete with security checkpoints and armed guards that regularly patrol the facilities with canine units. Access to the facilities is controlled by a two-way system with personal identification cards and biometric control systems. Specific areas of the facilities require higher clearance for individuals to gain access and are dependent on the roles and positions of the personnel with SMGH, SN, or Avicanna. All clearance is granted subject to rigorous background checks. To ensure the Corporation maintains compliance with the regulatory requirements, the security protocols have been implemented in collaboration with local police and military forces.

OUR INTELLECTUAL PROPERTY

Our future commercial success depends, in part, on our ability to: obtain, maintain, defend and enforce our patents and trademarks; preserve the confidentiality of our trade secrets; and operate without infringing, misappropriating or violating the valid and enforceable patents and proprietary rights of third parties. Our ability to stop third parties from making, using, or selling our products may depend on the extent to which we have rights under valid and enforceable patents, trademarks or trade secrets that cover these activities.

Development and Management Plan

Our intellectual property development and management plan enables us to identify and perfect our intellectual property rights, to continue to develop and expand such rights as new opportunities arise, and to leverage such rights to their full potential. We strive to protect and enhance the proprietary technology, inventions, and improvements that are commercially important to the development of our business, including seeking, maintaining and defending patent rights, whether developed internally or licensed from third parties. In addition to focusing on the development of product pipelines, we also strive to protect our innovative processes, such as cultivation practices, extraction and isolation processes, and analytical methods. We also rely on trademarks, trade secrets, know-how and continuing technological innovation to develop, strengthen and maintain our proprietary (unique to us) cannabinoid-based products, processes and drug delivery systems.

Concept Development Stage

At the onset of an inventive idea, individuals or teams within the organization who create the concept, usually marketing or science teams, discuss the concept with the intellectual property and management teams with respect to novelty, inventiveness and utility, cost to develop and/or secure rights to, commercialization potential, and whether it fits within our organizational mandate. The discussions determine whether a concept is worth exploring further and dedicating more resources to it. If a concept is to be further investigated, the next step is to conduct searches to determine its novelty and inventiveness.

Prior Art Searches

Searches, typically referred to as "prior art searches", are conducted upon inception of a new concept to detect all existing similar developments or inventions by others; simply put, a prior art search involves checking different sources to find out whether someone else has already described an idea or concept similar to ours. We assess new concepts and the anticipated goal of the outcome for novelty and inventiveness through prior art searches by review of global patent/non-patent literature. These searches are used to help determine the boundaries of a new concept and often provide insight into further opportunities to refine and to distinguish our concept from other inventions that may be similar. This assessment aids us in developing innovative cannabinoid-based products and processes and assisting in securing our intellectual property rights.

Another type of prior art search is a freedom-to-operate search. These types of searches identify third party patent claims that can potentially impact commercial production, marketing and use of a new product or process. We conduct these searches throughout the development process of new concepts to understand any potential risks of infringement proceedings being brought against us if we proceed to commercialize a product or process. Our freedom-to-operate searches are focused on specific jurisdictions and the claims of patents in force where the manufacture or sale of products or processes will take place.

For trademarks, we conduct trademark searches to review the availability of use of proposed marks by our marketing team to avoid possible infringement of other registered marks, as well as evaluating the feasibility of obtaining the proposed marks.

Product Formulation Development

After conducting our initial prior art searches and receiving affirmative results we begin to design product formulations by combining different chemical substances to produce a final product. This stage allows us to understand how different materials behave and interact with each other with the hopes of providing unique enhanced properties. A well-designed product formulation must be manufacturable, chemically and physically stable throughout the manufacturing process, and most importantly, it must be bioavailable. All of our product formulations are developed internally to maintain protection of our trade secrets. Throughout this process, our teams regularly meet to provide progress updates as well as to assess if any new opportunities have arisen that may require further prior art searches. It is also at this time that team members file invention disclosure documents internally which helps to document progress and our proprietary interests in the developing products.

In addition, many quality standards and special requirements must be met to ensure the stability, efficacy and safety of the product formulation. It is during these experimentation stages that a formulation concept is truly tested. Experiments can remain continuous or be conducted intermittently as our team re-evaluates an idea whether by performing further prior art searches or otherwise. In some instances, experiments provide opportunity for the development of new ideas resulting from the information generated and the overall feasibility of the original idea.

Process Development

Similar to formulation development, when a new concept is an innovative process, we conduct the appropriate prior art searches and continue to conduct these screening exercises as the innovative process is refined.

Patent Protection

After the requisite testing and assessments have been concluded, and affirmative results have been achieved (for example results evidencing positive stability, safety and efficacy of a product formulation), our team may begin taking the steps necessary to file the proper patent applications. The determination of whether to patent the concept or to maintain it as a trade secret is made on a case-by-case basis that considers several factors, including our business strategy, cost, and commercialization potential.

If it is determined that a concept should be patented, the patent strategy of each concept is also always assessed on a case-by-case basis. For example, in some cases, and depending on the circumstances, preliminary applications may first be filed in the U.S. in order to secure priority and allow an opportunity to refine the application. As our intellectual property and development plan progresses, it is at this stage where it is crucial that our team remained involved and updated through the developmental stages. A patent application requires the input of a multitude of expert backgrounds. Through regular meetings, and progress updates, our team is able to stay apprised of new developments and is able to contribute to producing an acceptable patent application.

We do not currently own or in-licence any patent related to our products. Our lead product candidate AVCN583601 for dermatological indications has successfully completed formulation development and *in vivo* toxicology studies in animal models. We filed a U.S. provisional patent application for AVCN583601 on March 5, 2019 on its composition of matter and *in vitro* and *in vivo* results. Our provisional patent application is not eligible to become an issued patent until we file a non-provisional patent application after successful human trials within 12 months of filing thereof. If we do not timely file any non-provisional patent applications, we may lose our priority date with respect to our provisional patent application and any patent protection on the invention disclosed in our provisional patent application.

We have also developed a robust and reliable analytical method for the simultaneous detection of cannabinoids in blood plasma and intend to file non-provisional patent applications in Canada and the U.S. in the near future.

Trade secrets and Know-how

In addition to patents, we expect to rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and protect our products and processes. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties that have access to them, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers, consultants, advisors and other parties. We also enter into confidentiality agreements with our employees and consultants with respect to our inventions and trademarks. Any failure to protect our trade secrets and know-how with respect to any specific product could adversely affect the market potential of that potential product.

Trademarks

In parallel to the development of novel cannabinoid-based products and processes, we also take the necessary steps to protect our trademarks. We actively submit trademark applications in applicable jurisdictions as we continue to expand.

As of the date of this Prospectus, we have a total of 34 trademark filings covering our company logos; word marks and design marks. This includes 9 trademark registrations in Colombia, three allowed trademarks in the U.S. and one allowed trademark in Canada. We are also in the process of applying for trademark registrations in Mexico and the European Union. After successful registration of trademarks, we actively watch new trademark filings by third parties to maintain market exclusivity and to ensure continued value of our registered marks.

The following tables show our trademark applications/registrations in each of Canada, the U.S., Colombia and the European Union:

Canadian Trademarks

Word Marks

AVICANNA Application No. 1889149(2)	PURA ELEMENTS Application No. 1841158 & 1906092(2)	PURA EARTH Application No. 1882201 & 1906095(2)

Logos/Design Marks

Application No. 1889150(2)	Application No. 1841159 & 1906093(2)	Application No. 1863243 & 1906094(2)

U.S. Trademarks

Word Mark
PURA ELEMENTS
Application No. 87492645[2]

Design Marks

Application No. 87492654[2]

Application No. 87683523[2]

Colombia Trademarks

Word Marks

AVICANNA®
Registration No. 609606[1]

PURA ELEMENTS®
Registration No. 604727 & 609104[1]

PURA EARTH®
Registration No. 604706 & 609088[1]

AUREUS
Application No. SD2019/0040926[2]

Logos/Design Marks

Registration No. 608947[1]

Registration No. 609980& 612079[1]

Registration No. 609093[1] & Application No. SD2018/0021338[2]

Application No. SD2019/0006234[2]

European Union Trademarks

Word Marks

AVICANNA
Application No. 18011596 (2)

PURA ELEMENTS
Application No. 18011593(2)

PURA EARTH
Application No. 18011595(2)

Logos/Design Marks

Application No. 18011597(2)

Application No. 18013013(2)

Application No. 18011594 (2)

Notes:

(1) Registered
(2) Application has been submitted.

Mexico Trademarks

Word Marks

PURA ELEMENTS
Application Nos. 2202015, 2202004, 2201956, 2202013, 2201995, 2201927, 2201994, 2201993 (2)

AVICANNA
Application Nos. 2201966, 2201965, 2201964, 2201963, 2201961, 2201960, 2201959,2201958, (2)

PURA EARTH
Application Nos. 2201981, 2201980, 2201978, 2201975, 2201971, 2201973, 2201970, 2201967 (2)

Logos/Design Marks

Application Nos. 2201955, 2201954, 2201953, 2201950, 2201947, 22019543, 2201940, 2201935 (2)

Application Nos. 2201991, 2201990, 2201983, 2201989, 2201988, 2201986, 2201985, 2201984 (2)

Application Nos. 2202114, 2202068, 2201982, 2202063, 2202044, 2202041, 2202033, 2202026

Notes:

(1) Registered
(2) Application has been submitted.

USE OF AVAILABLE FUNDS

Total Available Funds

Based on the table below, we have approximately $15,649,702 available to us over the next 12 months, comprised of the following amounts:

	Funds Available
Net proceeds from the Offering(1)	$21,099,696
Net proceeds from Debentures(2)	$750,000
Amount of net proceeds of Offering and issuance of Debentures expended as of July 2, 2019(3)	($7,126,994)
Consolidated working capital as of July 2, 2019 (excluding remaining net proceeds from the Offering or the issuance of Debentures)	$927,000
TOTAL AVAILABLE FUNDS (4)	**$15,649,702**

Notes:

(1) Represents the total proceeds from the First Closing and the Second Closing of $22,150,496, net of the fees payable to the Agents under the Agency Agreement of $700,800 and expenses of approximately $350,000.

(2) Represents total proceeds from the offering of Debentures of $783,000 net of expenses of approximately $33,000.

(3) Represents amounts expended by us during the period between December 15, 2018, the date of the First Closing, and May 31, 2019. This amount is comprised of $2,377,461 for general and administrative expenses, $364,791 for commitments under our R&D agreements, and $4,384,741 for expansion and construction activities on the SN and SMGH sites.

(4) Additionally, Mountain Valley invested an aggregate of $2,800,000 in SN through the acquisition of equity. This amount has not be reflected in the above table. Pursuant to the subscription agreement with Mountain Valley, SN is required to spend at least $1,400,000 of this amount on business activities of SN, which includes the costs to expand SN's construction and extraction infrastructure. The remaining $1,400,000 may be used by Avicanna at our discretion.

Proposed uses of Available Funds

The total available funds of $15,649,702 are greater than what we anticipate requiring over the next 12 months. The following table outlines our intended use of funds over the 12 months:

Principal Purpose	**Budgeted Amount**
Completion of construction of cultivation infrastructure in Colombia(1)	$4,478,063
Initial product orders for derma-cosmetics distribution(5)	$91,649
Initial product orders for phyto-therapeutic and pharmaceutical testing(6)	$365,500
General and administrative expenses:	
General and administrative expenses (7)	$7,568,114
Obligations under R&D agreements(2)	$1,455,135
Marketing activities(3)	$1,038,180
Total General and administrative expenses	**$10,061,429**
TOTAL	**$14,996,641**

Notes:

(1) See: "*Cultivation – Investment in Cultivation*" for a breakdown of this amount. $1,400,000 of this amount may be covered by the funds received from the investment into SN by Mountain Valley. See "*Avicanna – Our History – Acquisitions – Sativa Nativa*".

(2) Our research and product development activities are ongoing and are anticipated to include the development of new CBD-based products and formulations, commencement of phase I and phase II clinical trials for select products and targeted indications, as well as the establishment of partnerships with key research partners around the world to broaden our collaborative research activities. These amounts represent what is required to satisfy contractual arrangements with our research partners over the next twelve months. These costs include the commencement of clinical trials with SickKids (approximately $172,500), the commencement of the prevalence study with UWI (approximately $55,000 remaining), the commencement of phase I trials with CAIMED (approximately $540,000 remaining) and the commencement of phase I trials with U de A (approximately $300,000). We intend to spend approximately $88,000 pursuant to the U of T Dentistry Service Agreement. Additionally we intend on spending an additional $300,000 with our existing partners over the next 12 months, but have not allocated these funds to a particular partner. See: "*Our Business – Research & Development*" for additional information.

(3) Marketing activities relates to the costs to initially market and launch the Corporation's Pura Earth™ product line in Colombia. These costs will include expenditures related to initial advertising campaigns, in store display units and public relations marketing.

(4) Represents the costs to manufacture approximately 15,000 units of our Pura Earth™ derma cosmetic products. This amount is based on initial order demand indications from Percos. See "*Our Products – Derma-cosmetics*".

(6) Represents the cost to manufacture our phyto-therapeutic and pharmaceutical products for testing and clinical trials. We anticipate manufacturing at least 1,000 units of each product for the testing and clinical trials, as applicable that we will conduct over the next 12 months. See "*Our Products – Pharmaceuticals*" and "*Our Products – Phyto-therapeutics*".

(7) This amount represents the general and administrative expenses that we will require over the next 12 months. This amount includes $4,013,685 for salaries and wages; which includes an incremental $1,495,725 for costs relating to increased staffing; $762,580 for consultant fees; $600,000 for professional fees; $504,919 for travel expenses and $1,686,930 for general office administration. These costs are higher than our historical general and administrative costs due to increase in staffing and commencement of clinical trials for certain products.

The table above provides our projected uses for the next 12 months and shows that have sufficient funds to meet all of our business objectives for at least the next 12 months. It is anticipated that, following the above expenditures, we will have approximately $650,000 of unallocated funds available to cover unexpected expenditures or cost overruns that may arise while we achieve our stated business objectives. These funds have not yet been allocated to any specific business plan or opportunity, however, due to the nature and fast pace of the cannabis industry, we believe having unallocated funds will give us an advantage to capitalize on opportunities that may present themselves or accelerate certain business plans and objectives should we deem it prudent to do so.

Additionally, these funds may be allocated towards the costs attributable to our phase II clinical trials on our pharmaceutical products. The cost of the phase II trials will depend on, among other things, the number of products that are tested and the size of the sample group of patients. These parameters have not yet been decided, and as such the anticipated costs of our phase II trials are currently are undeterminable. We do not anticipate that we will conduct any phase II clinical trials on our products within the next 12 months. See: "*Our Products – Pharmaceuticals*".

Accordingly, while it is currently intended by management that funds will be expended as set forth above, budgets are regularly reviewed with respect to the success of expenditures and other opportunities which become available to us and actual expenditures may differ from these amounts and allocation. See "*Risk Factors*".

We have had negative cash flow from operating activities for the years ended December 31, 2018 and 2017 and we expect this to continue for the year ended December 31, 2019. We believe that many of the expenditures causing this negative cash flow are one-time start-up expenses such as capital incurred to construct our facilities, funds spent to commence many of our R&D initiatives and agricultural costs for our genetic registration requirements in Colombia. Our general and administrative expenses have historically been high due to costs related to professional fees, consultants, travel and R&D activities, the main focus of which were related to the development of our Colombian cultivation facilities and finalizing our products. We allocated amounts from our available funds towards all remaining costs which are required prior to commencing income generating operations. We do not expect to the trend of our negative cash flows to continue long term.

Business Objectives and Milestones

Our significant milestones are: (A) the completion of the genetic registration process; and (B) the receipt of quotas to cultivate psychoactive strains. We have four genetics registered in SMGH. Of the four currently registered, one is a non-psychoactive strain and the other three are psychoactive. The one registered non-psychoactive strain means that we can now begin to cultivate this strain for commercial purposes in any amount required for our commercial and clinical development purposes and we have commenced such cultivation. The other three registered strains will require quotas to be approved before we can begin to cultivate for commercial purposes due to the fact that they are psychoactive strains. See "*Cultivation – Genetic Registration Process in Colombia*".

Additionally, our genetic registration is underway for all our genetics and we do not anticipate encountering any issues in completing the genetic registration process for all genetics at the SMGH site by September 2019 and for all genetics at the SN site by February 2020. See "*Cultivation – Genetic Registration Process in Colombia*".

Now that we are able to start commercial cultivation of the one registered non-psychoactive strain, we have started growing this strain and when harvested will extract the CBD and begin manufacturing and distributing our products. Based on the standard harvest times, and taking into consideration the time required to dry the cannabis flower and extract the CBD, we expect our first production of CBD-based Extracts will be delivered to Altea in August of 2019. The first of our products to come to market will be our derma-cosmetics under the Pura Earth ™ brand. Additionally, the CBD that will be extracted for our first commercial harvest of non-psychoactive cannabis allows us to manufacture some of our phyto-therapeutic products for testing and our pharmaceutical products, including the products to be used in the SickKids trial, for clinical trials. The Second Closing has provided us with sufficient funds to manufacture, market and distribute our first batch of derma-cosmetics as well as manufacture the required units of phyto-therapeutics and pharmaceuticals to start our testing and clinical trials. See "*Our Products – Pharmaceuticals*" and "*Our Products – Phyto-therapeutics*".

We are currently seeking a quota for our registered psychoactive strains. Psychoactive genetics that are registered require an approved quota to cultivate for commercial purposes. Once we receive the approved quotas, we will be able to cultivate the psychoactive plants as per the quotas and derive THC to use in our products that require THC. On June 28, 2019, we applied for a quota for the manufacture of 12kg of resin from psychoactive genetics for export purposes. It is our understanding that the MJL will give its response on the application within two months.

Receiving the quotas for the three registered psychoactive strains along with the existing registered non-psychoactive strain provides sufficient cannabis material to manufacture the Extracts needed for all of our products. See "*Our Products*".

DIVIDEND POLICY

The Corporation has not declared any cash dividends or distributions for any of our securities in the past and no such dividends or distributions are contemplated for the current financial year. As of the date of this Prospectus, there are no restrictions that prevent the Corporation from paying dividends on the Common Shares. The Corporation has neither declared nor paid any dividends on its shares and it is not contemplated that the Corporation will pay dividends in the immediate or foreseeable future. The Corporation currently intends to retain future earnings and other cash resources to fund the development and growth of our business and does not anticipate paying dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of the Board and will depend on many factors, including, among others, our financial condition, current and anticipated cash requirements, contractual restrictions, financing agreement covenants, solvency tests imposed by applicable corporate law and other factors that the Board may deem relevant.

SUMMARY OF SELECTED FINANCIAL INFORMATION

The following tables set forth: (i) summary historical financial information of Avicanna for the years ended December 31, 2018 and 2017 which has been derived audited Financial Statements included in Schedule A to this Prospectus; (ii) unaudited financial information of Avicanna as at and for the three months ended March 31, 2019; and (iii) unaudited pro-forma financial information the year ended December 31, 2017, giving effect to the acquisition of the interests in SN and SMGH, as if such acquisitions occurred on January 1, 2017.

Our audited consolidated financial statements have been audited by our independent auditor, MNP LLP, and its audit report on these audited consolidated financial statements is included elsewhere in this Prospectus.

The following financial information should be read in conjunction with "*Use of Available Funds*" and "*Consolidated Capitalization*" as well as the Financial Statements and MD&A included in this Prospectus under Schedules A, B and C.

Historical Financial Information

	Three months ended March 31, 2019 ($)	Year ended December 31, 2018 (audited) ($)	Year ended December 31, 2017 (audited) ($)
Revenue	24,023	117,971	26,661
Operating expenses	3,788,140	8,564,066	2,612,150
Other income (expenses)	(121,359)	1,156,698	(14,080)
Net income (loss)	(3,885,476)	(7,289,397)	(2,599,569)
Current assets	2,258,915	1,191,527	1,307,264
Total assets	29,660,802	28,181,001	2,117,470
Current liabilities	3,648,612	1,786,885	1,276,403
Total liabilities	4,439,057	1,801,326	1,276,403
Shareholders equity (deficit)	25,221,745	26,379,675	841,067

Pro Forma Financial Information

	Unaudited pro forma for the year ended December 31, 2018 ($)
Revenue	117,971
Operating expenses	8,870,809
Other income (expenses)	1,157,128
Net income (loss)	(7,595,710)

	Unaudited pro forma for the year ended December 31, 2018 ($)
Current assets	1,191,527
Total assets	27,874,688
Current liabilities	1,786,885
Total liabilities	1,801,326
Shareholders equity (deficit)	26,073,362

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Corporation's MD&A of operations and financial position and outlook: (i) as at and for the years ended December 31, 2018 and December 31, 2017; and (ii) as at and for the three months ended March 31, 2019 and March 31, 2018 are included in this Prospectus under Schedule A.

The MD&A of operations and financial position and outlook of My Cannabis as at and for the period ended May 31, 2017 is included in this Prospectus under Schedule B.

SN's MD&A of operations and financial position as at and for the year ended December 31, 2017 and as at and for the period from incorporation, December 23, 2016, to December 31, 2016 are included in this Prospectus under Schedule B.

SMGH's MD&A of operations and financial position as at and for the years ended December 31, 2017 and December 31, 2016 and three and nine months ended September 30, 2018 and September 30, 2017 are included in this Prospectus under Schedule B.

Certain information in the Corporation's MD&A contains forward-looking statements that are subject to inherent risks and uncertainties. Should one or more of these risks or uncertainties materialize, or any of the underlying assumptions of the MD&A prove incorrect, actual results may vary significant from those set forth in the MD&A and this Prospectus. See "*Risk Factors*" for further details.

All MD&A should be read in conjunction with the accompanying Financial Statements. See: "*Financial Statement Presentation in this Prospectus*".

DESCRIPTION OF OUR SECURITIES

This Prospectus qualifies the distribution of the Qualifying Securities to be issued on the automatic exercise of the Special Warrants sold under the Second Closing of the Offering. See "*Plan of Distribution*".

Authorized Share Capital

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares in the capital of the Corporation which may be issued in series. As of the date hereof, 19,765,978 Common Shares are issued and outstanding as fully paid and non-assessable and we have not yet created any series of preferred shares. There are no options, warrants or other securities convertible into, or exchangeable or exercisable for Common Shares except for: (i) the Qualifying Securities; (ii) 1,522,500 Options; (iii) 1,153,736 common share purchase warrants (including the Debenture Warrants); (iv) the Compensation Options; and (v) the Debentures.

Common Shares

Holders of Common Shares are entitled to receive notice of, attend and vote at, all meetings of the shareholders of the Corporation (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 Corporation. 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 Corporation, the holders of Common Shares will be entitled to receive the property of the Corporation 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 Corporation. 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.

Assuming the exercise of each Special Warrant for one Qualifying Share and one half of one Qualifying Warrant as contemplated in this Prospectus, it is expected that there will be 21,994,306 Common Shares issued and outstanding following the Prospectus Qualification.

Special Warrants

The Special Warrants were issued pursuant to the Agency Agreement and are governed by the Special Warrant Certificates issued by the Corporation in favour of the holders of the Special Warrants on the Closing Date. The following summary of certain provisions of the Special Warrant Certificates does not purport to be complete and is qualified in its entirety by reference to the provisions of the Special Warrant Certificates.

Pursuant to the Special Warrant Certificates, each Special Warrant will be automatically exercised, without payment of additional consideration and subject to customary anti-dilution adjustments, into one Unit consisting of one Qualifying Share and one half of one Qualifying Warrant, at no additional cost, at 5:00 p.m. (Toronto time) on the earlier of: (a) the Qualification Date; and (b) the Prospectus Qualification.

The Special Warrant Certificates provide that in the event of certain alterations of the Qualifying Securities, including any subdivision, consolidation or reclassification, and in the event of a capital reorganization of the Corporation, including any amalgamation, merger or arrangement or a sale or conveyance of the property or assets of the Corporation, as an entirety or substantially an entirety, an adjustment shall be made to the terms of the Special Warrants such that the holders shall, upon exercise of the Special Warrants, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Special Warrants prior to the occurrence of those events. No fractional securities will be issued upon the exercise of the Special Warrants. The holding of Special Warrants does not make the holder thereof a shareholder of the Corporation or entitle the holder to any right or interest in respect thereof except as expressly provided in the Special Warrant Certificates.

In addition to the foregoing description of the rights of the Special Warrants, each holder of the Special Warrants is entitled to a contractual right of rescission. For details regarding such right, please see "*Contractual Right of Action for Rescission*".

Qualifying Warrants

The Qualifying Warrants are issuable upon the automatic exercise of the Special Warrants, and will be governed by the terms of the Qualifying Warrant Certificates. Each Qualifying Warrant will entitle the holder thereof to acquire one Warrant Share until the date that is 24 months from the Closing Date at a price of $10.00 per Warrant Share, subject to acceleration. Pursuant to the Qualifying Warrant Certificates, if the volume weighted average price of the Common Shares on such recognized Canadian stock exchange as the Common Shares may be listed and posted for trading, is equal to or greater than $12.50 for a period of 10 consecutive trading days, the Corporation may at its option elect to accelerate the expiry of the Qualifying Warrants by providing notice to the holders thereof, in which case the Qualifying Warrants will expire on the 30th calendar day following delivery of such notice.

The Qualifying Warrant Certificates provide that in the event of certain alterations of the Qualifying Securities, including any subdivision, consolidation or reclassification, and in the event of a capital reorganization of the Corporation, including any amalgamation, merger or arrangement or a sale or conveyance of the property or assets of the Corporation, as an entirety or substantially an entirety, an adjustment shall be made to the terms of the Qualifying Warrants such that the holders shall, upon exercise of the Qualifying Warrants following the occurrence of any of those events, be entitled to receive the same number and kind of securities that they would have been entitled to receive had they exercised their Qualifying Warrants prior to the occurrence of those events. No fractional securities will be issued upon the exercise of the Qualifying Warrants. The holding of Qualifying Warrants does not make the holder thereof a shareholder of the Corporation or entitle the holder to any right or interest in respect thereof except as expressly provided in the Qualifying Warrant Certificates.

Convertible Debentures

The Debentures are governed by and issued pursuant to the terms of the Debenture Certificates. The Debentures incur interest at 8.0% per annum and become due on the Maturity Date. The Debentures are direct obligations and are not secured by any mortgage, pledge, hypothec or other charge and are subordinated to all other prior indebtedness. The Debenture does not restrict us from incurring additional indebtedness for borrowed money or from mortgaging, pledging our charging our assets to secure any indebtedness. The Debentures are transferable in accordance with the Debenture Certificates.

Each Debenture is convertible at any time at the option of the holder thereof into fully paid and non-assessable Common Shares at any time prior to 5:00 p.m. (Toronto time) on the earliest of: (i) the Maturity Date; and (ii) the Voluntary Conversion Date (as defined in the Debenture Certificates) at the Conversion Price, representing a conversion rate of 125 Common Shares per $1,000 principal amount of Debentures, subject to adjustment in accordance with the Debenture Certificates. On the Maturity Date, the remaining Debentures and all accrued interest thereon up to but excluding the Maturity Date will be automatically converted into Common Shares at the Conversion Price. Upon the conversion, the holder thereof will also receive all accrued and unpaid interest thereon in Common Shares issued at the Conversion Price.

The Debenture Certificate provides for the adjustment of the Conversion Price in certain events including: (i) the subdivision or consolidation of the outstanding Common Shares; (ii) the issuance of Common Shares or securities convertible into Common Shares by way of stock dividend (other than the issue of Common Shares to holders of Common Shares who have elected to receive dividends in the form of Common Shares in lien of dividends paid in the ordinary course or the Common Shares) to the holders of all or substantially all of the outstanding Common Shares; (iii) the issuance of rights or warrants to all or substantially all the holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 80% of the then Current Market Price (as defined hereafter) of the Common Shares; and (iv) the distribution to all holders of Common Shares of any securities or assets other than Common Shares.

Provided the Common Shares are then listed on a recognized stock exchange, the term "Current Market Price" is defined in the Debenture Certificates to mean, on any day the volume weighted average trading price of the Common Shares on such exchange for the 20 consecutive trading days ending on the fifth trading day preceding such date.

Subject to prior regulatory approval, if required, there will be no adjustment of the Conversion Price in respect of any event described in (ii), (iii) or (iv) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date of such event. We are not required to make adjustments to the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%. However, any adjustments that are less than 1% of the Conversion Price are to be carried forward and taken into account when determining subsequent adjustments.

In the case of: (i) any reclassification, capital reorganization or change (other than a change resulting only from consolidation or subdivision) of the Common Shares; (ii) our amalgamation, arrangement, consolidation or merger with or into any other entity; (iii) the sale, transfer or other disposition of our properties and assets as, or substantially as, an entirety to any other entity; or (iv) our liquidation, dissolution or winding-up, the terms of the conversion privilege will be adjusted so that each Debenture will, after such reclassification, capital reorganization, change, amalgamation, arrangement, consolidation, merger, sale, transfer, disposition, liquidation, dissolution or winding-up, be exercisable for the kind and amount of our securities or property, or of such continuing, successor or purchaser entity, as the case may be, which the holder thereof would have been entitled to receive as a result of such disposition, liquidation, dissolution or winding-up if on the effective date thereof it had been the holder of the number of Common Shares into which the Debenture was convertible prior to the effective date thereof.

On the Maturity Date, the remaining Debentures and all accrued interest thereon up to but excluding the Maturity Date will be automatically converted into Common Shares at the Conversion Price. No fractional Common Shares will be issued upon the conversion of the Debentures and the holder of the Debentures will receive a cash payment in satisfaction of any fractional securities date required on the basis of the conversion price of the time of the conversion. All Debentures converted will be cancelled and may not be reissued or sold.

CONSOLIDATED CAPITALIZATION

The following table summarizes the Corporation's consolidated capitalization as at March 31, 2019 and as at June 30, 2019 both before and after the conversion of the Special Warrants issued on the Second Closing. The table should be read in conjunction with the financial statements, including the notes thereto, included elsewhere in this Prospectus. There have been no material changes in the share capitalization or in the indebtedness of the Corporation since June 30, 2019.

	As at March 31, 2019	**As at June 30, 2019 before conversion of Second Closing Special Warrants**	**As at June 30, 2019 after the conversion of the Second Closing Special Warrants**(2)(7)
Shareholder Equity			
Share Capital			
Common Shares (unlimited)	17,556,057	19,656,476(1)	21,884,804
Convertible Securities			
Special Warrants(2)	540,484	2,228,328	Nil
Warrants(3)	1,828,172	1,191,236	2,305,398
Compensation Options(4)	18,090	147,380	147,380
Stock Options	2,074,500	1,547,500	1,547,500
Indebtedness			
Term Loan(5)	$14,441	-	-
Debentures(6)	$783,000	$783,000	$783,000

Notes:

(1) Includes the issuance of 540,484 Common Shares on April 12, 2019 upon the automatic conversion of the 540,484 Special Warrants issued on the First Closing. See "*Plan of Distribution*". We have attributed $3.44 to the value of the Warrants with $4.56 attributable to the value of the Common Shares.

(2) Special Warrants were issued in two closings. The 540,484 Special Warrants issued on the First Closing automatically converted into Common Shares and Warrants on April 12, 2019.

(3) Includes the 270,242 warrants issued on April 12, 2019 upon the automatic conversion of the 540,484 Special Warrants issued on the First Closing. See "*Plan of Distribution*".

(4) 143,379 Compensation Options were granted to the Agents by the Corporation pursuant to the Offering, including 18,090 in connection with the First Closing and 129,290 in connection with the Second Closing. Each Compensation Option is exercisable for one Compensation Unit at a price of $8.00 per Compensation Unit. Each Compensation Unit is comprised of one Common Share and one half of one Compensation Warrant. See "*Plan of Distribution*".

(5) The term loan relates to a small auto loan in Colombia with a 2-year term. See the disclosure in the Corporation's financial statements and accompanying MD&A.

(6) Issued pursuant to the offering of Debentures which closed on March 1, 2019. See "*Avicanna – History – Financings - The Debenture Offering*".

(7) This table highlights the issued and outstanding securities as at June 30, 2019 both before and after the conversion of the Second Closing Special Warrants and does not take into account any security issued or granted after June 30, 2019.

OPTIONS TO PURCHASE COMMON SHARES

As of the date hereof, there are 1,522,500 options issued and outstanding. The table below sets out, as at the date of this Prospectus, all options to purchase securities of the Corporation and which category of persons hold such options.

Category	No. of Optionees in Category	Aggregate Underlying Common Shares	Weighted Average Exercise Price	Expiry Date Range
Executive officers and former executive officers	2	329,000	$0.10 - $8.00	December 10, 2023 – November 1, 2025
Directors (other than those who are also executive officers) and former directors	2	130,000	$2.00 - $7.30	May 1 – August 1, 2025
Executive officers and former executive officers of subsidiaries	-	-	-	-
Directors (other than those who are also executive officers) and former directors of subsidiaries	-	-	-	-
Other current and former employees	10	169,500	$1.00 - $8.00	October 1, 2024 – June 28, 2029
Current and former employees of subsidiaries	11	156,000	$2.00 - $8.00	March 1, 2025 – June 28, 2029
Consultants	27	738,000	$1.00 - $10.00	April 1, 2024 – June 26, 2029
Any other person	-	-	-	-

It is expected that, prior to the listing of the Common Shares, an additional: (i) 122,060 Options will be granted to executive officers, (ii) 30,000 Options will be granted to directors (other than those who are also executive officers), and (iii) 189,380 Options will be granted to other current employees or consultants of the Corporation or its subsidiaries. Each of such Options will be granted under the LTIP, will expire six (6) years from the date of grant and will vest over a period of three (3) years with 1/3 vesting each year. See "*Prior Sales*".

PRIOR SALES

The following table summarizes the issuance of Common Shares, including issuances of all securities convertible or exchangeable into Common Shares, since the date that is 12 months prior to the date of this Prospectus.

Date	Number/Type of Securities	Price per Security ($)	Aggregate Funds Received ($)
July 2018	328,219 Common Shares (1)	7.30	-
July 2018	16,000 Common Shares (2)	1.00-2.50	19,000
July 2018	42,000 Stock Options (8)(9)	2.00-10.00	-
August 2018	35,000 Stock Options (8)(9)	7.30 (10)	-
August 2018	2,416 Common Shares (1)	7.30	-
September 2018	90,000 Stock Options (8)(9)	8.00 (10)	-
September 2018	1,458 Common Shares (1)	8.00	-
September 2018	283,760 Common Shares (2)	2.50	709,400
October 22, 2018	1,477,818 Common Shares (3)	7.30	-
October 2018	100,000 Common Shares (5)	0.10	10,000
October 2018	1,135 Common Shares (1)	8.00	-
October 2018	15,000 Stock Options (8)(9)	8.00 (10)	-
November 2018	59,726 Common Shares (1)	8.00	-
November 2018	251,000 Stock Options (8)(9)	8.00 (10)	-
December 2018	540,484 Special Warrants (4)	8.00	4,323,872
December 2018	18,090 Compensation Units (4)	8.00 (10)	-
December 2018	100,000 Common Shares (5)	0.10	10,000
December 2018	3,750 Common Shares (2)	2.50	9,375
December 2018	12,154 Common Shares (1)	8.00	-
January 2019	17,313 Common Shares (1)	8.00	-
January 2019	448,584 Common Shares (2)	1.00-2.5	596,229
January 2019	430,000 Common Shares (5)	0.10-1.00	85,000
February 2019	2,000 Stock Options (8)(9)	8.00 (10)	-
February 2019	10,000 Common Shares (5)	2.00	20,000
February 2019	1,515 Common Shares (1)	8.00	-
February 2019	235,715 Common Shares (2)	1.00	235,715
March 2019	750 Common Shares (1)	8.00	-
March 2019	$783,000 Principal Amount Convertible Debentures (6)	1,000	783,000
March 2019	50,000 Stock Options (8)(9)	8.00 (10)	-
March 2019	752,715 Common Shares (2)	1.00-2.50	760,215
March 2019	12,500 Common Shares (1)	8.00	-
April 12, 2019	540,484 Common Shares (4)	-	-

Date	Number/Type of Securities	Price per Security ($)	Aggregate Funds Received ($)
April 12, 2019	270,242 Purchase Warrants (4)	-	-
April 15, 2019	2,228,328 Special Warrants (7)	8.00	17,826,624
April 15, 2019	129,290 Compensation Units (7)	-	-
April 2019	5,000 Common Shares (1)	8.00	-
April 2019	52,000 Stock Options (8)(9)(10)	8.00 (11)	-
April 2019	772,917 Common Shares (5)	0.10	40,000
April 2019	36,250 Common Shares (2)	1.00-2.50	774,792
May 2019	30,000 Common Shares (2)	2.50	75,000
May 2019	8,392 Common Shares (1)	8.00	-
May 2019	70,000 Common Shares (5)	1.00	70,000
June 2019	117,500 Common Shares (2)	2.50	293,750
June 2019	18,000 Stock Options (12)(13)	8.00	-
July 2019	37,500 Common Shares (2)	2.50	93,750
July 2019	25,000 Common Shares (5)	1.00	25,000
July 2019	47,002 Common Shares (1)	8.00	-
July 2019 (14)	341,440 Stock Options (13)(15)	8.00	-
July 2019 (14)	108,658 RSUs	8.00	-

Notes:

(1) Common Shares issued to consultants, services providers and certain employees as payment for services rendered for the period. The number of Common Shares issued is calculated by dividing the invoice for services divided by the prevailing fair market value of our Common Shares.
(2) Issued upon the exercise of previously granted warrants.
(3) Issued to We Bay in connection with the acquisition of our interest of SMGH. See: "*Avicanna – Our History – Acquisitions – Santa Marta Golden Hemp*".
(4) Issued pursuant to the First Closing of the Offering. On April 12, 2019 the Special Warrants issued pursuant to the First Closing automatically converted into 540,484 Common Shares and 270,242 Warrants.
(5) Issued upon the exercise of previously granted stock options.
(6) Issued pursuant to the offering of Debentures. Additionally, in connection with the issuance of Debentures, we issued 48,937 Debenture Warrants. See "*Avicanna – Our History – The Debenture Offering*".
(7) Issued pursuant to the Second Closing of the Offering.
(8) The options granted expire seven (7) years from the date of grant.
(9) Grant of Stock Options pursuant to the Corporation's Legacy Plan.
(10) 12,000 of these Stock Options have been cancelled.
(11) This represents the exercise price of the relevant security.
(12) The options granted expire ten (10) years from the date of grant.
(13) Grant of Options pursuant to the Corporation’s LTIP.
(14) These securities are not outstanding as of the date hereof, however they are anticipated to be granted prior to the listing of the Common Shares on a recognized Canadian exchange.
(15) The options granted expire six (6) years from the date of grant.

PLAN OF DISTRIBUTION

This Prospectus is being filed in the Qualifying Jurisdictions to qualify the distribution of the Qualifying Securities issuable upon the automatic exercise of the Special Warrants issued in connection with the Second Closing of the Offering. The Special Warrants were issued under two closings. The terms of the Offering, including the Offering Price of the Special Warrants, were determined by negotiation between the Corporation and the Agents.

Pursuant to the First Closing of the Offering conducted in accordance with the terms of the Agency Agreement, we issued an aggregate of 540,484 Special Warrants on a private placement basis in accordance with subscription agreements entered into with subscribers. The Special Warrants were sold to subscribers at a price of $8.00 per Special Warrant for aggregate gross proceeds of $4,323,872. The Special Warrants issued on the First Closing automatically converted into 540,484 Common Shares and 270,242 Warrants on April 12, 2019. All Special Warrant certificates issued to purchasers under the First Closing have terminated in accordance with their terms. The issuance of the Common Shares and Warrants issued upon the conversion of the Special Warrants issued on the First Closing are not being qualified under this Prospectus.

On March 13, 2019 we negotiated certain amendments to the Agency Agreement, primarily to allow for, among other things, the Second Closing and to reflect the correct composition of the syndicate of agents under the Agency Agreement.

The Second Closing was completed on April 15, 2019 pursuant to which we issued 2,228,328 Special Warrants at a price of $8.00 per Special Warrant for aggregate gross proceeds of $17,826,624. The Special Warrants are governed by the terms of the Special Warrant Certificates issued to the holders thereof on Closing Date of the Second Closing. Each Special Warrant will be automatically exercised, without payment of additional consideration and subject to customary anti-dilution adjustments, into one Qualifying Share and one half Qualifying Warrant at 5:00 p.m. (Toronto time) on the earlier of: (a) the Qualification Date; and (b) the third (3rd) Business Day after receipt for this Prospectus qualifying the distribution of the Qualifying Securities in the Qualifying Jurisdictions.

The Qualifying Warrants will be created and governed by the terms of the Warrant Certificates to be issued to the holders thereof upon conversion of the Special Warrants. Each Qualifying Warrant will entitle the holder thereof to acquire one Warrant Share until the date that is 24 months from the Closing Date at a price of $10.00 per Warrant Share. If the Common Shares trade on a recognized Canadian exchange and the volume weighted average price of the Common Shares on such exchange is equal to or greater than $12.50 for a period of 10 consecutive trading days, the Corporation may at its option elect to accelerate the expiry of the Qualifying Warrants by providing notice to the holders thereof in which case the Qualifying Warrants will expire on the 30th calendar day following delivery of such notice.

The Special Warrants were purchased by subscribers pursuant to certain exemptions from the prospectus requirements of applicable securities legislation in the Qualifying Jurisdictions in compliance with laws applicable to each subscriber. There is no market through which the Special Warrants may be sold and none is expected to develop. Unless and until the Prospectus Qualification occurs, the Qualifying Securities issued in connection with the Offering will be subject to the relevant hold periods under applicable securities legislation.

Pursuant to the Agency Agreement, we agreed to use commercially reasonable efforts to prepare and file a final prospectus under the applicable securities laws in each of the Qualifying Jurisdictions, to satisfy all comments from the regulators in each of the Qualifying Jurisdictions and to obtain a receipt (or deemed receipt) for this Prospectus qualifying the distribution of the Qualifying Securities in each of the Qualifying Jurisdictions by no later than the Qualification Date.

Mr. Giancarlo Davila Char, one of our directors, purchased 254,156 Special Warrants under the First Closing of the Offering and Mr. Jose Beltran, one of our officers, purchased 13,038 Special Warrants under the Second Closing.

The Corporation has agreed to indemnify the Agents and their subsidiaries and affiliates and each of their trustees, directors, officers, employees, shareholders and agents of the Agents against certain liabilities and expenses.

In consideration of the services rendered by the Agents in connection with the First Closing of the Offering, the Agents received a cash commission of $30,000, representing 6% of the aggregate proceeds from the Special Warrants placed by the Agents, excluding proceeds from the sale of Special Warrants to certain strategic investors, plus additional expenses and disbursements. In addition, the Corporation issued to the Agents an aggregate of 18,090 Compensation Options representing: (i) 6% of the securities sold under the First Closing, excluding securities sold to certain strategic investors, plus (ii) 3% of the securities sold under the First Closing to certain strategic investors.

In connection with the Second Closing of the Offering, the Agents received a cash commission of $670,800, representing 6% of the aggregate proceeds raised from the Special Warrants placed by the Agents. In addition the Agents were issued an aggregate of 129,290 Compensation Units representing: (i) 6% of the securities sold under the Second Closing, excluding securities sold to certain strategic investors, plus (ii) 3% of the securities sold under the Second Closing to certain strategic investors.

Each Compensation Option entitles the holder to acquire one Common Share and one half of one common share purchase warrant on the same terms as the Units issuable on the automatic exercise of the Special Warrants. As of the date of this Prospectus no Compensation Options have been exercised by the Agents.

There is no market through which our Common Shares may be sold. The TSX has conditionally approved the listing of our Common Shares. Listing is subject to our fulfillment of all of the requirements of the TSX on or before October 1, 2019. See: "*Risk Factors – TSX Listing*".

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities referenced herein within the U.S. or to, or for the account or benefit of, U.S. Persons. None of the Qualifying Securities have been or will be registered under the U.S. Securities Act or the securities laws of any state of the U.S. and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Special Warrants may not be exercised by or on behalf of a U.S. Person or a person in the U.S. unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available. Accordingly, the Qualifying Securities will bear appropriate legends evidencing the restrictions on the offering, sale and transfer of such securities.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Voluntary Lock-Ups

Prior to filing a final long-form prospectus, we have agreed with the Agents to cause each director, officer and holder of greater than 10% of the issued and outstanding Common Shares to enter into an agreement pursuant to which each such individual shall agree not to sell, transfer or pledge, or otherwise dispose of or transfer the economic consequences of any securities of the Corporation held by such individual for a period of 39 months following the Listing Date where 10% of such securities will be released from the agreement on the date that is three months following the Listing Date with the remaining securities released in six equal tranches of 15% every six months following the first release until all such securities are released. As of the date hereof, it is expected that a total of 25 shareholders, holding an aggregate of 10,523,077 Common Shares (on a non-diluted basis) will be subject to such agreements. In the event that the Common Shares do not become listed on a recognized Canadian exchange by August 1, 2019, all securities subject to such agreements will be released immediately.

In addition, prior to Listing Date, we have agreed to make commercially reasonable efforts to obtain from each shareholder that: (i) has acquired securities at a price lower than the Offering Price; and (ii) holds a minimum of 100,000 Common Shares (on a fully diluted basis), an agreement pursuant to which each such shareholder will agree not to sell, transfer or pledge, or otherwise dispose of or transfer the economic consequences of any securities of the Corporation held by such shareholder, for a period of 4 months following the Listing Date where 20% of such securities will be released immediately prior to the Listing Date with the remaining securities released in four equal tranches of 20% every month thereafter until all such securities are released. In the event that the Common Shares do not become listed on a recognized Canadian exchange by August 1, 2019, all securities subject to such agreements will be released immediately.

The following table summarizes the securities that are subject to contractual restriction on transfer:

Contractual Restriction	Number of Common Shares	Percentage of Common Shares
39 months	10,523,077	47.84%
4 months	1,495,022	6.80%

PRINCIPAL SHAREHOLDERS

The following table sets forth, to the best of our knowledge, as of the date of this Prospectus, the only persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, directly or indirectly, ten percent (10%) or more of the issued and outstanding Common Shares after giving effect to the deemed exercise of the Special Warrants.

Name of Shareholder and Jurisdiction of Residence	Type of Ownership	Number and Percentage of Common Shares Held Prior to Conversion of Special Warrants(2)	Number and Percentage of Common Shares Held After Conversion of Special Warrants (3)(4)
Aras Azadian Ontario, Canada	Beneficial and of Record	2,534,107 (12.82%)	2,534,107 (11.52%)
Kyle Langstaff Ontario, Canada	Beneficial and of Record	2,418,333 (12.23%)	2,418,333 (10.99%)
Setu Purohit Ontario, Canada	Beneficial and of Record	2,570,952 (13.01%)	2,570,952 (11.69%)
Giancarlo Davila Char Miami, U.S.(1)	Beneficial and of Record	1,909,270 (9.66%)	1,909,270 (8.68%)
TOTAL		**9,432,662 (47.72%)**	**9,432,662 (42.89%)**

Notes:

(1) Mr. Davila Char is a director of the Corporation. Mr. Davila Char beneficially owns, controls, or directs, directly or indirectly, the listed number of Common Shares through the following: (i) Bondue, which owns 1,477,818 Common Shares; (ii) Siranom Investment Inc., which owns 363,202 Common Shares; (iii) Sambaq Investment Inc., which owns 35,904 Common Shares; and (iv) Bodelian Holding Corp owns 32,346 Common Shares. Mr. Davila Char also indirectly purchased $406,000 principal amount of debentures and 25,375 Debenture Warrants under the Debenture offering that closed on March 1, 2019.

(2) Expressed on a non-diluted basis based on 19,538,976 Common Shares issued and outstanding.

(3) Expressed on a non-diluted basis. On a fully-diluted basis, the number and percentage of Common Shares owned, controlled or directed by Mr. Azadian, Mr. Langstaff, Mr. Purohit and Mr. Davila Char are 2,534,107and 9.68%, 2,418,333 and 9.24%, 2,570,952 and 9.82%, and 2,146,348 and 8.20% respectively.

(4) Prior to the listing of the Common Shares, it is expected that Mr. Azadian and Mr. Purohit will be granted 30,820, and 20,680 Options and 24,000 and 16,110 RSUs respectively. See "*Prior Sales*".

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the name, province and country of residence, position held with the Corporation, principal occupation during the preceding five (5) years, and the date on which they were first appointed as a director or officer of the Corporation (if applicable). As of the date of this Prospectus, the Corporation's Board consists of Aras Azadian, Chairman of the Board, David Allan White, Dr. Chandrakant Panchal, Lead Director, Giancarlo Davila Char, Janet Giesselman and Setu Purohit. Directors will be elected annually and they are expected to hold office until the Corporation's next annual meeting of shareholders, at which time they may be re-elected or replaced.

Name and Province of Residence	Position(s) with the Corporation	First Appointed as Director or Officer and Expiry of Term	Principal Occupations During Previous five Years
Aras Azadian Ontario, Canada	Chief Executive Officer, Chairman of the Board and Director	November 25, 2016	Chief Executive Officer of the Corporation (2016-Present); and Chief Operating Officer of Panacea Global Incorporated (2013-2017).
David Allan White North Carolina, U.S.	Director(1)(2)	August 9, 2018	Corporate Director and Business Consultant at First Call Services (2012-Present).

Name and Province of Residence	Position(s) with the Corporation	First Appointed as Director or Officer and Expiry of Term	Principal Occupations During Previous five Years
Dr. Chandrakant Panchal Quebec, Canada	Lead Director(1)(2)	November 26, 2016	Chief Executive Officer of Axcelon Biopolymers Corp. (2008-Present).
Giancarlo Davila Char Miami, U.S.	Director(1)	October 22, 2018	Commercial Manager of Caribbean Eco Soaps U.I.B.S. (2017-Present); and Student (2013-2017).
Janet Giesselman Florida, USA	Director(2)	June 20, 2019	Retired business person and corporate director.
Setu Purohit Ontario, Canada	Director, General Counsel and Secretary Chief Legal Officer and President	November 25, 2016 May 23, 2018	President and Chief Legal Officer of the Corporation (2018-Present); Director, General Counsel and Secretary of the Corporation (2016-Present); and Partner at Purohit Vaid Professional Corporation (2012-2016).
Davender Sohi Ontario, Canada	Chief Financial Officer	November 25, 2016	Chief Financial Officer of the Corporation (2016-Present); President of Quad Business Services Inc. (2014-2017); and Manager at Ernst & Young LLP, Transaction and Advisory Practice (2012-2013).
Kyle Langstaff Ontario, Canada	Vice President (Operations)	November 26, 2016	President of 2516167 Ontario Inc. d.b.a. My Cannabis (2016-Present); Vice President of Operations of the Corporation (2016-Present); and President of Vehicle Appraisals on Demand (2009-Present).
Dr. Christine Allen Ontario, Canada	Chief Scientific Officer	November 1, 2018	Chief Scientific Officer of the Corporation (2018-Present); and Professor at the University of Toronto (2002-Present).
Arash Moghani Ontario, Canada	Chief Technical Officer	November 26, 2016	Chief Technical Officer of the Corporation (2018-Present); Chief Operating Officer of the Corporation (2016-2018); Senior Consultant at Bank of Montreal (2014-2017); and Technology Consultant at Deloitte & Touche LLP (2011-2014).
Lucas Nosiglia Magdalena, Colombia	Chief Agricultural Officer	November 26, 2016	Chief Agricultural Officer of the Corporation (2016-Present); President of Avicanna LATAM S.A.S. (2018-Present); Vice President of Avicanna LATAM S.A.S. (2016-2018); General Manager of La Causa Nikkei SA (2014-2016); and self-employed (2013-2014).

Name and Province of Residence	Position(s) with the Corporation	First Appointed as Director or Officer and Expiry of Term	Principal Occupations During Previous five Years
Dr. Amza Ali Ontario, Canada	Chief Medical Officer	June 6, 2019	Executive Vice-President, Neurology & Neuroscience Division of A.I.VALI (2018-Present); and Director of the Comprehensive Epilepsy Centre (2004-Present).

Notes:

(1) Member of the Audit Committee. Mr. White is Chair of the Audit Committee.

(2) Member of the Compensation Committee. Ms. Giesselman is the Chair of the Compensation Committee.

As at the date of this Prospectus, the directors or executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 10,149,866 Common Shares, representing approximately 51.35% of the total number of Common Shares outstanding before giving effect to the exercise of Stock Options, Warrants and the exercise of the Special Warrants held by such directors and executive officers. Upon the exercise of the Special Warrants, but before giving effect to the exercise of Stock Options or Warrants held by such directors and executive officers, the directors and executive officers of the Corporation, as a group, are expected to beneficially own, directly or indirectly, or exercise control or direction over, 10,149,866 Common Shares, representing approximately 46.15% of the total number of Common Shares outstanding. The statements as to the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of the Corporation as a group are based upon information furnished by the directors and executive officers.

In addition, Giancarlo Davila Char is the sole shareholder of Bondue, which owns 38.4% of SMGH.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions and Conflicts of Interest

Cease Trade Orders

To the knowledge of the Corporation, no director or executive officer of the Corporation (nor any personal holding corporation of any of such persons) is, as of the date of this Prospectus, or was within 10 years before the date of this Prospectus, a director, chief executive officer or chief financial officer of any corporation (including the Corporation), that: (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant corporation access to any exemption under securities legislation, in each case that was in effect for a period of more than thirty (30) consecutive days (collectively, an "**Order**"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the Corporation, no director or executive officer of the Corporation (nor any personal holding corporation of any of such persons), or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation: (a) is as of the date of this Prospectus or has been within 10 years before the date of this Prospectus, a director or executive officer of a corporation (including the Corporation) that while that person was acting in such capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has within the ten (10) years before the date of this Prospectus become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of the Corporation, no director or executive officer of the Corporation (nor any personal holding corporation of any of such persons), or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the knowledge of the Corporation, there are no known existing or potential conflicts of interest between the Corporation and its directors or officers as a result of their outside business interests except that certain of the Corporation's directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Corporation and their duties as a director or officer of such other companies.

Management

The following is a brief description of each member of management of the Corporation. Each of the executive officers and directors of the Corporation has or will enter into a non-competition and non-disclosure agreement with the Corporation.

Aras Azadian, Chairman of the Board of Directors and Chief Executive Officer

Mr. Azadian, age 32, serves as the Chairman of the Board of Directors and the Chief Executive Officer of the Corporation and serves in these capacities as an employee. Mr. Azadian will devote 100% of his time and attention to the business of the Corporation. Mr. Azadian brings extensive senior management experience in the biotechnology and financial sectors including his involvement in several successful start-up companies. In addition to his international experience in corporate development, his diverse roles include his previous position as the president of an investment corporation in the cannabis space and former Chief Operating Officer of an oncology company. Mr. Azadian holds a Bachelor of Economics degree from York University in Toronto, and an International Masters in Management degree from EADA Business School in Barcelona, Spain.

David Allan White, Director

Mr. White, age 66, serves as a director of the Corporation. Mr. White will devote approximately 10% of his time and attention to the business of the Corporation. Mr. White is a director and chair of audit committees of several Toronto Stock Exchange ("**TSX**") and NASDAQ companies. Mr. White has held several senior financial positions with John Labatt Limited, Lawson Marden Group Inc. and Laidlaw Inc. and most recently as Chief Executive Officer of TransCare Inc., a medical transportation company and as President and Chief Executive Officer of Student Transportation of America, a TSX listed company. In addition to sitting on Avicanna's Board of Directors and chairing the Corporation's audit committee, Mr. White has also been a corporate director and business consultant for First Call Services, a private holding company and advisory firm, since 2012. Mr. White has been a Canadian Chartered Accountant since 1978 and holds a Master of Business Administration degree from the University of Toronto.

Dr. Chandrakant Panchal, Lead Director

Dr. Panchal, age 70, serves as the Lead Director of the Corporation. Dr. Panchal will devote approximately 10% of his time and attention to the business of the Corporation. Dr. Panchal has been the Chief Executive Officer of Axcelon Biopolymers Corp. since 2008, has authored over seventy scientific papers, holds several patents in oncology, diagnostics, biopolymers and microbiology, and is an Adjunct Professor in Chemical and Biochemical Engineering at the University of Western Ontario. Dr. Panchal currently sits on the board of directors of both an oncology company known as Medicenna Therapeutics Corp. (MDNA), and Canadian Oil Recovery and Remediation Inc. (CVR) as well as Pure Global Cannabis Inc. (PURE). Dr. Panchal holds a Master of Science degree in Molecular Biology and a Ph.D. in Biochemical Engineering from the University of Western Ontario.

Giancarlo Davila Char, Director

Mr. Char, age 25, serves as a Director of the Corporation. Mr. Char will devote approximately 20% of his time and attention to the business of the Corporation. Upon obtaining his degree, Mr. Char returned home to work for his family's business, a company dedicated to the sustainable and organic cultivation and production of industrial scale palm oil as well as other agriculture crops such as avocados and coffee beans. In 2017, Mr. Char went on to lead a new branch of his family's business which is dedicated to producing private label oils for national distribution in supermarkets across Colombia. This business unit reached USD$30,000,000 in sales in 2018. Mr. Char holds a Bachelor of Science in Business Administration from Northeastern University.

Janet Giesselman, Director

Ms. Giesselman, age 64, serves as a Director of the Corporation. Ms. Giesselman will devote approximately 10% of her time and attention to the business of the Corporation. Ms. Giesselman is a Corporate Director at: Ag Growth International Inc. (a public Winnipeg based Ag Based Infrastructure company), where she serves as Chair of the Compensation Committee and member of the Audit and Governance committees; Omnova Solutions Inc. (a public Ohio based specialty chemicals and engineered surfaces company), where she serves as Chair of the Compensation Committee; Twin Disc, Incorporated (a Wisconsin based public company involved with power transmission equipment), where she serves as Chair of the Executive Development Committee and a member of the Audit and Compensation committees, and at McCain Foods Limited (a private New Brunswick based frozen food, produce and transportation company), where she serves as Chair of the Environmental Health & Safety Committee as well as on the Audit and the

Compensation and Management committees. Ms. Giesselman retired as the President and General Manager of Dow Oil & Gas, a business unit of The Dow Chemical Company, and has over 30 years of U.S. and international agriculture, energy and specialty and commodity chemicals industry experience, having led businesses in the U.S., Europe, Latin America, the Middle East and Asia. From 2001 to 2010, Ms. Giesselman held numerous senior leadership positions with The Dow Chemical Company including Vice President, Dow AgroSciences, and Vice President, Dow Latex (Switzerland). Before joining Dow, Ms. Giesselman held various leadership positions in marketing and strategic planning with the Rohm & Haas Company, a specialty and performance materials company. Ms. Giesselman holds a B.Sc., Biology from Pennsylvania State University and a Masters in Plant Pathology from the University of Florida.

Setu Purohit, President, Director, General Counsel, Chief Legal Officer and Secretary

Mr. Purohit, age 38, serves as a Director and as the President, General Counsel, Chief Legal Officer and Secretary of the Corporation and serves in these capacities as an employee. Mr. Purohit will devote 100% of his time and attention to the business of the Corporation. Mr. Purohit is a lawyer and entrepreneur with experience in complex corporate and legal strategy, contract negotiations, and litigation. Mr. Purohit has been involved in the cannabis industry for several years as an advocate for patients' rights and advising healthcare professionals, licensed cannabis producers, and other corporate and regulatory stakeholders in Canada and abroad. Prior to co-founding Avicanna, Mr. Purohit operated his own private practice since 2012. Mr. Purohit holds a Bachelor of Commerce degree from the University of Ottawa and a Juris Doctor (JD) degree from the University of Western Ontario.

Davender Sohi, Chief Financial Officer

Mr. Sohi, age 37, serves as the Chief Financial Officer of the Corporation and serves in this capacity as an employee. Mr. Sohi will devote 100% of his time and attention to the business of the Corporation. Mr. Sohi began his career in audit and tax at RSM Richter LLP, a mid-sized accounting and financial advisory firm. Mr. Sohi received his Chartered Accountant designation in 2008, and following three years in audit and tax he joined the firm's business advisory practice as a manager. Mr. Sohi's main focus in that group's practice was on mergers and acquisitions and valuation services. While in this group, Mr. Sohi worked on a number of M&A transactions, advising on both the buy and sell side, and participated in numerous valuation engagements across a variety of industries. In 2010, Mr. Sohi obtained his Chartered Business Valuator designation, and in 2012 joined Ernst & Young LLP's Transaction Advisory Practice. Following a year with Ernst & Young LLP, Mr. Sohi opened his own practice where he provided clients with accounting and advisory services. Mr. Sohi holds a Bachelor of Commerce degree from Queen's University.

Kyle Langstaff, Vice President (Operations)

Mr. Langstaff, age 35, serves as the Vice President of Operations of the Corporation and serves in this capacity as an employee. Mr. Langstaff also serves as the President of 2516167 Ontario Inc. d.b.a. My Cannabis, an affiliate of the Corporation. Mr. Langstaff will devote 100% of his time and attention to the business of the Corporation and My Cannabis. Mr. Langstaff has also been the President of Vehicle Appraisals on Demand, a company that specializes in motor vehicle appraisals, since 2009. In 2012, Mr. Langstaff first entered the cannabis industry when he acquired his Medical Marihuana Access Regulations licence. Later, in 2016, Mr. Langstaff founded My Cannabis, a company focused on providing qualified patients with knowledge and access to cannabis and cannabinoid-based products for medical use. Mr. Langstaff's focus over the past five years has been helping patients to access medical cannabis, as well as international medical cannabis research.

Dr. Christine Allen, Chief Scientific Officer

Dr. Allen, age 46, serves as the Chief Scientific Officer of the Corporation and serves in this capacity as an independent contractor. Dr. Allen will devote approximately 20% of her time and attention to the business of the Corporation. Dr. Allen is a Full Professor in the Leslie Dan Faculty of Pharmacy at the University of Toronto. Dr. Allen's research is focused on the design and development of new materials and technologies for the delivery of drugs and contrast agents in addition to synthesis of new polymer materials for nanotechnology-based drug delivery. Dr. Allen's research has resulted in 130 peer-reviewed publications on both lipid and polymer-based drug delivery approaches. Dr. Allen has been a professor at the University of Toronto since 2002. Dr. Allen holds a Ph.D. in Chemistry from McGill University and a B.Sc. in Biochemistry from the University of Ottawa.

Arash Moghani, Chief Technical Officer

Mr. Moghani, age 34, serves as the Chief Technical Officer of the Corporation and serves in this capacity as an employee. Mr. Moghani will devote 100% of his time and attention to the business of the Corporation. Mr. Moghani began his career at Deloitte & Touche LLP as a consultant leading complex strategy and business transformation projects across several sectors globally including banking, technology and healthcare. In 2014, Mr. Moghani continued his career at the Bank of Montreal, Capital Markets FX Technology department working with diverse teams of stakeholders, gathering business requirements and translating them into comprehensive technology solutions and strategies. Mr. Moghani holds an undergraduate degree from the University of Toronto specializing in Digital Enterprise Management and a Master of Business Administration degree from the Grenoble Graduate School of Business in France.

Lucas Nosiglia, Chief Agricultural Officer

Mr. Nosiglia, age 34, serves as the Chief Agricultural Officer of the Corporation and serves in this capacity as an employee. Mr. Nosiglia also serves as the President of Avicanna LATAM S.A.S., an affiliate of the Corporation. Mr. Nosiglia will devote 100% of his time and attention to the business of the Corporation and Avicanna LATAM S.A.S. Mr. Nosiglia has previous experience developing start-up companies in Argentina. In 2013, Mr. Nosiglia started a restaurant called La Causa Nikkei SA, and operated two locations in Argentina. In 2015, Mr. Nosiglia went on to create a marketing and event agency, Tremending, which focused on providing tailor made experiences for corporate clients. Later, in 2016, Mr. Nosiglia went on to provide business development consulting services for Sanatorios Guemes focused on improving the surgical and pharmaceutical practices of the major medical institution. Mr. Nosiglia holds an undergraduate degree in accounting from the University of Buenos Aires and a Masters degree in Finance from EADA in Barcelona, Spain.

Dr. Amza Ali, Chief Medical Officer

Dr. Ali, age 57, serves as our Chief Medical Officer. Dr. Ali will devote 100% of his time and attention to the business of the Corporation. Dr. Ali trained in neurology in both the United Kingdom and in the U.S. He has received international recognition for his work in the Caribbean related to advancing the care of patients with epilepsy. The development of a sustainability model in his current doctoral program, at the Henley Business School in the United Kingdom, drives his interest in new pharmacological solutions for epilepsy and other neurological conditions. Dr. Ali holds a Master in Business Administration from the Rotman School of Management, University of Toronto. He is a Fellow of the American Epilepsy Society and the President of the Caribbean Epilepsy Society.

Jose Beltran, Executive Vice President Corporate Development

Mr. Beltran, age 52, serves as the Executive Vice President Corporate Development of the Corporation. Mr. Beltran serves in this capacity as an employee of Avicanna LATAM S.A.S. Mr. Beltran will devote 100% of his time and attention to the business of the Corporation and Avicanna LATAM S.A.S. Mr. Beltran has over thirty years of pharmaceutical and health industry experience in Latin America. He has been on the executive management team of Pfizer Inc., Abbott Laboratories, Aspen Pharmacare Holdings Limited and Biotoscana Investments SA and is an expert in marketing & sales management. He has extensive experience working with diverse cultural environments and in leading multi-functional project teams. He holds degrees in Industrial Engineering and Marketing from University of Los Andes in Colombia and a certificate in Program for Leadership Development (PLD24) from Harvard University.

Janeth Mora, Executive Vice President Commercialization

Ms. Mora, age 49, serves as the Executive Vice President Commercialization of the Corporation and serves in this capacity as an independent contractor. Ms. Mora will devote her time and attention to the business of the Corporation and Avicanna LATAM S.A.S approximately four days a week. Ms. Mora is an executive within the pharmaceutical industry, with broad and qualified experience in regulatory affairs and marketing across emerging markets. Ms. Mora began her career with the Colombian Regulatory Agency, INVIMA, and then continued in the pharmaceutical industry with Merck & Co. She later joined Pfizer Inc. in 1997 where she held different positions of increasing responsibility in regulatory affairs, and then subsequently in marketing for specialty/orphan products. Ms. Mora currently acts as a Strategy and Business Development Advisor for companies in Latin America interested in developing businesses in the region. Janeth also holds degrees in Management, Marketing and Negotiation.

Scientific and Advisory Team

Our directors and officers work closely with members of our scientific team and our advisory board. The following is a brief description of certain members of our scientific team and advisory board along with a table setting out the approximate amount of time that each individual spends on Avicanna activities.

Dr. Frantz Le Devedec, Senior Vice President R&D

Dr. Le Devedec has over 15 years of experience in academic and industrial R&D projects, including material sciences and drug delivery formulations. He is author of over a dozen research papers and patents. His background is in biochemistry, with a PhD in applied polymer chemistry, and he has expertise in analytical and pharmaceutical sciences.

Dr. Justin Grant, Executive Vice President, Clinical Affairs

Dr. Grant has over fifteen years of experience in leading pharmaceutical research in sustained drug release formulations. He held academic appointments at the University of Toronto's Faculty of Pharmacy and University Health Network's Techna Institute for the Advancement of Technology for Health. For over 10 years, he has managed a $50M preclinical cancer research facility (the STTARR Innovation Centre) at Princess Margaret Cancer Centre. Justin is currently the Chair of the Scientific Advisory Board for Avicanna.

Samantha Watt, Vice President Scientific Affairs

Ms. Watt's experience investigating human physiology and cellular biology has allowed her to develop sophisticated laboratory and project management skills that contribute to Avicanna's competitive edge in the department of Research and Development. More specifically, Ms. Watt has been published on several different occasions and has also lead various conferences and presentations related to plant gene manipulation and cloning. Ms. Watt received a Master of Science degree from the University of Guelph.

Kulwinder Singh, Intellectual Property Rights Manager

Dr. Singh is highly experienced in the patent industry and brings over ten years of experience to the team. He holds a Ph.D. in Biotechnology and a Masters Degree in Bioinformatics. Dr. Singh has managed several industrial and academic projects on intellectual property rights and completed assessment of over 400 technologies for intellectual property rights protection. His previous roles include management of intellectual property rights projects with the Government of India, the United Nations Industrial Development Organization and World Intellectual Property Organization.

Dr. Carlo dela Seña, Quality Manager

Dr. dela Seña is an expert in regulatory affairs and quality assurance. He obtained his Ph.D. in Biochemistry from Ohio State University, USA, focused on the metabolism of vitamin A. During his postdoctoral studies in drug discovery at the University of Toronto, Dr. dela Seña refocused his career towards the later stages of drug development and obtained his Postgraduate Diploma in Regulatory Affairs and Quality Assurance. He has since created, executed and managed numerous quality systems and protocols across various healthcare industries, including medical cannabis, pharmaceuticals, cosmetics, natural health products and medical devices.

Dr. Hance Clarke, MD, PhD – Advisory Board Member

Dr. Clarke is currently the Director of Pain Services and the Medical Director of the Pain Research Unit at the Toronto General Hospital. He is recognized internationally for his research on novel transitional pain programs, novel Acute Pain Treatment and identifying risk factors associated to opioid use. He is regarded as one of the top international clinicians researching the efficacy of cannabinoids in pain management. Over the past five years he has authored 47 peer reviewed manuscripts.

Dr. Mauricio Torres-Pradilla, MD, PhD – Advisory Board Member

Dr. Torres Pradilla is a Dermatologist with a specialization in pediatric dermatology. He has been involved in research on Atopic Dermatitis, Psoriasis, Epidermolysis Bullosa and Hemangiomas in Europe and South America. Mauricio has several publications on these topics, individually and in collaboration. He is currently the Head of Dermatology at Fundación Universitaria de Ciencias de la Salud in Bogota, Colombia and is a Dermatologist at Debra Colombia, dividing his time among three major teaching hospitals and private practice.

Dr. Carlos Enrique Maldonado Muete, MD – Advisory Board Member

Dr. Carlos Maldonado is a physician, pharmacologist and professor of pharmacology who contributes his experience in biotechnology, pharmacovigilance, clinical studies and knowledge of the medical community and regulatory authorities, as a local and international lecturer. Among other roles, he has participated in medical and regulatory issues related to the approval and commercialization of several new medicines. Dr.

Muete has achieved results through his role as a former Medical Director of international pharmaceutical companies and as an external advisor.

Dr. Humberto Reynales, MD, PhD – Advisory Board Member

Dr. Reynales is an MD in Internal Medicine. He holds a PhD in Epidemiology from the University of Sao Paulo, Brazil as well as an MBA from Duke University and has completed a Global Clinical Scholars Research Training Program at Harvard Medical School. He has more than 15 years of experience in the pharmaceutical industry with Merck & Co in the area of clinical research. Since 2009, he is the founder and Executive Director of CAIMED, a private clinical research organization with operations in four countries in Latin America, and a leader in clinical trials implementation as well as design and conduct of observational studies in several therapeutic areas.

Alan Friedman, Business Advisor

Mr. Friedman is the founder and Chief Executive Officer of Rivonia Capital, a Canadian finance and capital market advisory firm. Mr. Friedman is also a co-founder of several publicly traded companies across diversified industries and is a former director of Cronos Group Inc. and oversaw that company's public listing.

Dr. Alejandro Berlin, MD, MSC – Advisory Board Member

Dr. Berlin trained in Chile, Israel and Canada, and currently works as a staff Clinician-Scientist Radiation Oncologist at the Princess Margaret Cancer Centre. His practice focuses in the characterization of malignancies with MRI and molecular imaging, and original applications of combinatorial approaches using systemic agents, stereotactic and MRI-guided ablative treatments. He is particularly interested in the design of innovative clinical trials, translational oncology, and genomic-based biomarker discovery, conveying his clinical and research expertise towards novel treatments for patients with cancer.

Name	**Title**	**Time Spent on Avicanna Work**
Jose Beltran	EVP Corporate Development	Full time
Janeth Mora	EVP Commercialization	4 days per week
Alan Friedman	Business Advisor	Min. 4 hours per week
Dr. Frantz Le Devedec	SVP R&D	Full time
Dr. Justin Grant	EVP Clinical Affairs	Full time
Samantha Watt	VP Scientific Affairs	Full time
Kulwinder Singh	Intellectual Property Rights Manager	Full time
Carlo dela Sena	Quality Manager	Full time
Dr. Hance Clarke	Advisory Board Member	Min. 1 day per week
Dr. Mauricio Torres-Pradilla	Advisory Board Member	5 hrs per week
Dr. Carlos Maldonado	Advisory Board Member	5 hrs per week
Dr. Humberto Reynales	Advisory Board Member	5 hrs per week
Dr. Alejandro Berlin	Advisory Board Member	5 hrs per week

EXECUTIVE COMPENSATION

The following discussion describes the significant elements of our executive compensation program, with particular emphasis on the process for determining compensation payable to the Chief Executive Officer and the Chief Financial Officer and, other than the Chief Executive Officer and the Chief Financial Officer, the most highly compensated executive officer, or the most highly compensated individual acting in a similar capacity (collectively, the "**Named Executive Officers**" or "**NEOs**"). The NEOs are:

- Aras Azadian, Chief Executive Officer and Chairman of the Board;
- Setu Purohit, President, Chief Legal Officer, Secretary, General Counsel and Director; and
- Davender Sohi, Chief Financial Officer.

Overview and Compensation Governance

Our compensation practices are designed to retain, motivate and reward our executive officers for their performance and contribution to our long-term success. The Board makes decisions regarding executive compensation by seeking to compensate our executive officers by combining short and long-term cash and equity incentives. It also seeks to reward the achievement of corporate and individual performance objectives, and to align executive officers' incentives with shareholder value creation. The Board seeks to tie individual goals to the area of the executive officer's primary responsibility, including the achievement of specific financial or business development goals. The Board also sets performance goals that reach across all our business areas and include achievements in finance/business development and corporate development. In assessing the compensation of its executive officers, we do not have in place formal objectives, criteria or analysis; instead, we rely mainly on discussions between members of the Board and the review of appropriate comparison data. The Board considers each executive's performance and other relevant factors, including the scope of each executive's position and responsibilities, the achievement of corporate goals, the current business environment and anticipated changes, and executive retention and recruitment considerations.

Peer Group(s)

We use a pay peer group in order to provide competitive market data to support compensation decision making. The 2019 pay peer group consists of other medical cannabis companies and bio-pharmaceutical companies in the Canadian market, within a range of approximately 1/3x to 3x our total enterprise value at the time of initially developing the group:

Aleafia Health Inc.	BELLUS Health Inc.
Heritage Cannabis Holdings Corp.	InMed Pharmaceuticals Inc.
Liht Cannabis Corp.	Nutritional High International Inc.
Sunniva Inc.	Tetra Bio-Pharma Inc.
Valens Groworks Corp.	VIVO Cannabis Inc.
Wayland Group Corp.	WEEDMD Inc.

The Compensation Committee reviews peer group compensation data to provide external context for pay decision making, with particular reference to the peer group median. However, executive and director compensation levels at Avicanna do not directly target a fixed percentile relative to the peer group.

Compensation Components

Our compensation is expected to consist primarily of three elements: (a) base salary; (b) annual bonus; and (c) long term equity incentives. Each element of compensation is described below in more detail.

Base Salary

Base salaries for our executive officers are to be established based on the scope of their responsibilities and their prior relevant experience, taking into account competitive market compensation paid by other companies in Avicanna's industry for similar positions and the overall market demand for such executives at the time of hire. An executive officer's base salary will also be determined by reviewing the executive officer's other compensation to ensure that the executive officer's total compensation is in line with our overall compensation philosophy.

Base salaries are to be reviewed annually and increased for merit reasons, based on the executive officers' success in meeting or exceeding individual objectives, and taking into account prevailing market conditions. Additionally, we will adjust base salaries as warranted throughout the year for promotions or significant changes in the scope or breadth of an executive officer's role or responsibilities.

Annual Bonus

Our compensation program includes eligibility for an annual incentive cash bonus. Annual incentive cash bonuses are discretionary and are not awarded pursuant to a formal plan. The Board will assess the level of the executive officer's achievement of meeting individual goals, as well as that executive officer's contribution towards corporation-wide goals. The amount of the cash bonus is expected to depend on the level of achievement of the individual performance goals, with a target bonus generally to be set as a percentage of base salary and based on profitability measures.

Long Term Equity Incentives

We believe that equity-based awards will allow us to reward our executive officers for their sustained contributions. We also believe that equity awards reward continued employment by an executive officer, with an associated benefit to us of employee continuity and retention. The Board believes that incentive stock options provide management with a strong link to long-term corporate performance and the creation of shareholder value. The long term incentive plan will allow the opportunity to grant stock options to purchase Common Shares and grant share awards.

Risks Associated with the Compensation Policies and Practices

Given our size and limited elements of executive compensation, the Board does not currently deem it necessary to consider the implications of the risks associated with our compensation policies and practices. The Board believes the current structure of our executive compensation arrangements is focused on long-term value and is designed to correlate to the long-term performance of the Corporation.

Compensation Consultant

Avicanna has retained Hugesson Consulting Inc., a leading independent Canadian-based compensation consultant, to provide advice on the competitiveness and effectiveness of the Company's compensation programs. As of May 31, 2019, Hugesson Consulting Inc. was paid an aggregate of $13,383 for their services.

Summary Compensation Table

The following table summarizes, for the periods indicated, the compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by Avicanna to each of our NEOs. All amounts in the following table and the notes thereto are in Canadian dollars unless otherwise indicated:

Name and principal position	Year	Salary ($)	Share-based awards ($)(2)	Option-based awards ($)(3)	Non-equity incentive plan compensation ($)		Pension value ($)	All other compensation ($)(4)	Total compensation ($)
					Annual incentive plans	Long-term incentive plans			
Aras Azadian Chief Executive Officer(1)	2016(5)	114,300	-	-	-	-	-	-	114,300
	2017	150,000		-	30,000	-	-	-	180,000
	2018	150,000		-	-	-	-	-	150,000
Setu Purohit President, Chief Legal Officer, General Counsel and Secretary(1)	2016(5)	60,000	-	-	-	-	-	-	60,000
	2017	140,000	-	-	20,000	-	-	-	160,000
	2018	140,000	-	-	-	-	-	-	140,000
Davender Sohi Chief Financial Officer	2016(5)	-	-	-	-	-	-	-	-
	2017	30,000	-	-	-	-	-	-	30,000
	2018	125,000	-	-	-	-	-	-	125,000

Notes:

(1) Mr. Azadian and Mr. Purohit are also directors, but are not entitled to any compensation in connection with their service as a director. Mr. Azadian and Mr. Purohit were paid a portion of their salary ($50,000 and $40,000 in 2017 and $4,167 and $3,333 in 2018, respectively) in Common Shares.

(2) The LTIP was approved by our shareholders on June 20, 2019. No share-based awards have been granted thereunder.

(3) Represents the fair value of the stock option on the grant date. The fair value of the options was estimated at the date of grant using the Black Scholes option pricing model. The estimated fair value of the stock options was nil based on a risk free rate of 1.08%, expected life of five years and a volatility rate of 90%.

(4) No NEOs received any additional compensation or perquisites.

(5) Mr Azadian received a one-time payment of $9,525 for the month of December 2016, which represents an annualized salary of $114,300. Mr. Purohit received a one-time payment of $5,000 for the month of December 2016, which represents an annualized salary of $60,000. Mr. Sohi was appointed as Chief Financial Officer on November 25, 2016 and did not receive any compensation for his duties during the year ended December 31, 2016.

Incentive Plan Awards – Outstanding Option-Based Awards and Share-Based Awards

The following table shows all outstanding option-based and share-based awards held by each NEO as at December 31, 2018.

	Option-based Awards				Share-based Awards [2]			
Name and Position	**Number of securities underlying unexercised options**	**Option exercise price**	**Option expiration date**	**Value of unexercised in-the-money options[1]**	**Number of shares or units of shares that have not vested**	**Market or payout value of share-based awards that have not vested**	**Number of shares or units of shares that have vested**	**Market value of vested share-based awards not paid or distributed**
Aras Azadian Chief Executive Officer	-	-	-	-	-	-	-	-
Setu Purohit President, Chief Legal Officer, General Counsel and Secretary	-	-	-	-	-	-	-	-
Davender Sohi Chief Financial Officer	100,000	$0.10	December 10, 2023	$790,000	-	-	-	-

Notes:

(1) The Common Shares have never been listed on a public market or exchange and, as such, no market price is available. The value shown represents a good-faith estimate of fair market value based on the most recent price paid for the Common Shares in an arm's-length transaction prior to the end of the most recently completed fiscal year, minus the exercise price of the option, multiplied by the number of options.

(2) As of December 31, 2018, we had not yet approved our LTIP or issued any share-based awards.

Incentive Plans – Value Vested or Earned During the Year

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for the NEO for the financial year ended December 31, 2018.

Name and Position	Option-based awards – Value vested during the year[1]	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year
Aras Azadian Chief Executive Officer	$2,370,000	-	-
Setu Purohit President, Chief Legal Officer, General Counsel and Secretary	$1,580,000	-	-
Davender Sohi Chief Financial Officer	$790,000	-	-

Notes:

(1) Represents the aggregate dollar value that would have been realized if the options had been exercised on the vesting date. Computed as the dollar value that would have been realized by determining the difference between the market price of the underlying securities at vesting and the exercise of the options on the vesting date.

(2) As at December 31, 2018 we had not yet approved our LTIP and had not issued any share based awards.

Long Term Incentive Plan

The following is intended as a brief description of our long-term incentive plan (the "**LTIP**"). On June 1, 2019, the Board approved the adoption of the LTIP. The LTIP was approved by our shareholders at our special meeting of shareholders held on June 20, 2019.

The LTIP allows for a variety of equity-based awards that provide different types of incentives to be granted to the Corporation's directors, officers, employees and consultants. The LTIP will facilitate granting of awards ("**Awards**") representing: (i) the right to receive one Common Share (an "**Option**") subject to such terms as are set out in each Eligible Participant's Option agreement, and at such exercise price as shall be fixed by the Board when such Option is granted, but which shall not be less than the Market Value (as herein defined) of such Common Shares at the time of the grant; or (ii) the right to receive one Common Share (a "**Share Unit**"), the cash equivalent of a Share Unit, or a combination thereof at such purchase price as determined by the Board, subject to such restrictions and conditions as the Board may determine at the time of grant.

Under the terms of the LTIP, the Board, or if authorized by the Board, the Compensation Committee, may grant Awards to eligible participants. Awards may be granted at any time and from time to time in order to: (i) provide Eligible Participants (as herein defined) with additional incentives; (ii) encourage stock ownership by Eligible Participants; (iii) increase the proprietary interest of Eligible Participants in the success of the Corporation; (iv) promote growth and profitability of the Corporation; (v) encourage Eligible Participants to take into account long-term corporate performance; (vi) reward Eligible Participants for sustained contributions to the Corporation and/or significant performance achievements of the Corporation; and (vii) enhance the Corporation's ability to attract, retain and motivate Eligible Participants.

"**Eligible Participants**" shall be the directors, officers, senior executives, consultants, management company employees and other employees of the Corporation or a subsidiary of the Corporation, providing ongoing services to the Corporation and its affiliates. Participation in the LTIP is voluntary and, if an Eligible Participant agrees to participate, the grant of Awards will be evidenced by a grant agreement with each such participant. The interest of any participant in any Award is not assignable or transferable, whether voluntary, involuntary, by operation of law or otherwise, except upon the death or incapacity of the Eligible Participant, provided, however, that the Award may be exercised in a person's capacity as legal representative of the Eligible Participant.

The LTIP will provide that appropriate adjustments, if any, will be made by the Board in connection with a reclassification, reorganization or other change to the Corporation's Common Shares, consolidation, distribution, merger or amalgamation, in the Common Shares issuable or amounts payable to preclude a dilution or enlargement of the benefits under the LTIP. In the event that a participant receives Common Shares in satisfaction of an Award during a black-out period, such participant shall not be entitled to sell or otherwise dispose of such Common Shares until such black-out period has expired.

The maximum number of Common Shares reserved for issuance under the LTIP (as well as any other share compensation arrangement) shall not exceed ten percent (10%) of the aggregate number of Common Shares issued and outstanding from time to time, which as at the date hereof represents 1,976,597 Common Shares. The aggregate number of Common Shares reserved and available for grant issuance pursuant to Share Units under the Plan shall not exceed four percent (4%) of the total issued and outstanding Common Shares from time to time, which as at the date hereof represents 790,639 Common Shares.

The maximum number of Common Shares reserved for issuance under the LTIP to non-employee directors will be 1% of the aggregate number of Common Shares issued and outstanding from time to time. The total Market Value (as defined herein) to any non-employee directors in any given calendar year shall not exceed $150,000, of which no more than $100,000 of value may be comprised of Options. The aggregate number of Common Shares (i) issued to insiders under the LTIP or any other proposed or established share compensation arrangement within any one-year period and (ii) issuable to insiders at any time under the LTIP or any other proposed or established share compensation arrangement, shall in each case not exceed 10% of the aggregate number of issued and outstanding Common Shares from time to time (the "**Insider Participation Limit"),** or such other number as may be approved by any stock exchange on which the Common Shares may be listed for trading, and the Corporation's shareholders from time to time. Unless the Board determines otherwise, the LTIP provides that Options will vest as to 1/5 on the first anniversary of the date of such grant, 1/5 on the second anniversary of the date of such grant, 1/5 on the third anniversary of the date of such grant, 1/5 on the fourth anniversary of the date of such grant, and 1/5 on the fifth anniversary of the date of such grant. The exercise price of any Option shall be fixed by the Board when such Option is granted, but shall be no less than the five-day volume weighted average trading price of the Common Shares on any stock exchange on which the Common Shares may be listed for trading on the day prior to the date of grant (the "**Market Value**").

An Option shall be exercisable during a period established by the Board, which shall commence on the date of the grant and shall terminate no later than ten years after the date of granting the Option, or such shorter period of time as the Board may determine. The LTIP will provide that the exercise period shall automatically be extended if the date on which such Option is scheduled to terminate shall fall during or within 10 business days immediately following a black-out period. In such cases, the extended exercise period shall terminate 10 business days following the last day of the black-out period.

With respect to RSUs, unless otherwise approved by the Board and except as otherwise provided in a participant's grant agreement or any other provision of the LTIP, RSUs will vest as to 1/3 each on the first, second and third anniversary date of their grant. With respect to PSUs, unless otherwise approved by the Board and except as otherwise provided in a participant's grant agreement or any other provision of the LTIP, PSUs will vest subject to performance and time vesting.

The following table describes the impact of certain events upon the rights of holders of Awards under the LTIP, including termination for cause, resignation, termination other than for cause, retirement, death and change of control, subject to the terms of a participant's employment agreement:

Event Provisions	Provisions
Termination for cause	Immediate forfeiture of all vested and unvested Awards.
Resignation	Forfeiture of all unvested Awards and the earlier of the original expiry date and 90 days after resignation to exercise vested Awards or such longer period as the Board may determine in its sole discretion.
Termination other than for cause	Subject to the terms of the grant or as determined by the Board, upon a participant's termination without cause, the number of Awards that may vest is subject to pro-ration over the applicable performance or vesting period and expire on the earlier of: (i) 90 days after the effective date of termination; or (ii) the expiry date of such Awards.

Event Provisions	Provisions
Retirement	Upon the retirement of a participant's employment with us, any unvested Awards held by the participant as at the retirement date will continue to vest in accordance with their vesting schedules, and all vested Awards held by the participant at the retirement date may be exercised until the earlier of the expiry date of the Awards or one year following the retirement date; provided that, if the participant breaches any post-employment restrictive covenants in favour of the Corporation then any Awards held by such participant, whether vested or unvested, will immediately expire and the participant shall pay to the Corporation any "in-the-money" amounts realized upon exercise of Options and/or Share Units following the retirement date.
Death	All unvested Awards will vest immediately and may be exercised within 180 days after the death of the Eligible Participant.
Change of Control	If an Eligible Participant is terminated without cause or resigns for good reason during the 12 month period following a change of control of the Corporation (a "**Change of Control**"), any unvested Share Units and/or Options immediately vest and may be exercised prior to the earlier of (i) 30 days of such date, or (ii) the expiry date of such Options.

In connection with a Change of Control, the Board will take such steps as are reasonably necessary or desirable to cause the conversion, exchange or replacement of outstanding Awards into, or for, rights or other securities of substantially equivalent (or greater) value in the continuing entity. If such continuing entity does not assume the outstanding Awards, or the Board determines otherwise in its discretion, the Board may provide written notice to all Eligible Participants that the LITP shall be terminate effective immediately prior to the Change of Control, and all Options and RSUs, and a specified number of PSUs shall be deemed to be vested, and unless exercised, expire.

The Board may, in its sole discretion, suspend or terminate the LTIP at any time, or from time to time, amend, revise or discontinue the terms and conditions of the LTIP or of any Award granted under the LTIP and any grant agreement relating thereto, subject to any required regulatory and stock exchange approval, provided that such suspension, termination, amendment, or revision will not adversely alter or impair any Award previously granted except as permitted by the terms of the LTIP or as required by applicable laws.

The Board may amend the LTIP or any Award at any time without the consent of a participant; provided that such amendment shall: (i) not adversely alter or impair any Award previously granted, except as permitted by the terms of the LTIP; (ii) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of the stock exchange; and (iii) be subject to shareholder approval, where required by law, the requirements of the stock exchange or the LTIP, provided, however, that shareholder approval shall not be required for the following amendments:

(a) amendments of a general housekeeping or clerical nature that, among others, clarify, correct or rectify any ambiguity, inconsistency, defective provision, error or omission in the LTIP;

(b) changes that alter, extend or accelerate the terms of exercise, vesting or settlement applicable to any Award;

(c) a change to the Eligible Participants or assignability provisions under the LTIP;

(d) any amendment regarding the effect of termination of a participant's employment or engagement;

(e) any amendment regarding the administration of the LTIP;

(f) any amendment necessary to comply with applicable law or the requirements of the stock exchange or any other regulatory body having authority over the Corporation; and

(g) any other amendment that does not require the approval of the shareholders pursuant to the terms of the LTIP.

Any of the following amendments to the LTIP require the Board to obtain shareholder approval:

(a) any change to the maximum number of Common Shares issuable under the LTIP other than under the terms of the LTIP;

(b) any amendment which reduce the exercise price of the Awards, except by operation of the terms of the LTIP;

(c) any amendment which would permit the introduction or reintroduction of non-employee directors as Eligible Participants on a discretionary basis or an amendment that increases the limits previously imposed on non-employee director participation;

(d) any amendment to remove or exceed the Insider Participation Limit;

(e) any amendment permitting the Awards to be transferable or assignable other than for estate settlement purposes; and

(f) any amendment to the amendment provisions of the LTIP.

No such amendment to the LTIP shall cause the LTIP in respect of RSUs or PSUs to cease to be a plan described in section 7 of the Tax Act or any successor to such provision.

Legacy Stock Option Plan

Prior to the approval of the LTIP, we had a stock option plan (the "**Legacy Plan**") that permitted the granting of incentive stock options ("**Plan Options**") to our employees, officers, directors and consultants (the "**Eligible Persons**") for the purpose of developing the interest of the participants in our growth and development and to better enable us to attract and retain persons of desired experience and ability. Upon exercise in accordance with the terms thereof, each Plan Option will entitle the holder thereof to acquire one Common Share.

Unless otherwise specified by the Board either before or after granting a Plan Option, Plan Options shall vest such that one-quarter (1/4) of the Plan Options vest at the end of the twelfth month after the date of grant and the remaining Plan Options shall vest in equal installments from such date until the date that is four (4) years from the date of grant. No new Plan Options will be granted under the Legacy Plan as it has been replaced by the LTIP. Once the Plan Options have all been exercised or expired, we will terminate the Legacy Plan.

Outstanding Stock Options

Additionally, we issued 1,400,000 incentive stock options, of which 100,000 remain outstanding as of the date hereof (the "**Pre-Plan Options**" and, together with the Plan Options and Options, the "**Stock Options**"). As at the date hereof, Stock Options to acquire an aggregate of 1,522,500 Common Shares (consisting of 100,000 Pre-Plan Options, 1,404,500 Plan Options and 18,000 Options) at exercise prices of between $0.10 and $10.00 per Common Share are outstanding, having been granted by the Corporation to certain directors, officers, employees and consultants of the Corporation. Prior to the conversion of the Special Warrants, the number of Common Shares underlying the Stock Options will represent in the aggregate 7.70% of the issued and outstanding Common Shares. We will no longer issue any Stock Options under the Legacy Plan. Any new grants will be made under the terms of the LTIP. Prior to the listing of our Common Shares on a recognized Canadian exchange, we intend to issue an aggregate of 341,440 Options to employees, directors and consultants. See "*Prior Sales*".

After the conversion of the Special Warrants, the number of Common Shares underlying Stock Options will represent in the aggregate 6.92% of the issued and outstanding Common Shares and the number of Common Shares underlying the Plan Options will represent in the aggregate 6.39% of the issued and outstanding Common Shares, and the number of Common Shares underlying the Options will represent in the aggregate 0.08% of the issued and outstanding Common Shares. After the conversion of the currently outstanding Special Warrants, the Corporation will be authorized to issue 2,199,430 Options under the LTIP and, given the currently outstanding Stock Options, there will remain for issuance Options to acquire an aggregate of 676,930 Common Shares.

RSUs

As of the date hereof, we have not issued any RSUs. Prior to the listing of our Common Shares on a recognized Canadian exchange, we intend to issue: (i) 17,968 RSUs to non-executive directors, and (ii) 90,690 RSUs to executive officers. See "*Prior Sales*".

Pension Benefits

As of December 31, 2018, there did not exist a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

Hedging

All of our executives, other employees, advisory committee members and directors are also subject to our Insider Trading Policy, which prohibits trading in our securities while in possession of material undisclosed information about us. Under our Insider Trading Policy, all of our executives, other employees, advisory committee members and directors are prohibited from entering into hedging transactions involving our securities, such as short sales, puts and calls.

Employment Agreements, Termination and Change of Control Benefits

We entered into executive employment agreements with each of Aras Azadian, Setu Purohit and Davender Sohi. These agreements provide for, among other things, the continuation of the executive's employment for an indeterminate term in accordance with applicable law, as well as their base salary and bonus entitlement. Compensation in fiscal year 2018, pursuant to these executive employment agreements, for

Aras Azadian, Setu Purohit and Davender Sohi is set out above under "*Executive Compensation – Summary Compensation Table*". None of the employment agreements with the Named Executive Officers contain change of control provisions. The general terms of the employment agreements with the Named Executive Officers are set out below.

Aras Azadian, Chief Executive Officer

Mr. Azadian's employment agreement provides for an annual salary of $150,000. In the event that the Common Shares become listed on a recognized stock exchange in Canada, it is expected that concurrently with the Listing Date, Mr. Azadian's annual salary will be increased to $240,000. Mr. Azadian is eligible for a discretionary bonus following the end of each fiscal quarter. Mr. Azadian is entitled to participate in the LTIP and receive other corporate employee benefits, including director and officer insurance coverage, health benefits and expense reimbursement. The Corporation may terminate Mr. Azadian's employment in accordance with the *Employment Standards Act* (Ontario), and Mr. Azadian must provide two weeks' notice in the event that he terminates his employment agreement voluntarily. Mr. Azadian's employment agreement will be amended in the event that the Common Shares become listed on a recognized stock exchange in Canada to include a provision entitling Mr. Azadian to receive a lump sum payment equal to 18 months of his then existing monthly base salary plus bonus in the event that he is terminated without cause. Mr. Azadian's employment agreement contains non-competition, non-solicitation and non-disparagement restrictions.

Setu Purohit, President, Chief Legal Officer, General Counsel and Secretary

Mr. Purohit's employment agreement provides for an annual salary of $140,000. In the event that the Common Shares become listed on a recognized stock exchange in Canada, it is expected that concurrently with the Listing Date, Mr. Purohit's annual salary will be increased to $210,000. Mr. Purohit is eligible for a discretionary bonus following the end of each fiscal quarter. Mr. Purohit is entitled to participate in the LTIP and receive other corporate employee benefits, including director and officer insurance coverage, health benefits and expense reimbursement. The Corporation may terminate Mr. Purohit's employment in accordance with the *Employment Standards Act* (Ontario), and Mr. Purohit must provide two weeks' notice in the event that he terminates his employment agreement voluntarily. Mr. Purohit's employment agreement will be amended in the event that the Common Shares become listed on a recognized stock exchange in Canada to include a provision entitling Mr. Purohit to receive a lump sum payment equal to 12 months of his then existing monthly base salary plus bonus in the event that he is terminated without cause. Mr. Purohit's employment agreement contains non-competition, non-solicitation and non-disparagement restrictions.

Davender Sohi, Chief Financial Officer

Mr. Sohi's employment agreement provides for an annual salary of $125,000. In the event that the Common Shares become listed on a recognized stock exchange in Canada, it is expected that concurrently with the Listing Date, Mr. Sohi's annual salary will be increased to $210,000. Mr. Sohi is eligible for a discretionary bonus following the end of each fiscal quarter. Mr. Sohi is entitled to participate in the LTIP and receive other corporate employee benefits, including director and officer insurance coverage, health benefits and expense reimbursement. The Corporation may terminate Mr. Sohi's employment in accordance with the *Employment Standards Act* (Ontario), and Mr. Sohi must provide two weeks' notice in the event that he terminates his employment agreement voluntarily. Mr. Sohi's employment agreement will be amended in the event that the Common Shares become listed on a recognized stock exchange in Canada to include a provision entitling Mr. Sohi to receive a lump sum payment equal to 12 months of his then existing monthly base salary plus bonus in the event that he is terminated without cause. Mr. Sohi's employment agreement contains non-competition, non-solicitation and non-disparagement restrictions.

Director Compensation

Currently, David Allan White is being compensated $2,500 USD per month and Dr. Chandrakant Panchal is being compensated $1,000 CAD per month in cash and $1,000 CAD per month in Common Shares at the current share price of our Common Shares. Neither Aras Azadian, Setu Purohit, or Giancarlo Davila Char are compensated for their position on the Board.

Prior to the Listing Date, the Company expects to implement a new independent director compensation program as follows: a total compensation envelope value of $80,000 per year, plus additional fees for the Lead Director ($20,000), Chair of the Audit Committee ($15,000), and Chair of the Compensation Committee ($12,500). The total value of the compensation envelope for each director is paid 50% in cash fees (payable monthly) and 50% in equity-based compensation. The Company expects to issue an aggregate of 17,968 RSUs to the directors prior to the Listing Date (6,250, 5,937, and 5,781 RSUs being issued to each of Dr. Panchal, Mr. White, and Ms. Giesselman, respectively). Ms. Giesselman will also be granted 30,000 Options prior to the Listing Date in connection with her joining the Board (see "Prior Sales"). Directors are also reimbursed for their out-of-pocket expenses incurred in connection with rendering services to the Corporation.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

We are not aware of any individuals who are either current or former executive officers, directors or employees of Avicanna or any of its subsidiaries and who have indebtedness outstanding as at the date hereof (whether earned into in connection with the purchase of our securities or otherwise) that is owing to: (i) Avicanna or any of its subsidiaries; or (ii) another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Avicanna or any of its subsidiaries.

Except for: (i) indebtedness that has been entirely repaid on or before the date of this Prospectus; and (ii) "routine indebtedness" (as defined in Form 51-102F5 of the Canadian Securities Administrators), we are not aware of any individuals who are, or who at any time since inception were, a director or executive officer, a proposed nominee for election as a director or an associate of any of those directors, executive officers or proposed nominees who are, or have been at any time since incorporation, indebted to Avicanna or any of our subsidiaries, or whose indebtedness to another entity is, or at any time since incorporation of the Avicanna has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Avicanna.

AUDIT COMMITTEE

Audit Committee Charter

In accordance with applicable Canadian securities legislation and, in particular, NI 52-110, information with respect to the Corporation's Audit Committee is contained below. The full draft text of the Audit Committee Charter is attached to this Prospectus as Schedule "D". The Audit Committee is responsible for overseeing the integrity of the Corporation's financial statements, reviewing financial reports and other financial information, recommending the appointment and reviewing and appraising the audit efforts of the Corporation's external auditors, overseeing and monitoring the Corporation's financial reporting processes and internal controls, the Corporation's processes to manage business and financial risk and its compliance with legal, ethical and regulatory requirements and encouraging improvement of, and adherence to, the Corporation's policies, procedures and practices.

The Audit Committee assists the Board in discharging its oversight of:

- the quality and integrity of our financial statements and related information;
- the independence, qualifications and appointment of our external auditor;
- the monitoring and periodic review of our Corporate Disclosure Policy, our disclosure controls and procedures, internal control over financial reporting and management's responsibility for assessing and reporting on the effectiveness of such controls;
- our risk management processes;
- the monitoring and periodic review of our Whistle Blowing Policy;
- the monitoring and periodic review of our Related Party Transactions Policy and transactions with our related parties; and
- the monitoring and periodic review of our Code of Business Conduct and Ethics and our assessment of management's processes to ensure compliance with the Code of Business Conduct and Ethics.

The Audit Committee has access to all of our books, records, facilities and personnel and may request any information about the Corporation as it may deem appropriate. It also has the authority, in its sole discretion and at the Corporation's expense, to retain and set the compensation of outside legal, accounting or other advisors as necessary to assist in the performance of its duties and responsibilities. The Audit Committee will also have direct communication channels with the Chief Financial Officer and the Corporation's external auditors to discuss and review such issues as the Audit Committee may deem appropriate.

Audit Fees

For the years ended December 31, 2016, December 31, 2017 and December 31, 2018, the fees expected to be billed by our external auditor are set out in the table below:

	Audit Fees(1)	Tax Fees(2)	All Other Fees(3)	Total
Year ended December 31, 2018	$165,000	Nil	$25,000	$190,000
Year ended December 31, 2017	$30,000	Nil	Nil	$30,000
Year ended December 31, 2016	$10,000	Nil	Nil	$10,000

Notes:

(1) "Audit Fees" are the fees necessary to perform the audit of the Corporation's financial statements for the period ended December 31, 2016, December 31, 2017 and December 31, 2018, including accounting consultations, a review of matters reflected in the financial statements and audit or other services required by legislation or regulation, such as comfort letters,

consents and reviews of securities filings. Audit fees also include assistance to the Corporation in connection with the acquisition statements and pro-forma financial statements which are included elsewhere in this Prospectus.

(2) "Tax Fees" are fees other than those included in Audit Fees for tax services, including preparation of the annual tax returns for Canada and Colombia and fees related to advisory services related to the Corporation's structure and related tax issues in new jurisdictions.

(3) "All Other Fees" include all other non-audit services and non-tax related services. These services were provided in connection with the preparation of this Prospectus and include but are not limited to: review of documents submitted to regulatory authorities and the time dedicated to meetings and calls as needed.

Composition of the Audit Committee

The Audit Committee currently consists of three directors, namely, Mr. David Allan White, Dr. Chandrakant Panchal, Lead Director, and Ms. Giesselman. Each of Mr. White, Dr. Panchal and Ms. Giesselman are persons determined by the Board to be independent directors within the meaning of NI 52-110. Each of the Audit Committee members is financially literate in accordance with NI 52-110 and has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. For additional details regarding the relevant education and experience of each member of the Audit Committee, see also "*Directors and Executive Officers — Management*".

Audit Committee Member	Relevant Education and Experience
David Allan White	M.B.A. University of Toronto B.A., Economics, University of Western Ontario Director, Ag Growth International Inc.
Dr. Chandrakant Panchal	Ph.D, Biochemical Engineering, University of Western Ontario Director, Pure Global Cannabis Inc. Director, Canadian Oil Recovery & Remediation Enterprises Ltd. Director, Medicenna Therapeutic Corp.
Janet Giesselman	Director, AG Growth International Inc. Director, Omnova Solutions Inc. Director, Twin Disc, Incorporated

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on any exemption provided by Part 3 or Part 8 of NI 52-110.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Corporation has not yet adopted any specific policies or procedures for the engagement of non-audit services. Such matters are the subject of review and pre-approval by the Audit Committee.

CORPORATE GOVERNANCE

We recognize that good corporate governance plays an important role in our overall success and in enhancing shareholder value and, accordingly, we have adopted, certain corporate governance policies and practices. The disclosure set forth below describes our approach to corporate governance.

Board of Directors

The Board is currently comprised of six directors. We plan to add an additional independent director following listing to bring the total size of the Board to an eventual 7 directors. We are looking to appoint a director with experience in South America.

Under the OBCA, a director may be removed with or without cause by a resolution passed by an ordinary majority of the votes cast by shareholders present in person or by proxy at a meeting and who are entitled to vote. The directors will be elected by shareholders at each annual meeting of shareholders, and all directors will hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed.

Under National Instrument 58-101 — *Disclosure of Corporate Governance Practices*, a director is considered to be independent if he or she is independent within the meaning of National Instrument 52-110 — *Audit Committees* ("**NI 52-110**"). Based on information provided by each director concerning his or her background, employment and affiliations, the Board has determined that of the five directors on the Board as at the date of this Prospectus, Aras Azadian, Chairman of the Board, and Setu Purohit are not considered independent as a result of their positions as executive officers of the Corporation and/or its subsidiaries, and Giancarlo Davila Char is not considered independent as a result of his position as an independent contractor of the Corporation. Dr. Chandrakant Panchal, Lead Director, David Allan White and Janet Giesselman are considered independent within the meaning of NI 52-110. Each member of the Board is required to make an annual visit to our operations in Colombia.

Independent Directors

The Board believes that, given its size and structure, it is able to facilitate independent judgment in carrying out its responsibilities. Although we have plans to add at least one more independent director within the next 6 months, currently the majority of the Board is not independent and therefore to further enhance independent judgment, the independent directors meet in the absence of senior executive officers or any non-independent directors. The independent directors hold such in-camera sessions at each scheduled Board meeting. Additionally, our independent directors are required to make annual visits to our offices in Colombia and visit our cultivation facilities at SN and SMGH. The Corporation has also appointed Dr. Chandrakant Panchal as an independent lead director.

Attendance

The attendance record of each director for all board meetings held since the beginning of the Corporation's most recently completed financial year is set out below:

Director	Board Meetings Attended	Audit Committee Meetings Attended	Compensation Committee Meetings Attended
Aras Azadian	6/6	N/A	N/A
Setu Purohit	6/6	N/A	N/A
Giancarlo Davila Char	3/3	1/2	N/A
Dr. Chandrakant Panchal	6/6	2/2	1/1
David Allan White	3/3	1/2	1/1
Janet Giesselman	N/A(1)	N/A(1)	N/A(1)

Notes:

(1) Ms. Giesselman joined our Board of Directors on June 20, 2019.

Reporting Issuer Experience

The following directors of the Corporation are also a director of other reporting issuers:

Director	Name of Other Reporting Issuer and Exchange
Dr. Chandrakant Panchal	Pure Global Cannabis Inc. (TSXV) Canadian Oil Recovery & Remediation Enterprises Ltd. (TSXV) Medicenna Therapeutics Corp. (TSX)
David Allan White	AG Growth International Inc. (TSX) Art's Way Manufacturing Co, Inc. (NASDAQ)
Janet Giesselman	AG Growth International Inc. (TSX) Omnova Solutions Inc. (NYSE) Twin Disc, Incorporated (NASDAQ)

Board Mandate

The Board is responsible for supervising the management of the business and affairs of the Corporation, including providing guidance and strategic oversight to management. Prior to the listing of the Common Shares, the Board intends to adopt a formal mandate, the Board Mandate, in which the Board will acknowledge responsibility for the stewardship of Avicanna, including:

- adopting a strategic planning process;
- identifying risks to the business of the Corporation and ensuring that appropriate procedures are in place for risk management;
- reviewing, approving and monitoring annual operating plans and budgets;
- mandating a culture of corporate social responsibility, ethics and integrity including satisfying itself as to the integrity of the executive officers of the Corporation and that those executive officers create a culture of integrity throughout the organization;
- providing for succession planning, including the appointment, training and supervision of management;

- monitoring financial reporting, including the adequacy of internal controls and management information systems;
- supervising corporate disclosure and communications;
- adopting measures for receiving feedback from stakeholders; and
- adopting key corporate policies designed to ensure that the Corporation, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct the Corporation’s business ethically and with honesty and integrity.

Nomination & Corporate Governance Committee

Prior to listing the Common Shares, the Board intends to establish a nomination and corporate governance committee (the "**Nomination & Corporate Governance Committee**") which will oversee the nomination of directors. The Nomination & Corporate Governance Committee is expected to be comprised of Dr. Chandrakant Panchal, David Allan White and Janet Giesselman, each of whom is considered to be independent.

The Nomination & Corporate Governance Committee will be tasked with the responsibility of assisting the Board in fulfilling its responsibilities relating to matters of director nominations process and procedures and developing and maintaining the Corporation's corporate governance policies, including diversity. In addition, the Nomination & Corporate Governance Committee is expected to have the following powers and responsibilities, among others: (i) determine the qualifications, qualities, skills and other expertise required to be a director of the Corporation; (ii) develop, and recommend to the Board for its approval, criteria to be considered in selecting nominees for director; (iii) identify and screen individuals qualified to become members of the Board and make recommendations to the Board; (iv) consider any director candidates recommended by the Corporation's shareholders under the procedures set forth in the *Business Corporations Act* (Ontario) and the Corporation's by-laws; (v) oversee the Corporation's corporate governance practices and procedures, including identifying best practices and reviewing and recommending to the Board for approval any changes to the documents, policies and procedures in the Corporation's corporate governance framework and its articles of incorporation and by-laws; (vi) review and discuss with management disclosure of the Corporation's corporate governance practices, including information regarding the operations of the Nomination & Corporate Governance Committee and other Board committees, director independence and the director nominations process and review and recommend disclosure to be included in the Corporation's management information circular; (vii) develop, subject to approval by the Board, a process for an annual assessment of effectiveness of the Board and its committees and oversee the conduct of this annual assessment; (viii) review the Board's committee structure and composition and make recommendations to the Board regarding the appointment of directors to serve as members of each committee and committee chair annually; (ix) identify and make recommendations to the Board regarding the selection and approval of candidates to fill vacancies either by election by shareholders or appointment by the Board; (x) develop and oversee a Corporation orientation program for new directors and a continuing education program for current directors and periodically review these programs and update them as necessary; (xi) develop and recommend to the Board for approval director independence standards in addition to those required by applicable securities laws and stock exchange requirements and evaluate the independence of each director at least annually; (xii) monitor compliance with the Corporation's Code of Conduct, investigate any alleged breach or violation of the Code of Conduct, enforce the provisions of the Code of Conduct and review the Code of Conduct periodically and recommend any changes to the Board; (xiii) develop and recommend to the Board for approval a Chief Executive Officer succession plan; (xiv) develop and evaluate potential candidates for executive positions;

and recommend to the Board any changes to, and any candidates for succession under, the succession plan; and (xv) review any director resignation letter tendered and evaluate and recommend to the Board whether such resignation should be accepted in accordance with the Corporation's director majority voting policy.

Majority Voting Policy

In addition, prior to listing of the Common Shares, the Corporation will adopt a Majority Voting Policy for Director Elections, whereby any nominee for election as a director who receives a greater number of votes "withheld" than votes "for" must tender his or her resignation to the Chairman following the shareholders' meeting to be effective upon acceptance by the Board. Upon such resignation, the Compensation Committee will consider the offer of resignation and make a recommendation to the Board on whether or not to accept it. The Board will consider such resignation and will accept the resignation absent exceptional circumstances. A director who tenders his or her resignation pursuant to this policy will not participate in any meeting of the Board or the Compensation Committee at which the resignation is considered. Once the determination of the Board to accept or reject the director's resignation has been made, the Corporation will promptly announce the Board's decision by press release.

Compensation Committee

The Board has appointed a sub-committee of the Board (the "**Compensation Committee**") composed entirely of independent directors which is responsible for, among other things, the following matters:

- reviewing and approving corporate goals and objectives relevant to compensation of the Chief Executive Officer, evaluating the Chief Executive Officer's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the Chief Executive Officer's compensation level based on this evaluation; and

- making recommendations to the Board with respect to officer and director (other than the Chief Executive Officer) compensation, incentive-compensation plans, and equity-based plans.

The Compensation Committee is currently comprised of Mr. David Allan White and Dr. Chandrakant Panchal, Lead Director and Ms. Giesselman, Chair of the Compensation Committee.

The Board has adopted a written charter (the "**Compensation Committee Charter**") establishing the Compensation Committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operation, and the manner of reporting to the Board. The Compensation Committee Charter further provides that the Compensation Committee is authorized to engage and compensate any outside advisor it determines to be necessary to permit it to carry out its duties.

Position Descriptions

Prior to listing the Common Shares, the Board expects to adopt a written position description for the Chair, which sets out the Chair's key responsibilities, including, among others, duties relating to setting the Board's meeting agendas, chairing Board and shareholders' meetings, director development and communicating with shareholders and regulators.

The Board further intends to adopt a written position description for: (i) each of the committee chairs which sets out each committee chair's key responsibilities, including, among others, duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee; (ii) the Lead Director which sets out the key responsibilities of the Lead Director, including, among others, duties relating to assisting the Board in understanding its obligations as a Board and, in particular, the requirement for the Board to operate independent of management; and (iii) the Chief Executive Officer which sets out the key responsibilities of the Chief Executive Officer, including, among other duties in relation to providing overall leadership, ensuring the development of a strategic plan and recommending such plan to the Board for consideration, ensuring the development of an annual corporate plan and budget that supports the strategic plan and recommending such plan to the Board for consideration and supervising day-to-day management and communicating with shareholders and regulators.

Ethical Business Conduct

Prior to listing the Common Shares, the Board intends to adopt a written code of conduct (the "**Code of Conduct**") that is expected to apply to all of the Corporation's directors, officers, employees and advisory committee members. The objective of the Code of Conduct is to provide guidelines for maintaining our and our subsidiaries' integrity, reputation, honesty, objectivity, and impartiality. The Code of Conduct will address conflicts of interest, protection of our assets, confidentiality, fair dealing with shareholders, competitors and employees, insider trading, compliance with laws, and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct will be required to avoid or fully disclose interests or relationships that are harmful or detrimental to our best interests or that may give rise to real, potential, or the appearance of conflicts of interest. The Board will have ultimate responsibility for the stewardship of the Code of Conduct and it will monitor compliance through the Compensation Committee. Directors, officers, employees and advisory committee members, will be required to annually certify that they have not violated the Code of Conduct. The Code of Conduct will be filed with the Canadian securities regulatory authorities on SEDAR at www.sedar.com.

All of our executives, other employees and directors will also be subject to our Insider Trading Policy, which is expected to prohibit trading in our securities while in possession of material undisclosed information about us. Under this policy, such individuals will be prohibited from entering into hedging transactions involving our securities, such as short sales, puts and calls. Furthermore, we will permit executives, including the NEOs, to trade in our securities, only during prescribed trading windows.

Orientation and Continuing Education

The Corporation has implemented an orientation program for new directors under which a new director will meet with the Chairman and members of senior management. New directors will be provided with comprehensive orientation and education as to the nature and operation of the Corporation and our business, the role of the Board and its committees, and the contribution that an individual director is expected to make. Our Compensation Committee is responsible for overseeing director continuing education designed to maintain or enhance the skills and abilities of the directors and to ensure that their knowledge and understanding of our business remains current. The chair of each committee is responsible for coordinating orientation and continuing director development programs relating to the committee's mandate.

Assessments

The Board, in conjunction with the Compensation Committee, has put in place measures to assess the effectiveness and contribution of the Board and its committees, as well as individual directors and each of the officers of the Corporation on an annual basis.

Director Term Limits

The Corporation has not adopted a policy which imposes term limits for directors. The Corporation believes that it is crucial that directors understand its industry and its business and this requires a certain length of tenure on the Board. Long-term directors accumulate extensive company knowledge while new directors bring new experience and perspectives to the Board. It is important to achieve an appropriate balance of both to ensure an effective Board.

Policies Regarding the Representation of Women on the Board and Executive Management and the Consideration of the Representation of Women in the Director Identification and Selection Process and Executive Officer Appointments

The Board does not currently have a formal policy with regard to the consideration of diversity in identifying director or executive nominees or a written policy relating to the identification and nomination of women directors or executives. The Corporation has not yet adopted such formal policies on diversity but regularly considers diversity (including the representation of women on the Board) as one of a number of relevant factors when considering potential new nominees. The Corporation recognizes the potential benefit of diversity in leadership positions, including with respect to its Board and executive officer positions, but feels a formal policy is unnecessary for the size of the Corporation.

Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

At this time the Corporation has not adopted a target regarding the representation of women on the Board or in executive officer positions. The Corporation does not adopt targets because the Corporation is of the view that its current practice of considering diversity as a factor in selecting candidates as potential directors or executive officers permits the Corporation to balance the benefit of diversity with other relevant considerations.

Number of Women on the Board and in Executive Positions

We currently have one woman (approximately 16.67%) on the Board and one woman (approximately 14.3%) in an executive officer role.

RISK FACTORS

You should carefully consider the risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Prospectus, and all other information contained in this Prospectus, including the consolidated financial statements and accompanying notes. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, financial condition and results of operations and consequently the price of the Common Shares, including the Qualifying Shares, could be materially adversely affected.

Risks Related to the Offering

Forward-Looking Information

The forward-looking information included in this Prospectus relating to, among other things, the Corporation's future results, performance, achievements, prospects, targets, intentions or opportunities or the markets in which we operate is based on opinions, assumptions and estimates made by the Corporation's management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Corporation believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. The Corporation's actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We make no representation that the Corporation's actual results in the future will be the same, in whole or in part, as those included in this Prospectus. See "*Forward-Looking Statements*" and "*Future-Oriented Financial Information*".

TSX Listing

The TSX has conditionally approved the listing of our Common Shares. Listing is subject to our fulfillment of all of the requirements of the TSX on or before October 1, 2019. If listing occurs, we cannot predict the prices at which the Common Shares will trade and the Offering Price of the Special Warrants may not be indicative of the market price of our Common Shares after listing. If an active and liquid trading market for our Common Shares does not develop or is not maintained, investors may have difficulties selling their Common Shares. There can be no assurance that there will be sufficient liquidity of the Common Shares on the trading market, or that we will continue to meet the listing requirements of the TSX or any other public listing exchange on which our Common Shares may subsequently be listed.

Limited Market for Securities

There is no market through which the Qualifying Securities qualified by this Prospectus may be sold and purchasers may not be able to resell the Qualifying Securities. This may affect the pricing of the Qualifying Securities and the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Qualifying Securities, and the extent of issuer regulation.

Volatile Market Price for the Common Shares

If and when listed, 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 Corporation's control, including the following:

- actual or anticipated fluctuations in our quarterly results of operations;
- changes in our estimates of our future results of operations;
- changes in forecasts, estimates or recommendations of securities research analysts regarding our future results of operations or financial performance;
- changes in the economic performance or market valuations of other companies that investors deem comparable to us;
- additions or departures of our senior management team or other key employees;
- sales or perceived sales of additional Common Shares;

- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in our industry or target markets.

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 our operating results, financial condition or prospects have not changed. As well, certain institutional investors may base their investment decisions on consideration of our 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, our 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.

No Immediate Plan to Declare Dividends

We currently intend to retain future earnings, if any, for future operation and expansion and have 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 Board and will depend on, among other things, our financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we incur. 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.

Difficulty to Forecast

The Corporation must rely largely on its own market research to forecast revenues as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. Market research and projections by the Corporation are based on assumptions from limited and unreliable market data. A failure in demand could materialize as a result of competition, technological change or other factors and could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

The Market Price of the Common Shares May be Subject to Wide Price Fluctuations

If and when listed and posted for trading on an exchange, the market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Corporation and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Corporation and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Corporation's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

Sales of Substantial Amounts of the Common Shares

Sales of substantial amounts of the Common Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Common Shares. A decline in the market prices of the Common Shares could impair the Corporation's ability to raise additional capital through the sale of securities should it desire to do so.

Financial Projections May Prove Materially Inaccurate or Incorrect

The Corporation's financial estimates, projections and other forward-looking information incorporated into this document were prepared by the Corporation without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking statements. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should inquire of the Corporation and become familiar with the assumptions underlying any estimates, projections or other forward-looking statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results the Corporation and its subsidiaries might achieve. See "*Forward-Looking Statements*" and "*Future-Oriented Financial Information*".

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 Corporation or our 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 us, the trading price for the Common Shares may be negatively impacted. If the Corporation obtains securities or industry analyst coverage and if one or more of the analysts who cover us downgrade the Common Shares or publish inaccurate or unfavorable research about our business, the trading price of the Common Shares may decline. If one or more of these analysts cease coverage of the Corporation or fail to publish reports on us regularly, demand for the Common Shares could decrease, which could cause the trading price and volume of the Common Shares to decline.

Going-Concern Risk

The Corporation’s financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Corporation's future operations are dependent upon the identification and successful completion of equity or debt or other financing and the achievement of profitable operations with respect to consulting and brand licensing services at an indeterminate time in the future. There can be no assurances that the Corporation will be successful in achieving profitability.

The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern.

Public Corporation Expenses

Prior to the date hereof, we have not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of any securities exchange. We are working with our legal, accounting and financial advisors to identify those areas in which changes should be made to our financial management control systems to manage our obligations as a public issuer. These areas include corporate governance, corporate controls, internal audit, disclosure controls and procedures and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas, including our internal controls over financial reporting. However, we cannot provide any assurance that these measures we may take will be sufficient to allow us to satisfy our obligations as a public issuer on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies will require the time and attention of management, and will create additional costs for us, which may negatively impact our financial performance or results of operations. We cannot predict the amount of the additional costs we may incur, the timing of such costs or the impact that management's attention to these matters will have on our operations.

Future Sales of Common Shares by Principal Shareholders, Officers and Directors

Subject to compliance with applicable securities laws and the terms of any lock-up arrangements described under "*Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer*", our officers, directors, principal shareholders and their affiliates may sell some or all of the Common Shares held by such party in the future. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time to time. However, the future sale of a substantial number of Common Shares by our officers, directors, and any principal shareholders and their affiliates, or the perception that such sales could occur, could materially adversely affect prevailing market prices for the Common Shares.

Accordingly, if the Corporation's principal shareholders sell substantial amounts of our securities in the public market, the market price of our securities could fall. Additional Common Shares issuable upon the exercise of stock options or the conversion of Common Shares may also be available for sale in the public market after the date of the listing of the Common Shares, which may also cause the market price of our Common Shares to fall.

Discretion as to the Use of Available Funds

The Corporation's management will have broad discretion in how it uses the funds available to it. Management may use the available funds in ways that purchasers may not consider desirable. The results and the effectiveness of the application of the funds are uncertain. If the funds are not applied effectively, the results of the Corporation's operations may suffer. Management currently intends to allocate the available funds as described under "*Use of Available Funds*", however, management may elect to allocate the funds differently from that described under "*Use of Available Funds*" if it believes it would be in the Corporation's best interest to do so. Shareholders may not agree with the manner in which management chooses to allocate and spend the available funds.

Risks Related to the Corporation's Business and Industry

New Industry and Market

The cannabis industry and market are relatively new in the jurisdictions in which the Corporation 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 Corporation 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 Corporation intends to sell and market its proprietary medical and cosmetic cannabinoid-based products. To this extent the Corporation 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 Corporation'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

Similar to the risk of the infancy of the cannabis industry, the market for the Corporation's products and services is characterized by rapid intellectual property advances, changes in customer requirements, changes in protocols and evolving industry standards. If the Corporation 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 Corporation's business will be harmed.

Publicity or Consumer Perception

The Corporation 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 Corporation's products and services, and, correspondingly, on the Corporation'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 Corporation's products and services, and, correspondingly, on the

Corporation'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 Corporation 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 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 Corporation's products with the potential to lead to a material adverse effect on the Corporation's business, financial condition and results of operations or prospects.

Limited Operating History

Avicanna has a very 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 we will be successful in achieving a return on shareholders' investment and the likelihood of our success must be considered in light of our early stage of operations.

Key Personnel

The Corporation's success has depended and continues to depend upon its ability to attract and retain key management, including the Corporation's Chief Executive Officer, technical experts, and scientists. The Corporation 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 Corporation'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 Corporation'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 Corporation and results of operations of the business and could limit the Corporation's ability to develop and market its cannabis-related products. The loss of any of the Corporation's senior management or key employees could materially adversely affect the Corporation's ability to execute its business plan and strategy, and the Corporation may not be able to find adequate replacements on a timely basis, or at all. The Corporation does not maintain key person life insurance policies on any employees.

Factors which may Prevent Realization of Growth Targets

The Corporation is currently in the early development stage. The Corporation's growth strategy contemplates building out the second phases of both the cultivation facilities of SN 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 and the following:

- 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 Corporation may not have products, or a sufficient amount of products, available to meet the anticipated demand or to meet future demand when it arises.

Negative Cash Flow

The Corporation has incurred losses since its inception. The Corporation may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Corporation expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Corporation's revenues do not increase to offset these expected increases in costs and operating expenses, the Corporation will not be profitable.

Concentration of Ownership of Common Shares

The officers and directors of the Corporation currently own, directly and indirectly, or exercise control or direction over, approximately 51.9% of the issued and outstanding Common Shares, on an undiluted basis. The Corporation's shareholders nominate and elect the Board, which generally has the ability to control the acquisition or disposition of the Corporation'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 Corporation'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 Corporation's directors if they disagree with the way the Corporation's business is being operated.

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 Corporation and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Corporation will need to expend significant amounts of capital in order to successfully develop and generate revenues from, new products. The Corporation 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 Corporation 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 Corporation'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 Corporation. 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 Corporation 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 SN 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 Corporation 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 the second phases of the facilities as planned. There can be no assurance that current or future construction plans implemented by the Corporation 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 Corporation 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 Corporation. Any of the foregoing factors could adversely impact the operations and financial condition of the Corporation.

Co-Investment Risk

The Corporation 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 Corporation. Although it is the Corporation's intent to retain control and other superior rights over the Corporation's investments, under certain circumstances it may be possible that the Corporation 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 Corporation does maintain a control position with respect to its investments, the Corporation'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 Corporation, or may be in a position to take (or block) action in a manner contrary to the Corporation's objectives. The Corporation 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 Corporation, and such different terms and conditions may be disadvantageous to the Corporation.

Risk of Unspecified Investments

There can be no assurance that the Corporation 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 Corporation's business, strategy and operating results in a material way. The Corporation'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 Corporation 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 Corporation'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 Corporation 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 Corporation 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 Corporation 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 Corporation's third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Corporation's operations. Loss of its suppliers, service providers or distributors would have a material adverse effect on the Corporation's business and operational results. Disruption of the Corporation's manufacturing and distribution operations could adversely affect inventory supplies and the Corporation's ability to meet product delivery deadlines.

No Assurances of Profit Generation or Immediate Results

There is no assurance as to whether the Corporation will be profitable, earn revenues, or pay dividends. The Corporation 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 Corporation'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 Corporation 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 Corporation'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 Corporation'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 Corporation. The Corporation'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 in this Prospectus, 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 Corporation's facilities and business are capital intensive. In order to execute the anticipated growth strategy, the Corporation 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 Corporation when needed or on terms which are acceptable. The Corporation's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Corporation's growth and may have a material adverse effect upon future profitability. The Corporation 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 Corporation to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Competition

There is potential that the Corporation 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 Corporation. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Corporation.

Because of the early stage of the industry in which the Corporation operates, the Corporation 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 Corporation 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 Corporation will require a continued high level of investment in R&D, marketing, sales and client support. The Corporation 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 Corporation.

Transportation Disruptions

Due to the perishable and premium nature of the Corporation's products, the Corporation 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 Corporation. Rising costs associated with the courier services used by the Corporation to ship its products may also adversely impact the business of the Corporation and its ability to operate profitably.

Reliance on Key Inputs

The Corporation'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 Corporation. 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 Corporation. Specifically, the Corporation plans to use its Extracts for use in its products. If the Corporation 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 Corporation may have to purchase THC Extracts from other companies. In this case, the Corporation 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 Corporation.

Success of Quality Control Systems

The quality and safety of the Corporation's products are critical to the success of its business and operations. As such, it is imperative that the Corporation'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 Corporation 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 Corporation's business and operating results.

Potential for Conflicts of Interest

Certain of the employees and directors of the Corporation 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 Corporation 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 Corporation.

Inability to Sustain Pricing Models

Significant price fluctuations for the fair market value of CBD and THC may have an adverse effect on the Corporation's future revenue, which would adversely affect the Corporation's results of operations and financial condition. In addition, increasing costs of labour, freight, energy, and other production inputs may increase the Corporation'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 Corporation 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 Corporation is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Corporation's financial performance and results of operations. The Corporation 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 Corporation'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 Corporation's securities. The Corporation 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 Corporation's management, the Corporation 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 Corporation's business, financial condition and results of operations. The Corporation 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 Corporation collects, processes, maintains and uses data, including sensitive information on individuals, available to the Corporation through its subsidiary, 2516167 Ontario Inc. (d.b.a. My Cannabis). The Corporation'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 Corporation 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 Corporation's practices or fail to be observed by its employees or business partners. If so, the Corporation 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 Corporation'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 Corporation has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with its operations. The Corporation'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 Corporation'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 Corporation'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 our business and financial results.

The Corporation 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 Corporation will not incur such losses in the future which could be in excess of any available insurance, and could materially adversely affect our business and financial results. The Corporation'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 Corporation 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 Corporation 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 Corporation 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 Corporation's capital expenditure program may be significantly greater than anticipated by the Corporation's management, and may be greater than funds available to the Corporation, in which circumstance the Corporation may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of the Corporation.

Operating Risk and Insurance Coverage

The Corporation has insurance to protect its assets, operations and employees. While the Corporation 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 Corporation is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Corporation's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Corporation were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Corporation 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 Corporation 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 Corporation'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 Corporation's products alone or in combination with other medications or substances could occur. The Corporation may be subject to various product liability claims, including, among others, that the Corporation'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 Corporation could result in increased costs, could adversely affect the Corporation's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and the financial condition of the Corporation. There can be no assurances that the Corporation 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 Corporation'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 Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation 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 Corporation 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 Corporation's significant brands were subject to recall, the image of that brand and the Corporation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation'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 Corporation's Employees, Contractors and Consultants

The Corporation 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 Corporation 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 Corporation to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Corporation to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Corporation 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 Corporation, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on our 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 Corporation's operations, any of which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Security Breaches at Corporation's Facilities

Given the nature of the Corporation'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 Corporation's facilities could expose the Corporation 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 Corporation's products.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation 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 Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Reputational Harm

Damage to the Corporation'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 Corporation and its activities, whether true or not. Although the Corporation 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 Corporation 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 Corporation'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 Corporation's business, the Corporation may from time to time have access to confidential or proprietary information of third parties, and these parties could bring a claim against the Corporation 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 Corporation's business. In the future, the Corporation 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 Corporation.

Inability to Protect Intellectual Property

The Corporation's success depends a significant degree upon its ability to develop, maintain and protect proprietary products and technologies. The Corporation 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 Corporation's intellectual property. The assertion of patent protection involves complex legal and factual determinations and is therefore uncertain and expensive. The Corporation 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 Corporation'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 Corporation 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 Corporation's intellectual property rights to the same extent as the laws of Canada and the U.S. The Corporation holds patents only in selected countries. Therefore, third parties may be able to replicate technologies covered by the Corporation's patents in countries in which it does not have patent protection.

There can be no assurances that the steps taken by the Corporation to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Corporation's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Corporation's. Other companies may also be able to materially duplicate the Corporation's proprietary plant strains. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Corporation 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 Corporation'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 Corporation's names and logos. If the Corporation'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 Corporation's business and might prevent its brands from achieving or maintaining market acceptance.

The Corporation 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 Corporation to incur significant penalties and costs.

Intellectual Property Claims

The Corporation'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 Corporation will not be challenged. The Corporation'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 Corporation's patents in foreign jurisdictions will depend on the legal procedures in those jurisdictions. Even if such claims are found to be invalid, the Corporation'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 Corporation'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 Corporation'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 Corporation 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 Corporation from offering its products to others and may require that the Corporation procure substitute products or services.

With respect to any intangible property rights claim, the Corporation may have to pay damages or stop using intangible property found to be in violation of a third party's rights. The Corporation 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 Corporation may also be required to pursue alternative options, which could require significant effort and expense. If the Corporation 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 Corporation's brand and prevent it from generating sufficient revenue or achieving profitability.

Additionally, the Corporation 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 Corporation'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 our products is not permitted. As a result, the Corporation 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 Corporation's employees impair the Corporation's ability to take advantage of cost efficient travel routes that may stop within the U.S. when employees are travelling for business.

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 Corporation sells services or products via web-based links targeting only jurisdictions in which such sales or services are compliant with state law, the Corporation may face legal action in other jurisdictions which are not the intended object of any of the Corporation's marketing efforts for engaging in any web-based activity that results in sales into such jurisdictions deemed illegal under applicable laws.

Limited Experience Managing a Public Company

Our Chief Executive Officer has limited experience managing a public company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. While certain other executives and advisors we have engaged have such experience, our management team, as a whole, may not successfully or efficiently manage the ongoing transition to being a public issuer subject to significant regulatory oversight and reporting obligations under the securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management, particularly from our Chief Executive Officer, and could divert their attention away from the day-to-day management of the Corporation's business, which could adversely affect the business, financial condition and results of operations.

Trade Secrets may be Difficult to Protect

The Corporation's success depends upon the skills, knowledge and experience of its scientific and technical personnel, consultants and advisors, as well as contractors. Because the Corporation 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 Corporation 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 Corporation during the course of the receiving party's relationship with the Corporation. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to the Corporation will be its exclusive property, and the Corporation 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 Corporation. The Corporation's trade secrets also could be independently discovered by competitors, in which case the Corporation 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 Corporation'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 Corporation's competitive position.

Internal Controls

Effective internal controls are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. Although the Corporation 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 Corporation cannot be certain that such measures will ensure that the Corporation 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 Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's consolidated financial statements and materially adversely affect the trading price of the Common Shares.

Risks Related to the Regulatory Environment

The Corporation'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 Corporation'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 Corporation's plans and could have a material adverse effect on the business, results of operations and financial condition of the Corporation. Further, the Corporation 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 Corporation'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 Corporation cannot predict the impact of the regime on its business once the structure of the regime is finalized. Similarly, the Corporation 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 Corporation. The Corporation 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 Corporation's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Corporation'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 Corporation.

Furthermore, there may be unknown additional regulatory fees and taxes that may be assessed in the future. The Corporation 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 Corporation's investments and/or participation in the selected business opportunities.

Clinical Testing and Regulatory Approval

The Corporation'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 Corporation 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 Corporation's clinical trials and the uncertainties inherent in the regulatory approval process. The Corporation 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 Corporation'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 Corporation's cannabis cultivation interests, operations and suppliers are located in foreign jurisdictions. As a result, the Corporation 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 Corporation'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 Corporation'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 Corporation 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 Corporation'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 Corporation's foreign cultivation, development and production activities could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation.

Enforcement of Judgements

Certain of the Corporation'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 Corporation's ability to grow, store and sell cannabis in Colombia is dependent on the ability of the both SN and SMGH to retain the issued cannabis cultivation, manufacturing and distribution licences from the Colombian Ministry of Health and MJL. 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 Corporation. There is also no assurance of new licences or approvals from the Colombian Ministry of Health and MJL.

The Corporation 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 Corporation 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 Corporation 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 Corporation'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 Corporation 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. Our inability to manage such risks may adversely affect Avicanna's operations and financial performance.

Involvement in Regulatory or Agency Proceedings, Investigations and Audits

Our business and the business of the third parties with which we do business, requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject us 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 our reputation or the reputations of the brands that we sell, require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money, harming our 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 our business, financial condition and results of operations.

Environmental, Health and Safety Laws

The Corporation 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 Corporation'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 Corporation's operations.

Government environmental approvals and permits are currently and may in the future be required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation'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.

Risks Specifically Related to Colombian Operations

Control of Foreign Subsidiaries

Three of our subsidiaries, Avicanna LATAM (100% equity interest), SN (63% equity interest), and SMGH (60% equity interest), operate in, and are governed by the laws of, Colombia. Our 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. Our 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 Corporation'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 Corporation has an interest.

Currency Risks

The Corporation 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 Corporation 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 Corporation'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 Corporation.

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.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is an overview, as of the date hereof, of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (the "**Tax Act**") that are generally applicable to a beneficial owner of Special Warrants who acquires Qualifying Shares and Qualifying Warrants and to a beneficial owner of Qualifying Warrants who acquires Warrant Shares, pursuant to the exercise or deemed exercise of Qualifying Warrants and who, for the purposes of the application of the Tax Act and at all relevant times: (i) acquired the Special Warrants as beneficial owner; (ii) deals at arm's length and is not affiliated with the Corporation; and (iii) holds the Special Warrants, Qualifying Shares, Qualifying Warrants or Warrant Shares, received pursuant to the Offering, as capital property (referred to as a "**Holder**" or "**Holders**"). This overview is intended only to address such Holders. Special Warrants, Qualifying Shares, Qualifying Warrants and Warrant Shares will generally be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This overview is not applicable to a Holder: (i) that is a "financial institution", as defined in the Tax Act for the purpose of the mark-to-market rules; (ii) an interest in which would be a "tax shelter investment", as defined in the Tax Act; (iii) that is a "specified financial institution", as defined in the Tax Act; (iv) that has made an election under the Tax Act to determine its Canadian tax results in a foreign currency; or (v) that enters into, with respect to their Special Warrants, Qualifying Shares, Qualifying Warrants or Warrant Shares, a "derivative forward agreement" or "synthetic disposition arrangement", as defined in the Tax Act. Such Holders are advised to obtain their own tax advice.

This overview is based on the current provisions of the Tax Act and the regulations thereunder (the "**Tax Regulations**"), and all specific proposals to amend the Tax Act or the Tax Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the "**Proposed Amendments**"). No assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This overview does not discuss all possible Canadian federal income tax considerations and other than the Proposed Amendments, does not otherwise contemplate any changes in law and does not consider provincial or territorial laws, the laws of any other jurisdiction or the administrative policies or assessing practices of the CRA.

This overview is provided for information purposes only and is not intended to be, nor should it be construed as, legal or tax advice to any particular Holder. Holders are advised to obtain their own tax advice having regard to their particular circumstances.

Allocation of Cost to Qualifying Shares and Qualifying Warrants Received on an Exercise of Special Warrants

Holders will be required to allocate on a reasonable basis their cost of the Special Warrants between the Qualifying Share and one-half of one Qualifying Warrant in order to determine their respective costs for purposes of the Tax Act.

For its purposes, the Corporation intends to allocate $4.56 to each Qualifying Share and $3.44 to the one-half of one Qualifying Warrant. Although the Corporation believes that its allocation is reasonable, it is not binding on the CRA or the Holder. The Holder's adjusted cost base of the Qualifying Share will be determined by averaging the cost allocated to the Qualifying Share with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Holders Resident in Canada

The following discussion applies to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is or is deemed to be resident in Canada (a "**Canadian Holder**"). Certain Canadian Holders who might not otherwise be considered to hold their Qualifying Shares or Warrant Shares as capital property may, in certain circumstances, be entitled to have their Qualifying Shares, Warrant Shares, and all other "Canadian securities" (as defined in the Tax Act) owned by such holders, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Canadian Holders should consult their own tax advisors regarding this election.

Exercise of Special Warrants for Qualifying Shares and Qualifying Warrants

No gain or loss will be realized by a Canadian Holder upon the exercise of a Special Warrant for one Qualifying Share and one-half of one Qualifying Warrant. When a Special Warrant is exercised for one Qualifying Share and one-half of one Qualifying Warrant, the aggregate cost of the Qualifying Share and one-half of one Qualifying Warrant will be equal to the Canadian Holder's adjusted cost base of the Special Warrant. The adjusted cost base of the Qualifying Share will be determined by averaging such cost with the adjusted cost base to the Canadian Holder of all other Common Shares owned by the Canadian Holder immediately prior to such exercise.

Exercise or Expiry of Qualifying Warrants

No gain or loss will be realized by a Canadian Holder upon the exercise or deemed exercise of a Qualifying Warrant to acquire a Warrant Share. When a Qualifying Warrant is exercised or deemed to be exercised, the cost of the Warrant Share acquired by the Canadian Holder will be the aggregate of the Canadian Holder's adjusted cost base of such Qualifying Warrant and the exercise price paid to acquire the Warrant Share. The adjusted cost base of the Warrant Share will be determined by averaging such cost with the adjusted cost base to the Canadian Holder of all other Common Shares owned by the Canadian Holder immediately prior to such acquisition.

If a Qualifying Warrant expires, the expiry of an unexercised Qualifying Warrant will generally result in a capital loss to the Canadian Holder equal to the adjusted cost base of the Qualifying Warrant to the Canadian Holder immediately prior to its expiry.

Dividends

Dividends received or deemed to be received by a Canadian Holder on the Qualifying Shares or the Warrant Shares will be included in computing the Canadian Holder's income pursuant to the Tax Act. If the Canadian Holder is an individual (other than certain trusts), such dividends will be subject to the "gross-up" and "dividend tax credit" rules normally applicable to taxable dividends received from taxable Canadian corporations. Such dividends will also be subject to the enhanced gross-up and dividend tax credit provisions where the Corporation provides notice to the recipient designating the dividend as an "**eligible**

dividend" pursuant to the Tax Act. There may be limitations on the ability of the Corporation to designate dividends as "eligible dividends". Dividends received or deemed to be received on the Qualifying Shares or the Warrant Shares by a Canadian Holder that is a corporation will generally be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a dividend as proceeds of disposition of a capital gain. Canadian Holders that are corporations are advised to obtain their own tax advice having regard to their particular circumstances.

A Canadian Holder that is a "private corporation" (as defined in the Tax Act) or any other corporation controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a refundable tax of 38 1/3% under Part IV of the Tax Act on dividends received or deemed to be received on the Qualifying Shares or the Warrant Shares to the extent that such dividends are deductible in computing the Canadian Holder's taxable income. Canadian Holders to whom these rules may be relevant should consult their own tax advisors.

A Canadian Holder that is throughout the year a "**Canadian-controlled private corporation**" (as defined in the Tax Act) may be liable for a special tax (refundable in certain circumstances) on "**aggregate investment income**" (as defined in the Tax Act), which includes amounts in respect of the portion of any dividends that was deductible in computing the corporation's taxable income for the year.

Dispositions of Qualifying Shares, Warrant Shares and Qualifying Warrants

Upon a disposition or deemed disposition of a Qualifying Share, Warrant Share or Qualifying Warrant (other than a disposition arising on the exercise of a Qualifying Warrant), a capital gain (or loss) will generally be realized by a Canadian Holder in the year of disposition to the extent that the proceeds of disposition exceed (or are less than) the adjusted cost base of the Qualifying Share, Warrant Share or Qualifying Warrant, as the case may be, to the Canadian Holder immediately before the disposition. Any such capital gain (or capital loss) arising from a disposition or deemed disposition is discussed more fully below.

Taxation of Capital Gains and Capital Losses

Generally, in computing its income for a taxation year a Canadian Holder is required to include one-half of the amount of any capital gain realized in the year (a "**taxable capital gain**"). Subject to and in accordance with the provisions of the Tax Act, a Canadian Holder is required to deduct one-half of the amount of any capital loss realized in a taxation year from taxable capital gains realized in the year by such Canadian Holder (an "**allowable capital loss**"). Allowable capital losses in excess of taxable capital gains in a taxation year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year, in accordance with the provisions of the Tax Act.

Where the Canadian Holder is a corporation, the amount of a capital loss, if any, realized on a disposition of Qualifying Shares or Warrant Shares may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such Qualifying Shares or Warrant Shares, in accordance with the Tax Act. Similar rules may apply where a Qualifying Share or a Warrant Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Canadian Holders to whom these rules may be applicable are advised to obtain their own tax advice.

A Canadian Holder that is throughout the year a "**Canadian-controlled private corporation**" (as defined in the Tax Act) may be liable for a special tax (refundable in certain circumstances) on "**aggregate**

investment income" (as defined in the Tax Act), which includes amounts in respect of taxable capital gains.

Alternative Minimum Tax

Capital gains realized and dividends received by a Canadian Holder that is an individual or a trust, other than certain specified trusts, may give rise to an alternative minimum tax under the Tax Act. Canadian Holders should consult their own tax advisors with respect to the application of minimum tax.

Eligibility for Investment

The Common Shares are not currently listed on a designated stock exchange and the Corporation expresses no opinion on the eligibility for investment of any of the Special Warrants, Qualifying Shares, Qualifying Warrants and Warrant Shares in a registered plan.

Holders wishing to hold the Special Warrants, Qualifying Shares, Warrant Shares or Qualifying Warrants in a registered plan are urged to consult their tax advisors.

Holders Not Resident in Canada

The following summary applies to a beneficial owner of Special Warrants who acquires Qualifying Shares and Qualifying Warrants, or to a beneficial owner of Qualifying Warrants who acquires Warrant Shares, pursuant to the exercise or deemed exercise of Qualifying Warrants and who, at all relevant times, for purposes of the Tax Act and any relevant income tax treaty or convention: (i) is neither resident nor deemed to be resident in Canada; and (ii) does not, and is not deemed to, use or hold the Special Warrants, Qualifying Shares, Qualifying Warrants or Warrant Shares in carrying on a business in Canada (a "**Non-Canadian Holder**"). In addition, this discussion does not apply to a Non-Canadian Holder that is a "registered non-resident insurer" or an "authorized foreign bank" (as such terms are defined in the Tax Act).

Exercise or Expiry of a Special Warrant or Qualifying Warrants and Dispositions of Qualifying Shares, Warrant Shares and Qualifying Warrants

A Non-Canadian Holder will not be subject to tax under the Tax Act in respect of the exercise of a Special Warrant or Qualifying Warrant, or from any capital gain realized by such Non-Canadian Holder on a disposition or deemed disposition of a Special Warrant, Qualifying Warrant, Qualifying Share or Warrant Share unless the Special Warrant, Qualifying Warrant, Qualifying Share or Warrant Share constitutes "taxable Canadian property" (as defined in the Tax Act) of the Non-Canadian Holder at the time of disposition, and the Non-Canadian Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Canadian Holder is resident. In addition, capital losses arising on a disposition or deemed disposition of a Special Warrant, Qualifying Warrant, Qualifying Share or Warrant Share will not be recognized under the Tax Act, unless the Special Warrant, Qualifying Warrant, Qualifying Share or Warrant Share constitute "taxable Canadian property" (as defined in the Tax Act) at the time of disposition and the Non-Canadian Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Canadian Holder is resident.

Special Warrants, Qualifying Warrants, Qualifying Shares and Warrant Shares will generally not constitute taxable Canadian property of a Non-Canadian Holder, unless at any time during the 60 month period immediately preceding the disposition of the Special Warrant, Qualifying Warrants, Qualifying Shares or

Warrant Shares more than 50% of the fair market value of the Special Warrants, Qualifying Warrants, Qualifying Shares or Warrant Shares was derived directly or indirectly from one or any combination of: (a) real or immovable property situated in Canada; (b) "Canadian resources properties" (as defined in the Tax Act); (c) "timber resource properties" (as defined in the Tax Act); and (d) options in respect of, or interests in or for civil law rights in, property described in (a) to (c), whether or not such property exists. Notwithstanding the foregoing, in certain circumstances Special Warrants, Qualifying Warrants, Qualifying Shares or Warrant Shares may otherwise be deemed to be taxable Canadian property to a Non-Canadian Holder for purposes of the Tax Act.

In addition, if at the time of disposition Special Warrants, Qualifying Shares or Warrant Shares are listed on a "designated stock exchange", as defined in the Tax Act at the time of disposition, Special Warrants, Qualifying Warrants, Qualifying Shares and Warrant Shares will generally not constitute taxable Canadian property of a Non-Canadian Holder, unless at any time during the 60 month period immediately preceding the disposition of the Special Warrants, Qualifying Warrants, Qualifying Shares or Warrant Shares met the conditions in the immediately forgoing paragraph and (a) the Non-Canadian Holder; (b) persons with whom the Non-Canadian Holder did not deal at arm's length; (c) partnerships in which the Non-Canadian Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; or (d) the Non-Canadian Holder together with such persons, owned 25% or more of the issued shares of any class of the capital stock of the Corporation.

A Non-Canadian Holder contemplating a disposition of Qualifying Warrants, Qualifying Shares or Warrant Shares that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.

In the event that a Special Warrant, Qualifying Warrant, Qualifying Share or Warrant Share constitutes taxable Canadian property of a Non-Canadian Holder and any capital gain that would be realized on the disposition thereof is not exempt from tax under the Tax Act or pursuant to an applicable income tax convention, the income tax consequences discussed above for Canadian Holders under "*Taxation of Capital Gains and Capital Losses*" will generally apply to the Non-Canadian Holder.

Dividends

Any dividends paid or credited, or deemed to be paid or credited, on the Qualifying Shares or Warrant Shares to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention between Canada and the Non-Canadian Holder's country of residence. For instance, where the Non-Canadian Holder is a resident of the U.S. that is entitled to full benefits under the Canada-U.S. Income Tax Convention (1980) as amended, and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%. Non-Canadian Holders should consult their own tax advisors in this regard.

PROMOTERS

Aras Azadian, a Director, Chairman of the Board and the Chief Executive Officer of the Corporation has been a promoter of the Corporation since its incorporation. Mr. Azadian beneficially owns, controls or directs, directly or indirectly, 2,501,192 Common Shares representing approximately 16.10% of the issued and outstanding Common Shares on a non-diluted basis. Since the incorporation of the Corporation, Mr.

Azadian has received an aggregate sum of $230,834 in cash and $54,166 worth of Common Shares as salary. See also "*Executive Compensation*".

Setu Purohit, a Director and the President, General Counsel, Chief Legal Officer and Secretary of the Corporation has been a promoter of the Corporation since its incorporation. Mr. Purohit beneficially owns, controls or directs, directly or indirectly, 2,320,952 Common Shares representing approximately 14.94% of the issued and outstanding Common Shares on a non-diluted basis. Since the incorporation of the Corporation, Mr. Purohit has received an aggregate sum of $231,667 in cash and $43,333 worth of Common Shares as salary. See also "*Executive Compensation*". On June 1, 2017, the Corporation purchased all of the issued and outstanding shares of My Cannabis from Mr. Purohit and Mr. Langstaff. The price paid for all of the issued and outstanding shares of My Cannabis was $140,000, which amount was satisfied entirely through the issuance of Common Shares of the Corporation. In connection with the transaction, Mr. Purohit received 100,000 Common Shares at a deemed price of $0.70 per Common Share. The purchase price payable for My Cannabis was determined by the independent directors of the Corporation and was determined on a price per patient basis. The price per patient selected was based on a discount to recently announced comparable transactions. Mr. Purohit's interest in My Cannabis was acquired by Mr. Purohit at a cost of $100 on April 29, 2016.

Kyle Langstaff, the Vice President (Operations) of the Corporation has been a promoter of the Corporation since its incorporation. Mr. Langstaff beneficially owns, controls or directs, directly or indirectly, 2,268,333 Common Shares representing approximately 14.61% of the issued and outstanding Common Shares on a non-diluted basis. Since the incorporation of the Corporation, Mr. Langstaff has received an aggregate sum of $104,662 in salary. See also "*Executive Compensation*". On June 1, 2017, the Corporation purchased all of the issued and outstanding shares of My Cannabis from Mr. Purohit and Mr. Langstaff. The price paid for all of the issued and outstanding shares of My Cannabis was $140,000, which amount was satisfied entirely through the issuance of Common Shares of the Corporation. In connection with the transaction, Mr. Langstaff received 100,000 Common Shares at a deemed price of $0.70 per Common Share. The purchase price payable for My Cannabis was determined by the independent directors of the Corporation and was determined on a price per patient basis. The price per patient selected was based on a discount to recently announced comparable transactions. Mr. Langstaff's interest in My Cannabis was acquired by Mr. Langstaff at a cost of $100 on April 29, 2016.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are from time to time involved in legal proceedings of a nature considered normal to our business. We believe that none of the litigation in which we are currently involved, or have been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to our consolidated financial condition or results of operations.

There are no material legal proceedings the Corporation is or was a party to, or that any of its property is or was the subject of, since the beginning of the most recently completed financial year for which financial statements of the Corporation are included in this Prospectus.

There have not been any penalties or sanctions imposed against the Corporation by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Corporation, and the Corporation has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described herein with respect to My Cannabis and SMGH (and Mr. Davila Char's relationship with Bondue), no insider, director or executive officer of the Corporation and no associate of any director, executive officer, or insider has any material interest, direct or indirect, in any transaction within the three years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect the Corporation. See "*Executive Compensation*", "*Our Business – Research and Development – My Cannabis*" and "*Our Business – Cultivation – Santa Marta Golden Hemp – Background*".

AUDITORS

The auditor of the Corporation and its subsidiaries is MNP LLP, having its address at 50 Burnhamthorpe Road West, Suite 900, Mississauga, ON, L5B 3C2.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent of the Corporation is Odyssey Trust Company at its principal office at 323 - 409 Granville St. Vancouver, British Columbia, V6C 1T2.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts which the Corporation has entered into since its incorporation before the date of this Prospectus are:

- the Agency Agreement, dated as of December 13, 2018 and amended on March 13, 2019 and April 15, 2019, between the Corporation and the Agents, as more particularly described under "*Plan of Distribution*";
- the SN Shareholders' Agreement;
- the SMGH Shareholders' Agreement;
- the Altea Manufacturing Agreement, dated as of December 11, 2018, between the Corporation and Altea, as more particularly described under "*Our Products – Manufacturing and Selling Phyto-therapeutics in Colombia*";
- the U of T Sponsored Research and Collaboration Agreement, dated as of November 20, 2017, between the Corporation and the University of Toronto, as more particularly described under "*Research and Development – U of T Sponsored Research and Collaboration Agreement*";
- the following licences granted to SMGH:
    - o Resolution 973 issued on November 24, 2017 and expiring on November 23, 2022, which authorizes the cultivation of psychoactive cannabis and permits SMGH to conduct the following activities: (i) seed production for sowing; (ii) production of grain; and (iii) the manufacture of cannabis derivatives;

- Resolution 472 issued on June 1, 2018 and expiring on November 23, 2020, which amends Resolution 973 and adds the permitted activity to cultivate psychoactive cannabis for scientific purposes;

- Resolution 4282 issued on October 27, 2017 and expiring on October 26, 2023, which authorizes the manufacturing of psychoactive cannabis derivatives for the purposes of distribution nationally (Colombia) and for exportation;

- Resolution 3466 issued on August 17, 2018 and expiring on the same day as Resolution 4282 which is October 26, 2023, which amends Resolution 4282 and adds the permitted activity to manufacture cannabis derivatives for scientific purposes;

- Resolution 463 issued on May 29, 2018, which authorizes the cultivation of non-psychoactive cannabis and permits SMGH to conduct the following activities: (i) seed production for sowing; (ii) production of grain; (iii) the manufacture of cannabis derivatives; and (iv) to cultivate for scientific purposes;

- Resolution 713 issued on July 31, 2018 and expired on December 31, 2018, which is a quota to cultivate psychoactive cannabis and grants permission to cultivate 171 plants for scientific purposes (Pre-Characterization), although this licence has now expired, SMGH is permitted to continue cultivating genetics for the full current growth cycle for scientific purposes under this license;

- Resolution 594 issued on June 28, 2018 and expired on December 31, 2018, which is a quota to cultivate psychoactive cannabis and grants permission to cultivate 80 different genetic strains (50 plants per genetic strain) for scientific purposes (Characterization), although this licence has now expired, SMGH is permitted to continue cultivating genetics for the full current growth cycle for scientific purposes under this licence;

- Resolution 763 issued on December 26, 2017 and expiring on December 25, 2022, which is a registration with National Narcotics Fund of Colombia for the activity of manufacturing cannabis derivatives for the purposes of distribution nationally (Colombia) and for exportation;

- Resolution 639 issued on September 14, 2018 and expiring on December 25, 2022, which amends Resolution 763 and adds the permitted activity to manufacture cannabis derivatives for scientific purposes;

- Resolution 6149 issued on May 9, 2019, which is a registration of the psychoactive genetic "GYPSSY KUSH – AV019";

- Resolution 6152 issued on May 9, 2019, which is a registration of the psychoactive genetic "TROPICANNA – AV008";

- Resolution 6153 issued on May 9, 2019, which is a registration of the psychoactive genetic "COMA KUSH – AV030";

- Resolution 6148 issued on May 9, 2019, which is a registration of the non-psychoactive genetic "NN-AV011";

  - Resolution 7016 granted by ICA on May 26, 2019 which permits SMGH to produce asexual cannabis seeds; and

- the following licences granted to SN:

  - Resolution 5221 issued on December 18, 2017 and expiring on December 17, 2022, which authorizes the manufacturing of cannabis derivatives for the purposes of distribution nationally (Colombia) and for exportation;

  - Resolution 3465 issued on August 17, 2018 and expiring on December 17, 2022, which amends Resolution 5221 and amends the names of (i) the legal representative of SN, and (ii) the permitted location to perform the activities from "Ronda" to "Bonda";

  - Resolution 777 issued on December 28, 2017 and expiring on December 27, 2022, which is a registration with the National Narcotics Fund of Colombia for the activity of manufacturing cannabis derivatives for the purposes of distribution nationally (Colombia) and for exportation;

  - Resolution 1102 issued on December 29, 2017 and expiring on December 28, 2022, which authorizes the cultivation of psychoactive cannabis and permits SN to conduct the following activities: (i) seed production for sowing; and (ii) the manufacture of cannabis derivatives;

  - Resolution 674 issued on July 24, 2018 and expiring on December 28, 2022, which amends Resolution 1102 and amends the named legal representative of SN and also adds the activity permitting the product of grain;

  - Resolution 230 issued on March 7, 2018 and expiring on March 6, 2023, which authorizes the cultivation of non-psychoactive cannabis and permits SN to conduct the following activities for industrial purposes: (i) the product of seeds and grain for planting; and (ii) the manufacture of cannabis derivatives;

  - Resolution 673 issued on July 24, 2018, which amends Resolution 230 and amends the named legal representative of SN;

  - Resolution 7014 granted by ICA on May 26, 2019 which permits SN to produce sexual and asexual cannabis seed; and

  - Resolution 7020 granted by ICA on May 26, 2019 which designates SN as an Agronomic Evaluation Unit and permits SN to begin the characterization process.

Copies of the above-noted material contracts will be available for inspection at the offices of the Corporation's Canadian counsel, Dentons Canada LLP (77 King Street West, Suite 400, Toronto-Dominion Centre Toronto, ON, M5K 0A1, Canada), during normal business hours and will be filed on the Corporation's SEDAR profile at www.sedar.com.

INTEREST OF EXPERTS

There is no person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion in this prospectus other than Dentons Canada LLP and MNP LLP.

Dentons Canada LLP, and its partners and associates, as a group, do not beneficially own, directly and indirectly, greater than 1% of the issued and outstanding shares of any class of the Corporation, its affiliates or associates.

Our current independent auditor is MNP LLP. MNP LLP has confirmed that it is independent of the Corporation within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of (Ontario).

PURCHASERS' STATUTORY RIGHTS

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 (2) Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, 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, revisions 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 adviser.

The Corporation and the Agents hereby confirm that purchasers who acquired Special Warrants through the Corporation have the same rights and remedies for rescission and/or damages against the Corporation and the Agents, as the case may be, as purchasers who acquired Special Warrants through the Agents.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

Each holder of a Special Warrant was granted a contractual right of rescission of the prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that if a holder of a Special Warrant who acquires Qualifying Securities on exercise of the Special Warrant as provided for in the Prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of the Prospectus or an amendment to the Prospectus containing a misrepresentation: (a) the holder is entitled to rescission of both the holder's exercise of its Special Warrant and the private placement transaction under which the Special Warrant was initially acquired; (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Corporation on the acquisition of the Special Warrant; and (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

The contractual rights of action described above are in addition to and without derogation from any other right or remedy that a subscriber of Special Warrants may have at law.

SCHEDULE "A" – AVICANNA FINANCIAL STATEMENTS & MD&A

The following financial statements of Avicanna have been prepared in accordance with IFRS and are attached hereto:

- Audited consolidated statements of loss and comprehensive loss for years ended December 31, 2018, December 31, 2017 and December 31, 2016 of the Corporation, including notes thereto.

- Management's discussion and analysis of operations, financial position and outlook for the years ended December 31, 2018, December 31, 2017 and December 31, 2016.

- Unaudited condensed interim financial statements of the Corporation for the three months ended March 31, 2019 and March 31, 2018, including notes thereto.

- Management's discussion and analysis of operations, financial position and outlook for the three months ended March 31, 2019 and March 31, 2018.

Avicanna Inc.
Consolidated Financial Statements
For the Year Ended December 31, 2018 and 2017
(expressed in Canadian dollars, except share and per share amounts)

Independent Auditor's Report

To the Shareholders of Avicanna Inc.:

Opinion

We have audited the consolidated financial statements of Avicanna Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of operations and comprehensive loss, shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss and comprehensive loss of $7,478,168 during the year ended December 31, 2018 and currently does not produce revenue from operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

MNP LLP

Mississauga, Ontario
July 8, 2019

Chartered Professional Accountants
Licensed Public Accountants

Avicanna Inc.
Consolidated Statement of Financial Position
As at December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	December 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash	$ 69,295	$ 1,176,546
Marketable securities (Note 5)	-	10,000
Amounts receivable (Note 6)	258,608	75,337
Prepaid assets	863,624	45,381
Total Current Assets	1,191,527	1,307,264
Property and equipment (Note 8)	16,256,136	460,893
Intangible assets (Note 9)	10,733,266	129,550
Interest in equity accounted investee (Note 10)	-	144,875
Due from related parties	-	74,888
Investments (Note 11)	72	-
Total Assets	**$ 28,181,001**	**$ 2,117,470**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable	$ 1,455,565	$ 547,903
Shareholder advance	331,320	-
Advance subscription (Note 14)	-	728,500
Total Current liabilities	1,786,885	1,276,403
Term loan (Note 13)	14,441	-
Total Liabilities	1,801,326	1,276,403
Shareholders' equity		
Share capital (Note 14)	21,492,039	2,768,649
Warrants (Note 14)	5,218,984	581,185
Share-based payment reserve (Note 15)	1,515,107	120,634
Accumulated other comprehensive income	(188,771)	-
Non-controlling interest (Note 16)	8,070,778	-
Deficit	(9,728,462)	(2,629,401)
Total Shareholders' Equity	26,379,675	841,067
Total Liabilities and Shareholders' Equity	**$ 28,181,001**	**$ 2,117,470**

Nature of operations and going concern (Note 1)
Commitments (Note 20)
Subsequent events (Note 21)

The accompanying notes are an integral part of these consolidated financial statements.

Avicanna Inc.
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Revenue	$ 117,971	$ 26,661
Expenses		
General and administrative	1,504,499	481,804
Consulting fees	1,198,855	1,281,819
Professional fees	1,915,725	544,986
Salaries and wages (Note 12)	1,543,325	52,064
Research and development	456,622	23,678
Selling, marketing and promotion	248,731	43,922
Share-based compensation (Note 15)	1,401,320	120,634
Write off of biological assets (Note 7)	122,284	-
Amortization (Note 8)	172,705	63,243
Total Expenses	8,564,066	2,612,150
Other income (expense)		
Foreign exchange loss	(136,501)	(3,216)
Gain on acquisition of previously equity accounted investee (Note 4)	1,129,976	-
Loss attributed from equity accounted investee (Note 10)	(27,607)	(12,317)
Other income	180,475	-
Interest income	10,355	1,453
Net Loss	**$ (7,289,397)**	**$ (2,599,569)**
Net loss attributable to non – controlling interest (Note 16)	(190,336)	-
Net loss attributable to Shareholders of the Company	(7,099,061)	(2,599,569)
	(7,289,397)	**(2,599,569)**
Foreign currency translation adjustment	(188,771)	-
Net comprehensive loss	**(7,478,168)**	**(2,599,569)**
Weighted average number of common shares – basic and diluted	13,587,925	9,017,231
Net loss per share – basic and diluted (Note 17)	$ (0.55)	$ (0.29)

The accompanying notes are an integral part of these consolidated financial statements.

Avicanna Inc.
Consolidated Statement of Changes in Shareholders' Equity
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Common Shares		**Warrants**	**Share Based Reserve**	**Deficit**	**Accumulated Other Comprehensive Loss**	**Non-controlling Interest**	**Total**
	#	$	$	$	$	$	$	$
Balance at December 31, 2016	**7,000,000**	**70**	**-**	**-**	**(29,832)**	-	**-**	**(29,762)**
Issuance of units (Note 14(i))	2,359,160	1,191,595	459,818	-	-	-	-	1,651,413
Share-based compensation (Note 15)	-	-	-	120,634	-	-	-	120,634
Issuance of common shares (Note 14(iv))	1,162,041	967,107	-	-	-	-	-	967,107
Issuance of units (Note 14(iii))	360,000	609,877	110,123	-	-	-	-	720,000
Warrant granted to consultant (Note 14(ii))	-	-	11,244	-	-	-	-	11,244
Net loss	-	-	-	-	(2,599,569)	-	-	(2,599,569)
Balance at December 31, 2017	**10,881,201**	**2,768,649**	**581,185**	**120,634**	**(2,629,401)**	-	**-**	**841,067**
Issuance of units (Note 14(vi))	2,007,508	3,412,234	602,782	-	-	-	-	4,015,016
Issuance of common shares (Note 14(viii))	325,323	2,374,858	-	-	-	-	-	2,374,858
Special warrants issued (Note 14(xi))	-	-	4,179,156	-	-	-	-	4,179,156
Issuance on acquisition (Note 14(vii))	150,000	300,000	-	-	-	-	-	300,000
Issuance on acquisition (Note 14(x))	1,477,818	10,788,071	-	-	-	-	-	10,788,071
Exercise of options (Note 14(v)(xiii))	225,000	51,847	-	(6,847)	-	-	-	45,000
Exercise of warrants (Note 14(ix)(xiv))	303,510	761,914	(144,139)	-	-	-	-	617,775
Shares issued for services (Note 14(xii))	276,605	1,034,466	-	-	-	-	-	1,034,466
Share-based compensation (Note 14)	-	-	-	1,401,320	-	-	-	1,401,320
Non-controlling interest (Note 15)	-	-	-	-	-	-	8,261,114	8,261,114
Foreign exchange translation	-	-	-	-	-	(188,771)	-	(188,771)
Net loss	-	-	-	-	(7,099,061)	-	(190,336)	(7,289,397)
Balance at December 31, 2018	**15,646,965**	**21,492,039**	**5,218,984**	**1,515,107**	**(9,728,462)**	**(188,771)**	**8,070,778**	**26,379,675**

The accompanying notes are an integral part of these consolidated financial statements.

Avicanna Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Cash flows from operating activities:		
Net loss	$ (7,099,061)	$ (2,599,569)
Amortization	172,705	63,243
Share-based compensation	1,401,320	120,634
Loss from equity accounted investees	27,607	(144,875)
Non-controlling interest	(190,336)	-
Impact of foreign exchange losses	(188,771)	-
Issuance of common shares for services	1,034,466	-
Gain in fair value of equity accounted investees	(1,126,976)	-
Warrants granted for services	-	11,244
Changes in non-cash operating elements of working capital	978,260	415,905
Cash used in operating activities	**(4,990,786)**	**(2,133,418)**
Cash flows from investing activities:		
Purchase of capital assets	(3,867,701)	(512,359)
Redemption (Investment) in marketable securities	10,000	(10,000)
Purchase of intangible asset	(50,670)	-
Cash advanced to controlled entities prior to acquisition	(3,183,957)	
Cash acquired on acquisition of Santa Marta Golden Hemp S.A.S.	25,177	-
Cash acquired on acquisition of Sativa Nativa S.A.S.	26,804	-
Investment in Southern Sun Pharma Inc.	(72)	-
Investment in minority-controlled investee	-	(141,327)
Cash used in investing activities	**(7,040,419)**	**(663,686)**
Cash flows from financing activities:		
Funds received from shareholder advance	331,320	-
Funds received from term loan	14,441	-
Change in funds due from (to) related parties	74,888	(184,818)
Proceeds from issuances of special warrants	4,179,156	-
Proceeds from exercise of warrants	617,775	-
Proceeds from exercise of options	45,000	
Cash obtained for advance subscription of equity offering	-	728,500
Proceeds from issuance of common shares and units	5,661,374	3,338,520
Cash provided by financing activities	**10,923,954**	**3,882,202**
Net decrease in cash	**(1,107,251)**	**1,085,098**
Cash, beginning of period	**1,176,546**	**91,448**
Cash, end of period	**$ 69,295**	**$ 1,176,546**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Avicanna Inc. ("Avicanna" or the "Company") was incorporated in Ontario. The Company is focused on innovative product development and research in the medical cannabis industry. To date, the Company has not generated significant revenues from its operations and is considered to be in development stage.

During the year ended December 31, 2018, Avicanna obtained control of Sativa Nativa S.A.S. ("Sativa Nativa") by acquiring an additional 35% of the issued and outstanding shares, bringing the Company's total ownership up to 70%. As such, the results for Sativa Nativa for the year ending December 31, 2018 have been consolidated with the Company's. In addition, during the year ended December 31, 2018, Avicanna obtained control of Santa Marta Golden Hemp S.A.S. ("SMGH") by acquiring 60% of the issued and outstanding shares. As such, the results for SMGH for the year ending December 31, 2018 have been consolidated with the Company's.

As at December 31, 2018 the Company has an accumulated deficit of $9,728,462 (2017 - $2,629,401), cash of $69,295 (2017 – $1,176,546), and a working capital deficit of $595,358 (2017 – surplus of $30,861). The Company will need to raise additional financing to continue operations, product development and clinical research. Although the Company has been successful in the past in obtaining financing and it believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standard ("IFRS"), as set out in the CPA Canada Handbook – Accounting ("CPA Handbook") as issued by the International Accounting Standards Board ("IASB"). The policies set out below have been consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on July 8, 2019.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for biological assets, which are measured at fair value, as explained in the accounting policies below. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2. BASIS OF PRESENTATION (continued)

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries 2516167 Ontario Inc. operating as My Cannabis ("My Cannabis") and Avicanna Latam S.A.S. ("LATAM"), its majority owned subsidiary Sativa Nativa in which the Company owns 70% of the issued and outstanding shares, and its majority owned subsidiary SMGH in which the Company owns 60% of the issued and outstanding shares. The Company is deemed to control a subsidiary when it is exposed to, or has the right to, variable returns from its involvement with an investee and it has the ability to direct the activities of the investee that significantly affects the investee's returns through its power over the subsidiary. Where the Company's interest in a subsidiary is less than one hundred percent, the Company recognizes a non-controlling interest in the investee. The results of subsidiaries acquired during the year are consolidated from the date of acquisition. All intercompany transactions, balances, revenues and expenses are eliminated on consolidation.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount recognized initially, plus the non-controlling interests' share of changes in the capital of the company in addition to changes in ownership interests. Total comprehensive income or loss is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of controlled entities are included in these consolidated financial statements from the date control is effective until control ceases to exist.

Foreign currency translation

The presentation currency as well as the functional currency of the Company and its subsidiaries, except for Sativa Nativa, LATAM, and SMGH is the Canadian dollar. The functional currency of Sativa Nativa, LATAM, and SMGH is the Colombian Peso. Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of operations and comprehensive loss.

Use of judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

2. BASIS OF PRESENTATION (continued)

Use of judgments, estimates and assumptions (continued)

Business combinations
Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. As outlined in IFRS 3, the components of a business must include inputs, processes and outputs.

Management makes judgments in the valuation of the consideration transferred, including determining the value of any contingent consideration. The consideration transferred for an acquired business ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets acquired, and liabilities assumed, and the valuation thereof is judgmental. Any excess of purchase price over the fair value of the identifiable tangible and intangible assets purchased and liabilities assumed is allocated to goodwill. Goodwill is initially recognized at cost and is allocated to the cash-generating unit (“CGU”) expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

Estimated useful life of long-lived assets
Judgment is used to estimate each component of a long-lived asset’s useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset’s legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Impairment of long-lived assets
Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets are tested for impairment annually. For the purposes of measuring recoverable values, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable value is the greater of an asset’s fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. An impairment loss is recognized for the value by which the asset’s carrying value exceeds its recoverable value.

Determination of share-based payments
The estimation of share-based payments (including warrants and stock options) requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of the grant. The Company makes estimates as to the volatility, the expected life, dividend yield and the time of exercise, as applicable. The expected volatility is based on the average volatility of share prices of similar companies over the period of the expected life of the applicable warrants and stock options. The expected life is based on historical data. These estimates may not necessarily be indicative of future actual patterns

Provisions
Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the consolidated financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company. The adequacy of provisions is regularly assessed as new information becomes available.

2. BASIS OF PRESENTATION (continued)

Use of judgments, estimates and assumptions (continued)

Income taxes
Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The Company's effective income tax rate can vary significantly for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
IFRS 15 outlines a single comprehensive model to account for revenue arising from contracts with customers and replaced the majority of existing IFRS requirements on revenue recognition including IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. The core principle of the standard is to recognize revenue to depict the transfer of control of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has prescribed a five-step model to apply the principles. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract as well as requiring more informative and relevant disclosures. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue.

The Company has adopted IFRS 15 with an initial adoption date of January 1, 2018. The Company utilized the modified retrospective method to adopt the new standard. There was no material impact on the Company's consolidated net loss or consolidated financial position resulting from the adoption of IFRS 15.

Revenue is recognized when all of the following criteria have been satisfied: significant risks and rewards of ownership have been transferred to the buyer, there is no continuing managerial involvement with respect to the good sold or services provided , revenue can be reliably measured at the fair value of consideration received or expected to be received, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is recognized at the fair value of consideration received or receivable, net of discounts and sales taxes.

The Company currently generates revenue from the consulting and patient referral services provided through the Company's wholly owned subsidiary My Cannabis. The Company recognizes revenue at the time when the consulting service is provided to the patient and consideration has been received in full. For its referral services, the Company recognizes revenue at the time when the customer acknowledges the referral and the consideration has been transferred in full.

Financial Instruments
The Company has adopted IFRS 9 with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairments model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The standard contains three classifications categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1	Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2	Valuation techniques based on inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices); and
Level 3	Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018 had no impact on the measurement of financial instruments, which are summarized in the following table:

	Previous classification	**Classification under IFRS 9**
Cash	Loans and receivables	Amortized cost
Marketable securities	FVTPL	FVTPL
Amounts receivable	Loans and receivables	Amortized cost
Prepaid assets	Other assets	Amortized cost
Investments	Other assets	Amortized cost
Amounts payable	Other liabilities	Amortized cost
Shareholder advance	Other liabilities	Amortized cost
Term loan	Other liabilities	Amortized cost

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated and applied from January 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The changes in accounting policies will also be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2018. The Company has adopted IFRS 9 retrospectively, and the adoption of IFRS 9 did not result in any transition adjustments being recognized as at January 1, 2018.

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated as described below. There was no impact on the consolidated financial statements as at and for the year ended December 31, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

(i) Financial assets

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Where the fair values of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to this model are derived from observable market date where possible, but where observable market data is not available, judgement is required to establish fair values.

(ii) Impairment of financial assets

For amounts receivable, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all amounts receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience, the past due status, the existence of third-party insurance and forward-looking macroeconomic factors.

(iii) Financial liabilities

Non-derivative financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include amounts payable and debt which are each measured at amortized cost.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations and comprehensive loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash deposits and/or highly rated and liquid securities with an original maturity of less than three months.

Biological assets
Biological assets are measured at a fair value of $nil as the Company has not obtained its sales license in the reporting periods and therefore can only grow cannabis for research purposes, and for registration purposes which are required as a pre-requisite for a sales license.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. All other repair and maintenance costs are recognized in the consolidated statements of operations and comprehensive loss.

The initial cost of property and equipment comprises its purchase price or construction cost and any costs directly attributable to bringing it to a working condition for its intended use. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset. Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for as separate items of property and equipment.

For all property and equipment, depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is calculated starting on the date that property and equipment is available for its intended use. For all other property and equipment, depreciation is calculated using the declining balance method using the following annual rates:

	Annual rate
Equipment	20%

Construction-in-progress includes property and equipment in the course of construction and is carried at cost less any recognized impairment charge. These assets are reclassified to the appropriate category of property and equipment and depreciation of these assets commences when they are completed and ready for their intended use.

Intangible assets

Intangible assets acquired separately are measured upon initial recognition at cost, which comprises the purchase price plus any costs directly attributable to the preparation of the asset for its intended use. Intangible assets acquired through business combinations or asset acquisitions are initially recognized at fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment charges.

All intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

	Estimated useful life (years)
Licenses	20-25
Customer list	5

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets require the use of estimates and assumptions and are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense attributable to an intangible asset is recognized in the consolidated statements of operations and comprehensive loss in the expense category consistent with the function of the intangible asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Impairment of non-financial assets Long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or "CGU"). An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use (being the present value of expected future cash flows of the asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized.

Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the taxable loss or income for the period. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred income tax

Deferred income tax is provided on temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be generated in future periods to utilize these deductible temporary differences.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be generated to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be generated to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Judgment is required in determining whether deferred income tax assets and liabilities are recognized on the consolidated statement of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in order to utilize the deferred income tax assets. Estimates of future taxable income are based on forecasted cash flows from operations or other activities. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded on the reporting date could be impacted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions and contingencies

Provisions are recognized when: a) the Company has a present obligation (legal or constructive) as a result of a past event; and b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision as a result of the passage of time is recognized in finance cost in the consolidated statements of operations and comprehensive loss.

A contingent liability is not recognized in the case where no reliable estimate can be made; however, disclosure is required unless the possibility of an outflow of resources embodying economic benefits is remote. By its nature, a contingent liability will only be resolved when one or more future events occur or fail to occur. The assessment of a contingent liability inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recorded when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

Share-based compensation

The fair value of stock options and warrants is based on the application of the Black-Scholes option pricing model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the share price, volatility of the share price, expected dividend yield and expected risk-free interest rate.

Share capital

Common shares and warrants are classified as equity. The share capital represents the amount received upon issuance of shares. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period in which the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes option pricing model to determine the fair value of warrants issued.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations not yet adopted by the Company

(i) IFRS 16 - Leases ("IFRS 16")
In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company has evaluated IFRS 16 and concluded that there is no impact on the Company's consolidated financial statements.

(ii) IFRIC 23 – Uncertainty over Income Tax Treatment ("IFRIC 23")
In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual period beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company's consolidated financial statements.

4. BUSINESS TRANSACTIONS

Acquisition of Control of Sativa Nativa S.A.S.

Effective February 28, 2018, the Company acquired control of Sativa Nativa with the purchase of an additional 35% of the issued and outstanding shares of Sativa Nativa, bringing the Company's total holdings to 70% of the issued and outstanding shares. Sativa Nativa holds land in Santa Marta, Colombia and has a license to harvest and extract medical cannabis in Colombia.

Pursuant to the acquisition, Avicanna transferred cash consideration of $947,244 and issued an additional 150,000 common shares of the Company at a share price of $2 per share to acquire an additional 35% of the issued and outstanding common shares of Sativa Nativa. As a result, the fair value of the consideration transferred was $1,247,244.

Prior to the acquisition, the Company advanced Sativa Nativa $154,798 in cash for certain capital expenditures. The balance has been included in the fair value of net assets acquired in the purchase price allocation as a due to related party.

At the acquisition date, the carrying value of the Company's initial investment in in Sativa Nativa, representing 35% of the issued and outstanding common shares, was $117,268. Therefore, the Company recorded a gain of $1,129,976 on the fair value of the initial investment in Sativa Nativa.

(expressed in Canadian dollars, except share and per share amounts)

4. BUSINESS TRANSACTIONS (continued)

Acquisition of Control of Sativa Nativa S.A.S. (continued)

The purchase price allocation was as follows:

Fair value of consideration transferred		
Cash consideration	$	947,244
Fair value of shares transferred		300,000
Fair value of previously held common shares		1,247,244
Non-controlling interest		1,069,066
Total consideration	**$**	**3,563,554**
Fair value of net assets acquired		
Assets		
Cash on hand	$	977,048
Prepaid and other assets		42,292
Fair value of license		2,478,728
Fair value of land		241,861
Liabilities		
Accounts payable and accrued liabilities		(21,577)
Due to related parties		(154,798)
Total fair value of identifiable net assets	**$**	**3,563,554**

Acquisition of Control of Santa Marta Golden Hemp S.A.S.

Effective October 22, 2018, the Company acquired 60% of the issued and outstanding common shares of SMGH. SMGH is located in Santa Marta, Colombia and has a license to harvest, extract and sell medical cannabis. The total purchase price was $10,788,071 which was settled with the issuance of 1,477,817 common shares of the Company issued at a price of $7.30 per share. Prior to the acquisition, the Company advanced SMGH $3,029,159 in cash for certain capital expenditures. The balance has been included in the fair value of net assets acquired in the purchase price allocation as a due to related party.

The purchase price allocation was as follows:

Fair value of consideration transferred		
Fair value of shares transferred	$	10,788,071
Non-controlling interest		7,192,048
Total consideration	$	**17,980,119**
Fair value of net assets acquired		
Assets		
Cash	$	25,177
Prepaid and other assets		1,113,184
Property and equipment		1,710,062
Fair value of license		8,102,583
Fair value of land		10,120,059
Liabilities		
Accounts payable and accrued liabilities		(61,787)
Due to related parties		(3,029,159)
Total fair value of identifiable net assets	**$**	**17,980,119**

(expressed in Canadian dollars, except share and per share amounts)

5. MARKETABLE SECURITIES

Marketable securities are comprised of:

	Effective Interest Rate	Maturity Date	December 31, 2018	December 31, 2017
Government of Canada, Guaranteed Investment Certificate	0.90%	April 17, 2018	-	$ 10,000

The fair value of marketable securities was determined using Level 1 of fair value measurement.

6. AMOUNTS RECEIVABLE

	December 31, 2018	December 31, 2017
Trade and other receivables	$ 111,571	$ 3,690
Accrued interest	-	64
Sales tax receivable	147,037	71,583
Total amounts receivable	**$ 258,608**	**$ 75,337**

7. BIOLOGICAL ASSETS

The Company wrote off $122,284 of biological assets for the year ended December 31, 2018 (2017 - $nil). While the Company, through its subsidiaries Sativa Nativa and SMGH, has licenses to harvest, extract and sell medical cannabis, there are certain regulatory requirements that must be met in to be permitted to sell medical cannabis in the Republic of Colombia. Part of this process requires the Company to grow and register the strains of cannabis plants that it wishes to commercially harvest for sale. As at December 31, 2018, the Company was in the process of registering these strains and had not yet gained approval to officially sell. Therefore, any biological assets that were grown for the purposes of obtaining regulatory approval have been expensed for the year ended December 31, 2018.

	Amount
Balance as at December 31, 2017	$ -
Costs incurred during harvest	122,284
Write off of biological asset	(122,284)
Balance as at December 31, 2018	**$ -**

The Company values medical cannabis plants at fair market value from the date of initial clipping from the mother plants until the end of the growing cycle. As noted above, as the Company has not been approved to sell its current genetics and strains all costs related to the current harvest have been written off.

8. PROPERTY AND EQUIPMENT

	Equipment	Land	Construction in Progress	Total
Cost				
Balance at December 31, 2017	$ 512,359	$ -	$ -	$ 512,359
Additions	565,535	10,361,920	5,012,228	15,939,683
Disposals	-	-	-	-
At December 31, 2018	$ 1,077,894	$ 10,361,920	$ 5,012,228	$ 16,452,042

(expressed in Canadian dollars, except share and per share amounts)

8. PROPERTY AND EQUIPMENT (continued)

	Equipment	Land	Construction in Progress	Total
Accumulated Amortization				
Balance at, December 31, 2017	$ 51,466	$ -	$ -	$ 51,466
Amortization	144,440	-	-	144,440
Disposals	-	-	-	-
At December 31, 2018	$ 195,906	$ -	$ -	$ 195,906

	Equipment	Land	Construction in Progress	Total
Net Book Value				
December 31, 2017	$ 460,893	$ -	$ -	$ 460,893
December 31, 2018	$ 881,988	$ 10,361,920	$ 5,012,228	$ 16,256,136

	Equipment	Land	Construction in Progress	Total
Cost				
Balance at December 31, 2016	$ -	$ -	$ -	$ -
Additions	512,359	-	-	512,359
Disposals	-	-	-	-
At December 31, 2017	$ 512,359	$ -	$ -	$ 512,359

	Equipment	Land	Construction in Progress	Total
Accumulated Amortization				
Balance at, December 31, 2016	$ -	$ -	$ -	$ -
Amortization	51,466	-	-	51,466
Disposals	-	-	-	-
At December 31, 2017	$ 51,466	$ -	$ -	$ 51,466

	Equipment	Land	Construction in Progress	Total
Net Book Value				
December 31, 2016	$ -	$ -	$ -	$ -
December 31, 2017	$ 460,893	$ -	$ -	$ 460,893

During the year ended December 31, 2018, the Company recorded $144,440 in depreciation (2017 - $51,466).

(expressed in Canadian dollars, except share and per share amounts)

9. INTANGIBLE ASSET

	Customer Relationships	Licenses and Permits	Total
Cost			
Balance at December 31, 2017	$ 141,327	$ -	$ 141,327
Additions	-	10,631,981	10,631,981
Disposals	-	-	-
At December 31, 2018	$ 141,327	$ 10,631,981	$ 10,773,308

	Customer Relationships	Licenses and Permits	Total
Accumulated amortization			
Balance at December 31, 2017	$ **11,777**	$ -	$ **11,777**
Additions	28,265	**-**	**28,265**
Disposals	-	-	-
At December 31, 2018	$ **40,042**	$ **-**	$ **40,042**

	Customer Relationships	Licenses and Permits	Total
Net Book Value			
December 31, 2017	$ 129,550	$ -	$ **129,550**
December 31, 2018	$ 101,285	$ 10,631,981	$ **10,733,266**

	Customer Relationships	Licenses and Permits	Total
Cost			
Balance at December 31, 2016	$ -	$ -	$ -
Additions	141,327	-	141,327
Disposals	-	-	-
At December 31, 2017	$ 141,327	$ -	$ 141,327

	Customer Relationships	Licenses and Permits	Total
Accumulated amortization			
Balance at December 31, 2016	$ **-**	$ -	$ **-**
Additions	11,777	-	11,777
Disposals	-	-	-
At December 31, 2017	$ **11,777**	$ **-**	$ **11,777**

	Customer Relationships	Licenses and Permits	Total
Net Book Value			
December 31, 2016	$ -	$ -	$ **-**
December 31, 2017	$ 129,550	$ -	$ **129,550**

(expressed in Canadian dollars, except share and per share amounts)

During the year ended December 31, 2018, the Company recorded $28,265 in amortization (2017 - $11,777). As at December 31, 2018 Licenses and permits remain were not available for use as the Company did not have the ability to sell the Extracts. As such depreciation was not taken during the period.

10. INTEREST IN EQUITY ACCOUNTED INVESTEE

The following table summarizes, in aggregate, the financial information of the Company's investee.

	December 31, 2018	December 31, 2017
Current assets	$ -	$ 26,343
Non-current assets	-	90,999
Current liabilities	-	(112,651)
Net Assets	**$ -**	**$ 4,691**

The investee had no revenue as of December 31, 2018. The following represents in the breakdown of investments in investees:

	December 31, 2018	December 31, 2017
Sativa Nativa S.A.S.	$ -	$ 144,875

On August 18, 2017 the Company signed an agreement to directly purchase 35% of the outstanding common shares of Sativa Nativa, a corporation formed in Colombia, as a strategic investment. As part of the transaction Avicanna paid $107,193 and issued 50,000 common shares at a price of $1.00 per share in exchange for 33,108,108 common shares of Sativa Nativa. For accounting purposes the Company recorded the transaction at $157,193 representing its interest in the equity accounted investee. The Company's interest in Sativa Nativa is considered as an equity investment given its proportion of shareholdings to other shareholders.

Sativa Nativa and its Board of Directors elected to use December 31 for its year end date for the reporting period ending December 31, 2017. Sativa Nativa reported a net loss of $35,192 for the fiscal period ending December 31, 2017. In accordance with the equity method, Avicanna recorded a loss of $12,317 from its investee which is relative to its ownership of the outstanding common shares at December 31, 2017.

On February 28, 2018, the Company acquired an additional 35% of the issued and outstanding shares of Sativa Nativa (Note 4), bringing the Company's total holdings to 70% of the issued and outstanding shares. Immediately prior to the Company acquiring control, Sativa Nativa reported a net loss of $78,879 for the period from the beginning of the fiscal period to the acquisition date, February 28, 2018. In accordance with the equity method, the Company recorded a loss of $27,607 from its investee which is relative to its ownership of the outstanding common shares at immediately prior to the acquisition of control on February 28, 2018

11. INVESTMENT

In July 2018, the Company purchased 720,000 common shares, which represents an ownership of 4% of the total outstanding common shares at a price of $0.0001 per share for an aggregate purchase price of $72 in Southern Sun Pharma Inc. It owns a plot of land in South Africa, which it plans to develop and cultivate medical cannabis.

(expressed in Canadian dollars, except share and per share amounts)

12. RELATED PARTY TRANSACTIONS

The following outlines amounts that were paid to officers of the Company.

		December 31, 2018		December 31, 2017
Salaries	$	671,433	$	362,281
Share-based compensation		34,000		85,000
	$	**705,433**	**$**	**447,281**

13. TERM LOAN

		December 31, 2018		December 31, 2017
Term loan, payable monthly over 2 years, 22.0% annual interest	$	14,441	$	-

The term loan was provided to facility the purchase of a vehicle for use in Sativa Nativa's operations.

14. SHARE CAPITAL

Authorized and outstanding share capital:
The authorized share capital of the Company consists of an unlimited number of common shares and unlimited number of preferred shares. As at December 31, 2018, the Company had 15,646,965 common shares issued and outstanding (2017 – 10,881,201).

Transactions:

[i] On May 5, 2017, the company issued 2,359,160 units for gross proceeds of $1,651,413. Each unit was issued at $0.70 per unit and included one common share and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of $1 per common share for a period expiring on the earlier of: (i) 24 months from the date of issuance; and (ii) 12 months subsequent to the IPO date. Fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of $0.70, a risk-free interest rate of 0.67%, an expected annualized volatility of 90% and expected dividend yield of 0%. Gross proceeds of $1,651,413 were allocated to common shares and common share purchase warrants in the amount of $1,191,595 and $459,818, respectively.

[ii] In November 2017, the Company issued 25,000 common share purchase warrants were issued to a consultant of the Company as compensation for services rendered. Each warrant is exercisable into one common share at an exercise price of $1 per common share for a period of 5 years from date of issuance. Fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of $0.70, a risk-free interest rate of 1.65%, an expected annualized volatility of 90% and expected dividend yield of 0%. The total fair value of these warrants of $11,244 was recognized as consulting expense within general and administrative expenses in the statement of operations and comprehensive loss.

[iii] On December 22, 2017 the company issued 360,000 units for gross proceeds of $720,000. Each unit was issued at $2 per unit and included one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of $2.50 per common share for a period expiring on the earlier of: (i) 18 months from the date of issuance; and (ii) 3 months subsequent to the IPO date. Fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of $2, a risk-free interest rate of 1.64%, an expected annualized volatility of 90% and expected dividend yield of 0%. Gross proceeds of $720,000 were allocated to common shares and common share purchase warrants in the amount of $609,877 and $110,123 respectively.

[iv] During the year ended December 31, 2017, the Company issued 1,162,041 common shares for gross proceeds of $967,107. Of these common shares, 1,043,827 common shares were issued at $0.70 per common share and 118,214 common shares were issued at $2 per common share.

[v] On January 29, 2018, common shares were issued on the exercise of 25,000 stock options. The options were exercised at a price of $1 per common share for gross proceeds of $25,000. These stock options had a fair value of $6,847.

14. SHARE CAPITAL (continued)

Transactions (continued)

[vi] On January 29, 2018, the Company issued 2,007,508 units for gross proceeds of $4,015,016. Each unit was issued at $2 per unit and included one common share and one-half common share purchase warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of $2.50 per common share for a period expiring on the earlier of: (i) 24 months from the date of issuance; and (ii) 12 months subsequent to the IPO date. Fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of $2, a risk-free interest rate of 1.77%, an expected annualized volatility of 90% and expected dividend yield of 0%. Gross proceeds of $4,015,016 were allocated to common shares and common share purchase warrants in the amount of $3,412,234 and $602,782, respectively. As at December 31, 2017, proceeds of $728,500 related to this share issuance were received in advance.

[vii] On February 28, 2018, the Company issued 150,000 common shares to acquire 10% of the issued and outstanding common shares of Sativa Nativa S.A.S. The common shares of the Company were valued at $300,000 and were issued at a price of $2 per common share (Note 9).

[viii] On July 31, 2018, the company issued 325,323 common shares for gross proceeds of $2,374,858. Each common share was issued at a price of $7.30 per share.

[ix] On September 21, 2018, 94,000 common shares were issued on the exercise of 94,000 common share purchase warrants. The warrants were exercised at a price of $1 per common share for gross proceeds of $94,000. These warrants had a fair value of $18,322.

[x] On October 22, 2018, the Company issued 1,477,818 common shares to acquire 60% of the issued and outstanding common shares of Santa Marta Golden Hemp S.A.S. The common shares issued by the Company were issued at a price of $7.30 per share and had a total fair value of $10,788,071 (Note 9).

[xi] On December 13, 2018 ("First Tranche Closing Date") the Company issued 540,484 Special Warrants at $8 each for gross proceeds of $4,323,872 which was the first tranche ("First Tranche") of the Company's Special Warrants offering. As part of this transaction the company incurred issuance cost of $144,716, resulting in net proceeds of $4,179,156. Each Special Warrant holder is entitled to receive upon conversion one unit (each, a "Unit") of the corporation with each Unit consisting of one common share ("Common Share") in the capital of the corporation and one half of one Common Share purchase warrant (each whole warrant, "Whole Warrant" and together with the Common Shares, "Underlying Securities") with each Warrant entitling the holder thereof to purchase one Common Share in the capital of the corporation at a price of $10 for a period of two years after the closing date; subject to the Company's right to accelerate the expiry date of the Warrants upon thirty (30) days' notice in the event that the Common Shares become listed on a recognized stock exchange in Canada and the volume weighted average trading price of the Common Shares is equal to or exceeds $12.50 for a period of ten (10) consecutive trading days on such exchange. The Special Warrants issued will be automatically exercised into Underlying Securities, without any action, including additional payment, on the part of the Special Warrant holder, upon the earlier to occur of: (i) the date that is three business days following the date on which the Corporation obtains a receipt, from the applicable securities regulatory authorities, for the Prospectus, and (ii) the date that is 120 days following the First Tranche Closing Date. Additionally, 18,090 compensation warrants were issued to finders related to this sale of Special Warrants. The compensation warrants are exercisable into a Unit for a period of 2 years and an exercise price of $8 per compensation warrant. Fair value of the compensation warrants was determined using the Black-Scholes option pricing model with a market price per common share of $8, a risk-free interest rate of 1.89%, an expected annualized volatility of 90% and expected dividend yield of 0%. A fair value of $70,281 has been allocated to the compensation warrants.

[xii] During the year ended December 31, 2018, the Company issued 276,605 common shares for consulting services with a value of $1,034,466. Of these common shares, 195,638 common shares were issued at $2 per common share, 6,494 common shares were issued at $7.30 per common share and 74,473 common shares were issued at $8 per common share.

[xiii] During the year ended December 31, 2018, 200,000 common shares were issued on the exercise of 200,000 stock options. The options were exercised at a price of $0.10 per common share for gross proceeds of $20,000.

(expressed in Canadian dollars, except share and per share amounts)

14. SHARE CAPITAL (continued)

[xiv] During the year ended December 31, 2018, 209,510 common shares were issued on the exercise of 209,510 common share purchase warrants. The warrants were exercised at a price of $2.50 per common share for gross proceeds of $523,775. The warrants had a fair value of $125,817.

Warrants

As at December 31, 2018, the following warrants were outstanding and exercisable:

	Warrants Issued / Exercised \#	Weighted average exercise price $
Outstanding as at December 31, 2016	**-**	**-**
Warrants issued	2,564,160	0.99
Warrants exercised	-	-
Outstanding as at December 31, 2017	**2,564,160**	**0.99**
Warrants issued	1,003,754	2.50
Special warrants issued	540,484	10,00
Compensation warrants issued	18,090	8.00
Warrants exercised	(303,510)	(1.69)
Outstanding as at December 31, 2018	**3,822,978**	**2.15**

The following table is a summary of the Company's warrants outstanding as at December 31, 2018:

Warrants Outstanding			Warrants Exercisable	
Exercise price range $	**Number outstanding** \#	**Weighted average remaining life** (years)	**Weighted average exercise price** $	**Number exercisable** \#
1.00	2,290,160	0.30	1.00	2,290,160
2.50	974,244	1.08	2.50	974,244
8.00	18,090	1.95	8.00	18,090
10.00	540,484	1.95	10.00	540,484
Balance December 31, 2018	**3,822,978**	**0.47**	**1.53**	**3,822,978**

15. SHARE-BASED PAYMENT RESERVE AND STOCK OPTIONS

Share-based compensation is comprised of:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Options to consultants	$ 131,475	$ 4,499
Options issued to employees	558,815	59,635
	$ 690,290	$ 64,134

The Company has established a stock option plan (the "Option Plan") for directors, officers, employees and consultants of the Company. The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting periods, and the exercise price of options granted to individuals under the Option Plan.

(expressed in Canadian dollars, except share and per share amounts)

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither the right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

15. SHARE BASED PAYMENT RESERVE AND STOCK OPTIONS (continued)

The Company's Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the number of common shares outstanding. If any options terminate, expire, or are cancelled as contemplated by the Option Plan, the number of options so terminated, expired, or cancelled shall again be available under the Option Plan

[i] Share-based payment arrangements

As at December 31, 2018, the Company had the following share-based payment arrangements:

Grant date/individual entitled	Number of instruments #	Exercise Price	Vesting conditions	Contractual life of option
Options granted to employees				
December 2016	1,050,000	$0.10	Note (i)	7 years
July 2017	50,000	$1.00	Note (ii)	7 years
September 2017	20,000	$1.00	Note (ii)	7 years
October 2017	90,000	$1.00	Note (ii), (iii)	7 years
May 2018	107,500	$2.00	Note (iv)	7 years
June 2018	17,000	$2.00	Note (iv)	7 years
July 2018	5,000	$7.30	Note (iv)	7 years
September 2018	5,000	$8.00	Note (iv)	7 years
October 2018	5,000	$8.00	Note (iv)	7 years
November 2018	17,000	$8.00	Note (iv)	7 years
Options granted to non-employees				
April 2017	250,000	$1.00	Note (ii)	7 years
May 2017	25,000	$1.00	Note (ii)	7 years
November 2017	100,000	$1.00	Note (ii)	7 years
January 2018	35,000	$2.00	Note (iv)	7 years
March 2018	225,000	$2.00	Note (iv)	7 years
April 2018	25,000	$2.00	Note (iv)	7 years
June 2018	15,000	$2.00	Note (iv)	7 years
July 2018	42,000	$7.30	Note (iv)	7 years
July 2018	25,000	$10.00	Note (iv)	7 years
September 2018	25,000	$7.30	Note (iv)	7 years
September 2018	85,000	$8.00	Note (iv)	7 years
October 2018	10,000	$8.00	Note (iv)	7 years
November 2018	234,000	$8.00	Note (iv)	7 years
Total share options	**2,462,500**			

(expressed in Canadian dollars, except share and per share amounts)

15. SHARE BASED PAYMENT RESERVE AND STOCK OPTIONS (continued)

Note (i): 1/4 vests 6 months after grant date and then 1/24 vests each month thereafter over an 18-month period resulting in 100% being vested after 24 months from the grant date.

Note (ii): 1/4 vests 6 months after grant date and then 1/12 vests each month thereafter over a 9-month period resulting in 100% being vested after 14 months from the grant date.

Note (iii): 1/4 vests 1 month after grant date and the remainder vests in equal amounts each month thereafter for 5 months resulting in 100% being vested after 6 months from the grant date.

Note (iv): 1/4 vests 1 month after grant date and the remainder vests in equal amounts each month thereafter for 11 months resulting in 100% being vested after 12 months from the grant date.

[ii] Measurement of fair values

The fair value of share options granted was estimated at the date of grant using the Black-Scholes option pricing model using the following weighted average inputs:

	2018	**2017**
Grant date share price	$3.75	$0.20
Exercise price	$3.86	$0.36
Expected dividend yield	0%	0%
Risk-free interest rate	2.06%	1.15%
Expected option life	7 years	7 years
Expected volatility	90%	90%

Employee and non-employee options

Expected volatility was estimated by using the historical volatility of other actively-traded public companies that the Company considers comparable that have trading and volatility history. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

[iii] Reconciliation of outstanding equity-settled share options

	Options Issued / Exercised #	**Weighted average exercise price** $
Outstanding as at December 31, 2016	**1,400,000**	**0.10**
Options issued	560,000	1.00
Options exercised	-	**-**
Outstanding as at December 31, 2017	**1,960,000**	**0.36**
Options issued	877,500	5.10
Options expired	(150,000)	0.10
Options exercised	(225,000)	1.00
Outstanding as at December 31, 2018	**2,462,500**	**1.82**

(expressed in Canadian dollars, except share and per share amounts)

15. SHARE BASED PAYMENT RESERVE AND STOCK OPTIONS (continued)

The following table is a summary of the Company's share options outstanding as at December 31, 2018:

	Options Outstanding		Options Exercisable	
Exercise price range	**Number outstanding**	**Weighted average remaining life**	**Weighted average exercise price**	**Number exercisable**
$	#	(years)	$	#
$0.10	1,050,000	4.94	$0.05	1,050,000
$1.00	535,000	5.74	$0.20	513,632
$2.00	424,500	6.22	$0.30	265,588
$7.30	72,000	6.58	$0.19	24,149
$8.00	356,000	6.79	$1.00	23,829
$10.00	25,000	6.53	$0.09	9,409
Balance December 31, 2018	**2,462,500**	**5.53**	**$1.82**	**1,886,607**

16. NON-CONTROLLING INTEREST

The following table presents the summarized financial information about the Company's subsidiaries that have non-controlling interests. This information represents amounts before intercompany eliminations as at December 31, 2018.

The net change in non-controlling interest is as follows:

As at December 31, 2017	$	-
Non-controlling interest on acquisition of Sativa Nativa (Note 9)		1,069,066
Non-controlling interest on acquisition of SMGH (Note 9)		7,192,048
Net loss attributed to non-controlling interest		(190,336)
As at December 31, 2018	**$**	**8,070,778**

17. LOSS PER SHARE

The calculation of earnings per share for the year ended December 31, 2018 was based on the net loss attributable to common shareholders of $7,275,265 (2017 – $2,593,680) and a weighted average number of common shares outstanding of 13,587,295 (2017 – 9,017,231) calculated as follows:

		For the year ended December 31, 2018		For the year ended December 31, 2017
Basic and diluted loss per share				
Net loss for the period	$	(7,275,265)	$	(2,593,680)
Average number of common shares outstanding during the year		13,587,295		9,017,231
Loss per share	**$**	**(0.55)**	**$**	**(0.29)**

(expressed in Canadian dollars, except share and per share amounts)

18. INCOME TAXES

Current tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 – 26.5%) to the effective tax rate is as follows:

	2018 $	2017 $
Net loss before recovery of income taxes	(7,099,064)	(2,599,570)
Expected income tax recovery	(1,881,254)	(688,886)
Tax rate changes and other adjustments	(119,042)	37,157
Share based compensation	371,350	31,968
Non-deductible expenses	(176,904)	19,111
Share issuance costs	(38,350)	-
Change in deferred tax asset not recognized	1,844,200	600,650
Income tax expense (recovery)	-	-

Deferred tax

The following table summarizes the components of deferred tax:

	2018 $	2017 $
Deferred tax assets		
Losses carried forward	666,274	129,641
	666,274	**129,641**
Deferred tax liabilities		
Property and equipment and intangible assets	(121,249)	(129,641)
Investments	(545,025)	-
	(666,274)	**(129,641)**
Net deferred tax asset (liability)	**-**	**-**

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2018 $	2017 $
Losses carried forward - Canada	6,676,208	2,295,081
Losses carried forward - Columbia	2,023,205	-
Share issuance costs	115,773	-
	8,815,186	2,295,081

(expressed in Canadian dollars, except share and per share amounts)

18. INCOME TAX (Continued)

The Canadian non-capital loss carry-forwards expire as noted in the table below. The Columbian loss carry forwards expire between 2018 and 2030. Share issue and financing costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

	$
2036	28,477
2037	2,398,600
2038	4,915,406
	7,342,483

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
Amounts payable	$ 1,455,565	$ 1,455,565	$ 1,455,565	$ -	$ -
	$ 1,455,565	$ 1,455,565	$ 1,455,565	$ -	$ -

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian and US dollars. The Company receives many of its share issuance proceeds in USD and therefore any foreign currency translation risk is minimized.

(expressed in Canadian dollars, except share and per share amounts)

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at December 31, 2018 and 2017.

Fair values

The carrying values of cash, marketable securities, amounts receivable, prepaid assets, investments and amounts payable approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy as disclosed in Note 3. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and marketable securities are classified as Level 1 financial instruments. Amounts receivable, amounts payable and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

20. COMMITMENTS

The Company has rental leases and other agreements for select research activities which it is committed to pay the following amounts as at December 31, 2018.

		As at December 30, 2018
2019		546,775
2020		343,689
2021		238,689
2022		179,017
Total Commitments	$	1,308,170

21. SUBSEQUENT EVENTS

[i] On March 1, 2019 (the "Closing Date"), the Company completed a non-brokered private placement offering of convertible debentures (the "Debentures"). The Debentures were issued as part of a unit which included 62.5 Debenture Warrants for every $1,000 principal amount of Debenture acquired. Pursuant to the offering of Debentures, we raised gross proceeds of $783,000 and issued: (i) Debentures having an aggregate principal amount of $783,000 (issued in denominations of $1,000); and (ii) 48,937 Debenture Warrants. The Debentures are governed by and issued pursuant to the terms of the Debenture Certificates. The Debentures incur interest at 8% per annum and become due on the Maturity Date. Of the Debentures issued, an aggregate principal amount of $406,000 Debentures and 25,375 Debenture Warrants was acquired by a related party.

In connection with the issuance of the Debentures, the Company issued 48,937 Debenture Warrants. Each Debenture Warrant entitles the holder thereof to acquire one Common Share at a price of $10 per share for a period of 12 months following March 1, 2019, subject to our right to accelerate the expiry date of the Debenture Warrants upon 30 days notice in the event that our Common Shares become listed on a recognized stock exchange and the volume weighted average trading price of the Common Shares equals or exceeds $12.50 for a period of 10 consecutive trading days on such exchange.

[ii] On April 15, 2019, (the "Second Tranche Closing Date") the Company completed the second tranche of a special warrant offering whereby the Company issued 2,228,328 Special Warrants at $8 each for gross proceeds of $17,826,624. As part of this transaction the company incurred issuance cost of $670,800. Each Special Warrant holder is entitled to receive upon conversion one unit (each, a "unit") of the corporation with each unit consisting of one common share ("Common Share") in the capital of the corporation and one half of one Common Share purchase warrant (each whole warrant, "whole warrant" and together with the common shares, "underlying securities") with each Warrant entitling the holder thereof to purchase one common share in the capital of the corporation at a price of $10 for a period of two years after the closing date; subject to the Corporation's right to accelerate the expiry date of the Warrants upon thirty (30) days' notice in the event that the Common Shares become listed on a recognized stock exchange in Canada and the volume weighted average trading price of the Common Shares is equal to or exceeds $12.50 for a period of ten (10) consecutive trading days on such exchange. The Special Warrants issued will be automatically exercised into Underlying Securities, without any action, including additional payment, on the part of the Special Warrant holder, upon the earlier to occur of: (i) the date that is three business days following the date on which the Corporation obtains a receipt, from the applicable securities regulatory authorities, for the Prospectus, and (ii) the date that is 120 days following the Second Tranche Closing Date. Additionally, pursuant to the Agency agreement, the Company issued to the Agents 129,290 Compensation Units. Each Compensation Unit entitles the holder to acquire one Common Share and one half of one common share purchase warrant on the same terms as the units issuable on the automatic exercise of the Special Warrants.

[iii] On April 5, 2019, Mountain Valley MD Inc. ("MVMD") subscribed to and purchased 25% of the issued and outstanding shares of Sativa Nativa. As part of the transaction, MVMD directly subscribed for 17,892,248 shares of Sativa Nativa for an aggregate purchase price of $2.8 million. The remaining 15% interest was purchased from existing shareholders of Sativa Nativa, the Company not being one. Following the close of the transaction, the Company's interest in Sativa Nativa was diluted to 63% of the then total issued and outstanding shares.

[iv] On March 1, 2019, (the "Closing Date"), the Company completed a convertible debenture offering and raised gross proceeds of $783,000. The debentures incur interest at 8.0% per annum and have a maturity date of March 1, 2021. Each debenture is convertible at any time at the option of the holder thereof into fully paid and non-assessable Common Shares at any time before the maturity date at the conversion price (the "Conversion Price"), representing a conversion rate of 125 Common Shares per $1,000 principal amount of debentures, subject to adjustment in accordance with the debenture certificates. Additionally, each debenture entitles the holder to acquire one common share in the capital share of the Company (a "Warrant Share") at a price of $10.00 per Warrant Share for a period of 12 months following the Closing Date. Upon conversion of any Debentures, the holder thereof will also receive all accrued and unpaid interest thereon in Common Shares issued at the Conversion Price.

Avicanna Inc.
Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016
(Expressed in Canadian dollars, except share and per share amounts)

Independent Auditor's Report

To the Shareholders of Avicanna Inc.

We have audited the accompanying consolidated financial statements of Avicanna Inc. which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Avicanna Inc. as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of material uncertainty relating to conditions that cast significant doubt on Avicanna Inc.'s ability to continue as a going concern.

MNP LLP

Mississauga, Ontario
July 8, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

Avicanna Inc.
Consolidated Statements of Financial Position
For the Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

		December 31, 2017		December 31, 2016
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**1,176,546**	$	91,448
Marketable securities (Note 5)		**10,000**		-
Amounts receivable (Note 6)		**75,337**		1,483
Prepaid assets		**45,381**		-
		1,307,264		92,931
Property and equipment (Note 7)		**460,893**		-
Intangible assets (Note 8)		**129,550**		-
Interest in equity accounted investee (Note 9)		**144,875**		-
Due from related parties (Note 10)		**74,888**		70
	$	**2,117,470**	$	93,001
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Amounts payable	**$**	**547,903**	$	12,763
Advance subscription (Note 11)		**728,500**		-
Due to related parties (Note 10)		**-**		110,000
		1,276,403		122,763
Shareholders' Equity				
Share capital (Note 12)		**2,768,649**		70
Warrants (Note 12)		**581,185**		-
Share-based payment reserve (Note 13)		**120,634**		-
Deficit		**(2,629,401)**		(29,832)
		841,067		(29,762)
	$	**2,117,470**	$	93,001

Nature of operations and going concern (Note 1)
Commitments (Note 17)
Subsequent events (Note 18)

The accompanying notes are an integral part of these consolidated financial statements.

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Avicanna Inc.
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Year Ended December 31, 2017	Year Ended December 31, 2016
Revenue	**$ 26,661**	$ -
Operating expenses		
Consulting fees	**1,281,819**	14,525
Professional fees	**544,986**	2,000
General and administrative	**270,476**	10,595
Board fees	**211,328**	-
Salaries and wages	**52,064**	-
Research and development	**23,678**	-
Selling, marketing and promotion	**43,922**	2,712
Share-based compensation (Note 13)	**120,634**	-
Depreciation and amortization (Note 7 and 8)	**63,243**	-
	(2,612,150)	(29,832)
Other income		
Foreign exchange loss	**(3,216)**	-
Interest income	**1,453**	-
Loss from equity accounted investee	**(12,317)**	-
Net loss and comprehensive loss	**$ (2,599,569)**	$ (29,832)
Weighted average number of common shares – basic and diluted	**9,017,231**	671,233
Loss per share – basic and dilutive (Note 14)	**$ (0.29)**	$ (0.04)

The accompanying notes are an integral part of these consolidated financial statements.

Avicanna Inc.
Consolidated Statement of Changes in Shareholders' Equity
For the Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Common Shares		Warrants	Share Based Reserve	Deficit	Total
	#	$	$	$	$	$
Balance at November 25, 2016	-	-	-	-	-	-
Issuance of common shares (Note 12(i))	7,000,000	70	-	-	-	70
Net loss	-	-	-	-	(29,832)	(29,832)
Balance at December 31, 2016	7,000,000	70	-	-	(29,832)	(29,762)
Issuance of units (Note 12(ii)(iv))	2,719,160	1,801,472	569,941	-	-	2,371,413
Issuance of common shares (Note 12(v))	1,162,041	967,107	-	-	-	967,107
Warrants granted for services (Note 12(iii)	-	-	11,244	-	-	11,244
Share-based compensation expense (Note 13)	-	-	-	120,634	-	120,634
Net loss	-	-	-	-	(2,599,569)	(2,599,569)
Balance at December 31, 2017	**10,881,201**	**2,768,649**	**581,185**	**120,634**	**(2,629,401)**	**841,067**

The accompanying notes are an integral part of these consolidated financial statements.

Avicanna Inc.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Cash flows from operating activities:		
Net loss	$ (2,599,569)	$ (29,832)
Depreciation and amortization	63,243	-
Share-based compensation	120,634	-
Warrants granted for services	11,244	-
Interest in investee	(144,875)	-
Changes in operating assets and liabilities:		
Amounts receivable	(73,854)	(1,483)
Prepaid assets	(45,381)	-
Amounts payable	535,140	12,763
	$ (2,133,418)	$ (18,552)
Cash flows from investing activities:		
Purchase of capital assets	(512,359)	-
Investment in marketable securities	(10,000)	-
Investment in investee	(141,327)	-
	$ (663,686)	$ -
Cash flows from financing activities:		
Related party advances (repayments)	(184,818)	110,000
Advance subscription	728,500	-
Proceeds from issuance of common shares	967,107	-
Proceeds from issuance of units	2,371,413	-
	$ 3,882,202	$ 110,000
		-
Net increase in cash	1,085,098	91,448
Cash and cash equivalents, beginning of year	91,448	-
Cash and cash equivalents, end of year	$ 1,176,546	$ 91,448

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Avicanna Inc. ("Avicanna" or the "Company") was incorporated in Ontario. The Company is focused on innovative product development and advanced clinical research in the medical cannabis industry. To date, the Company has not generated significant revenues from its operations and is considered to be in development stage.

On June 1, 2017, Avicanna and the owners of My Cannabis entered into a Share Purchase Agreement ("SPA") to acquire all the common shares of My Cannabis, which My Cannabis had 200 shares. As a result of the transaction, My Cannabis is now a wholly-owned subsidiary of Avicanna Inc.

As at December 31, 2017, the Company has an accumulated deficit of $2,629,401 (2016 – $29,832), cash of $1,176,546 (2016 – $91,448), and working capital of $30,861 (2016 – deficit of $29,832). The Company will need to raise additional financing to continue operations, product development and clinical research. Although the Company has been successful in the past in obtaining financing and it believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standard ("IFRS"), as set out in the CPA Canada Handbook – Accounting ("CPA Handbook") as issued by the International Accounting Standards Board ("IASB"). The policies set out below have been consistently applied to all periods presented unless otherwise noted.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for biological assets, which are measured at fair value, as explained in the accounting policies below. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based payments*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors on July 8, 2019.

2. BASIS OF PRESENTATION (continued)

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary 2516167 Ontario Inc. operating as My Cannabis ("My Cannabis") . The Company is deemed to control a subsidiary when it is exposed to, or has the right to, variable returns from its involvement with an investee and it has the ability to direct the activities of the investee that significantly affects the investee's returns through its power over the subsidiary. Where the Company's interest in a subsidiary is less than one hundred percent, the Company recognizes a non-controlling interest in the investee. The results of subsidiaries acquired during the year are consolidated from the date of acquisition. All intercompany transactions, balances, revenues and expenses are eliminated on consolidation.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount recognized initially, plus the non-controlling interests' share of changes in the capital of the company in addition to changes in ownership interests. Total comprehensive income or loss is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The consolidated financial statements of controlled entities are included in these consolidated financial statements from the date control is effective until control ceases to exist.

Foreign currency translation

The presentation currency as well as the functional currency of the Company and its subsidiary is the Canadian dollar. Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of operations and comprehensive loss.

Use of judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Business combinations
Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. As outlined in IFRS 3, the components of a business must include inputs, processes and outputs.

2. BASIS OF PRESENTATION (continued)

Use of judgments, estimates and assumptions (continued)

Business combinations (continued)
Management makes judgments in the valuation of the consideration transferred, including determining the value of any contingent consideration. The consideration transferred for an acquired business ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets acquired, and liabilities assumed, and the valuation thereof is judgmental. Any excess of purchase price over the fair value of the identifiable tangible and intangible assets purchased and liabilities assumed is allocated to goodwill. Goodwill is initially recognized at cost and is allocated to the cash-generating unit (“CGU”) expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

Estimated useful life of long-lived assets
Judgment is used to estimate each component of a long-lived asset’s useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset’s legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Impairment of long-lived assets
Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets are tested for impairment annually. For the purposes of measuring recoverable values, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable value is the greater of an asset’s fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. An impairment loss is recognized for the value by which the asset’s carrying value exceeds its recoverable value.

Determination of share-based payments
The estimation of share-based payments (including warrants and stock options) requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of the grant. The Company makes estimates as to the volatility, the expected life, dividend yield and the time of exercise, as applicable. The expected volatility is based on the average volatility of share prices of similar companies over the period of the expected life of the applicable warrants and stock options. The expected life is based on historical data. These estimates may not necessarily be indicative of future actual patterns

Provisions
Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the consolidated financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company. The adequacy of provisions is regularly assessed as new information becomes available.

2. BASIS OF PRESENTATION (continued)

Use of judgments, estimates and assumptions (continued)

Income taxes
Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The Company's effective income tax rate can vary significantly for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue from the sale of products is recognized when all of the following criteria have been satisfied: significant risks and rewards of ownership have been transferred to the buyer, there is no continuing managerial involvement with respect to the goods sold, revenue can be reliably measured at the fair value of consideration received or expected to be received, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is recognized at the fair value of consideration received or receivable less any appropriate deductions for loyalty program costs.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss

Financial assets

The Company initially recognizes financial assets at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial assets as financial assets at fair value through profit or loss or loans and receivables. The Company does not have assets that would be classified as available-for-sale financial assets or held-to-maturity financial assets.

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the consolidated statements of net operations and comprehensive loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities and equity instruments

<u>Classification as debt or equity</u>

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Classification	
Cash and cash equivalents	Loans and receivables
Marketable securities	Fair value through profit or loss
Amounts receivable	Loans and receivables
Due from related parties	Loans and receivables
Amounts payable	Other liabilities
Funds held for investment	Other liabilities
Due to related parties	Other liabilities

Impairment of financial assets

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initially recognizing the financial asset, the present value of estimated future cash flows determined based on the instrument's original effective interest rate are lower than the asset's carrying amount. When an impairment has been identified, the financial asset's carrying amount is reduced through the use of an allowance account, with changes in the carrying amount recognized in profit or loss. Subsequent recoveries of amounts previously written off are adjusted against the allowance account.

Business combinations

Business combinations are accounted for using the acquisition method of accounting, where the fair value of consideration is allocated to the fair values of the assets acquired and the liabilities assumed at the date of acquisition. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses if it has correctly identified all of the assets acquired and liabilities assumed and reviews the procedures used to measure the amounts recognized at the date of acquisition. If following its reassessment, the Company concludes that the fair value of net assets acquired exceeds the aggregate consideration transferred, the Company will record a gain to the consolidated statements of operations and comprehensive loss.

The excess of consideration over the fair value of the identifiable net assets acquired is recorded as goodwill and allocated to CGUs. For each business combination that includes a non-controlling interest, the Company, at its election, measures the non-controlling interest's investment in the acquiree at fair value or at the proportionate share of the acquiree's net identifiable assets acquired.

Any contingent consideration is recognized at fair value on the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with changes in fair value recorded to the statement of operations and comprehensive income or loss. Contingent consideration classified to equity is not re-measured and settlement is accounted for within equity.

Transaction costs that are incurred in connection with a business combination, other than costs associated with the issuance of debt or equity securities, are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash deposits and/or highly rated and liquid securities with an original maturity of less than three months.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. All other repair and maintenance costs are recognized in the consolidated statements of operations and comprehensive loss.

The initial cost of property and equipment comprises its purchase price or construction cost and any costs directly attributable to bringing it to a working condition for its intended use. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset. Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for as separate items of property and equipment.

For all property and equipment, depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is calculated starting on the date that property and equipment is available for its intended use. For all other property and equipment, depreciation is calculated using the declining balance method using the following annual rates:

	Annual rate
Equipment	20%

Construction-in-progress includes property and equipment in the course of construction and is carried at cost less any recognized impairment charge. These assets are reclassified to the appropriate category of property and equipment and depreciation of these assets commences when they are completed and ready for their intended use.

Intangible assets

Intangible assets acquired separately are measured upon initial recognition at cost, which comprises the purchase price plus any costs directly attributable to the preparation of the asset for its intended use. Intangible assets acquired through business combinations or asset acquisitions are initially recognized at fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment charges.

All intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

	Estimated useful life (years)
Customer list	5

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets require the use of estimates and assumptions and are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense attributable to an intangible asset is recognized in the consolidated statements of operations and comprehensive loss in the expense category consistent with the function of the intangible asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment at each statements of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Investment in equity accounted investees

Investments over which the Company has the ability to exercise significant influence, where significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies, are accounted for using the equity method of accounting.

The equity method of accounting requires the Company to record its initial investment at cost. At the time of initial recognition, if the cost of the associate or joint venture is lower than the Company's proportionate share of the investment's underlying fair value, the Company records a gain on the difference between the cost and the underlying fair value of the investment to the statement of operations and comprehensive income or loss. If the cost of the associate or joint venture is greater than the Company's proportionate share of the underlying fair value, goodwill relating to the associate or joint venture is included in the carrying amount of the investment.

The carrying value of the Company's initial investment is adjusted to include its pro rata share of the investee's post-acquisition earnings which is included in the Company's determination of net income or loss. Investments are reviewed at each reporting period to determine whether there is any objective evidence of impairment. If evidence of impairment exists, the Company compares the carrying amount of the investment to its recoverable amount.

The consolidated financial statements of the equity accounted investees are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring their accounting policies in line with those of the Company.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at its inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Leases are classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee, in which case the lease is classified as a finance lease and the asset is treated as if it had been purchased outright.

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statements of net loss and comprehensive loss.

Operating lease payments are recognized as an operating expense in the statements of net loss and comprehensive loss on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions and contingencies

Provisions are recognized when: a) the Company has a present obligation (legal or constructive) as a result of a past event; and b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision as a result of the passage of time is recognized in finance cost in the consolidated statements of operations and comprehensive loss.

A contingent liability is not recognized in the case where no reliable estimate can be made; however, disclosure is required unless the possibility of an outflow of resources embodying economic benefits is remote. By its nature, a contingent liability will only be resolved when one or more future events occur or fail to occur. The assessment of a contingent liability inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recorded when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

Share-based compensation

The fair value of stock options and warrants is based on the application of the Black-Scholes option pricing model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the share price, volatility of the share price, expected dividend yield and expected risk-free interest rate.

Share capital

Common shares and warrants are classified as equity. The share capital represents the amount received upon issuance of shares. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period in which the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes option pricing model to determine the fair value of warrants issued.

Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the taxable loss or income for the period. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred income tax
Deferred income tax is provided on temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be generated in future periods to utilize these deductible temporary differences.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be generated to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be generated to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Judgment is required in determining whether deferred income tax assets and liabilities are recognized on the consolidated statement of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in order to utilize the deferred income tax assets. Estimates of future taxable income are based on forecasted cash flows from operations or other activities. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded on the reporting date could be impacted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations not yet adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

(i) IFRS 9 - Financial Instruments (“IFRS 9”)
In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company is in the process of evaluating the impact of IFRS 9 on the Company’s consolidated financial statements.

(ii) IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”)
In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company does not have any contracts with customers and therefore, there is no impact from adoption of IFRS 15 on the consolidated financial statements of the Company.

(iii) IFRS 16 - Leases (“IFRS 16”)
In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company’s consolidated financial statements.

(iv) IFRIC 23 – Uncertainty over Income Tax Treatment (“IFRIC 23”)
In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual period beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company’s consolidated financial statements

(expressed in Canadian dollars, except share and per share amounts)

4. BUSINESS TRANSACTIONS

Effective June 1, 2017 the Company acquired 100% of the issued and outstanding shares of 2516167 Ontario Inc. operating as My Cannabis ("My Cannabis"). My Cannabis specializes in providing patients with the knowledge and access to cannabis and cannabinoid products for medical use.

All common shares issued were accounted for at fair value at the dates of issuance.

Pursuant to the acquisition, Avicanna issued 200,000 common shares at $0.70 per share to the former shareholders. The preliminary purchase price allocation was as follows:

Consideration	$	(140,000)
Assumed assets and liabilities		(1,327)
Customer relationships		141,327
Total unallocated asset purchase	$	-

The assumed liabilities included the following:

Cash on hand	$	9,455
Trade receivables		1,725
Trade accounts payable		(908)
Dividends payable		(10,000)
Income taxes payable		(1,599)
Assumed assets and liabilities	$	(1,327)

Acquisition costs were excluded from the consideration transferred and were recognized as an expense in the current period.

On May 31, 2017, My Cannabis accounted for $4,190 in net profit. This amount includes revenues of $8,112.

5. MARKETABLE SECURITIES

Marketable securities are comprised of:

	Effective Interest Rate	Maturity Date	December 31, 2017	December 31, 2016
Government of Canada, Guaranteed Investment Certificate	0.90%	April 17, 2018	$10,000	-

The fair value of marketable securities was determined using Level 1 of fair value measurement.

(expressed in Canadian dollars, except share and per share amounts)

6. AMOUNTS RECEIVABLE

The Company's amounts receivable consists of trade receivables and sales tax receivable. The breakdown of the receivable amounts are as follows:

		December 31, 2017		December 31, 2016
Trade accounts receivable	$	3,690	$	-
Accrued interest		64		-
Sales tax receivable		71,583		1,483
Total trade and other receivables	**$**	**75,337**	**$**	**1,483**

7. PROPERTY AND EQUIPMENT

		Equipment
Cost		
Balance at December 31, 2016	$	-
Additions		512,359
Disposals		-
At December 31, 2017	$	512,359

		Equipment
Accumulated Amortization		
Balance at, December 31, 2016	$	-
Amortization		51,466
Disposals		-
At December 31, 2017	$	51,466

		Equipment
Net Book Value		
December 31, 2016	$	-
December 31, 2017	$	460,893

During the year ended December 31, 2017, the Company recorded depreciation expense of $51,466 (2016 - $nil).

(expressed in Canadian dollars, except share and per share amounts)

8. INTANGIBLE ASSETS

		Customer relationships
Cost		
Balance at December 31, 2016	$	-
Additions		141,327
Disposals		-
At December 31, 2017	$	141,327

		Customer relationships
Accumulated Amortization		
Balance at, December 31, 2016	$	-
Amortization		11,777
Disposals		-
At December 31, 2017	$	11,777

		Customer relationships
Net Book Value		
December 31, 2016	$	-
December 31, 2017	$	129,550

During the year ended December 31, 2017, the Company recorded depreciation expense of $11,777 (2016 - $nil).

9. INTEREST IN EQUITY ACCOUNTED INVESTEE

The following table summarizes, in aggregate, the financial information of the Company's investee.

		December 31, 2017	December 31, 2016
Current assets	$	26,343	-
Non-current assets		90,999	-
Current liabilities		(2,353)	-
Non-current liabilities		(110,298)	-
Net Assets	**$**	**4,691**	**-**

(expressed in Canadian dollars, except share and per share amounts)

9. INTEREST IN EQUITY ACCOUNTED INVESTEE (continued)

The investee had no revenues in 2017 or 2016. The following represents in the breakdown of investments in investees:

		December 31, 2017	December 31, 2016
Sativa Nativa SAS	$	144,875	-

On August 18, 2017 the Company signed an agreement to directly purchase 35% of the outstanding common shares of Sativa Nativa SAS ("Sativa Nativa"), a corporation formed in Colombia, as a strategic investment. As part of the transaction Avicanna paid $107,193 and issued 50,000 common shares at a price of $1.00 per share in exchange for 33,108,108 common shares of Sativa Nativa. For accounting purposes the Company recorded the transaction at $157,193 representing its interest in the equity accounted investee. The Company's interest in Sativa Nativa is considered as an equity investment given its proportion of shareholdings to other shareholders.

Sativa Nativa and its Board of Directors elected to use December 31 for its year end date for the reporting period ending December 31, 2017. Sativa Nativa reported a net loss of $35,192 for the fiscal period ending December 31, 2017. In accordance with the equity method, Avicanna recorded a loss of $12,317 from its investee which is relative to its ownership of the outstanding common shares at December 31, 2017.

The following table provides a reconciliation to the carrying amount of the Company's interest at December 31, 2017:

		December 31, 2017		December 31, 2016
Original investment	$	157,192	$	-
Share of net loss		(12,317)		-
	$	**144,875**	**$**	**-**

10. RELATED PARTY TRANSACTIONS

The due from related parties consisted of two amounts. During the year the Company loaned Sativa Nativa $74,818 to help fund operations (2016 – $nil). The terms of the loan are non-interest bearing with no repayment schedules. In addition, certain founding shareholders owe the Company $70 from the initial share subscription (2016 - $70). The amount owed is non-interest bearing with no repayment schedules.

The Company purchased My Cannabis from two individuals who are Founders and management of Avicanna. All the outstanding shares were purchased for 200,000 common shares of Avicanna at a share price of $0.70 per share. Each individual received 100,000 shares of Avicanna in exchange for their shares of My Cannabis.

During the year, a Director of the Company loaned $100,000 to the Company to help fund operations prior to the Company's equity raises. The loan was repaid prior to December 31, 2017 and was non-interest bearing.

On December 7, 2016 the Company received a loan for $110,000 to help fund operations from a related entity. The loan was converted to equity at $0.70 per share in 2017.

(expressed in Canadian dollars, except share and per share amounts)

10. RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation was comprised of:

		December 31, 2017		December 31, 2016
Salaries and consulting fees	$	362,281	$	14,525
Share based compensation		85,000		-
	$	**447,281**	**$**	**14,525**

11. ADVANCE SUBSCRIPTION

During the year ended December 31, 2017, the Company received $728,500 as an advance subscription related to a financing which closed subsequent to year end.

12. SHARE CAPITAL

Authorized and outstanding share capital:

The authorized share capital of the Company consists of an unlimited number of common shares and unlimited number of preferred shares. As at December 31, 2017, the Company had 10,881,201 common shares issued and outstanding (2016 – 7,000,000).

Transactions:

[i] On November 26, 2016, the Company issued 7,000,000 common shares at $0.00001 per share for total cash proceeds of $70.

[ii] In May 5, 2017, the company issued 2,359,160 units for gross proceeds of $1,651,413. Each unit was issued at $0.70 per unit and included one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at an exercise price of $1 per common share for a period expiring on the earlier of: (i) 24 months from the date of issuance; and (ii) 12 months subsequent to the IPO date. Fair value of the common share purchase warrants was determined to be $0.19 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.70, a risk-free interest rate of 0.67%, an expected annualized volatility of 90% and expected dividend yield of 0%. Gross proceeds of $1,651,413 were allocated to common shares and common share purchase warrants in the amount of $1,191,595 and $459,818, respectively.

[iii] In November 2017, the Company issued 25,000 common share purchase warrants were issued to a consultant of the Company as compensation for services rendered. Each warrant is exercisable to acquire one common share at an exercise price of $1 per common share for a period of five years from date of issuance. Fair value of the common share purchase warrants was determined to be $0.45 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.70, a risk-free interest rate of 1.65%, an expected annualized volatility of 90% and expected dividend yield of 0%. The total fair value of these warrants of $11,244 was recognized as consulting expense within general and administrative expenses in the statement of operations and comprehensive loss.

(expressed in Canadian dollars, except share and per share amounts)

11. SHARE CAPITAL (continued)

[iv] On December 22, 2017, the company issued 360,000 units for gross proceeds of $720,000. Each unit was issued at $2 per unit and included one common share and one-half common share purchase warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of $2.50 per common share for a period expiring on the earlier of: (i) 18 months from the date of issuance; and (ii) 3 months subsequent to the IPO date. Fair value of the common share purchase warrants was determined to be $0.61 per warrant using the Black-Scholes option pricing model with a market price per common share of $2, a risk-free interest rate of 1.64%, an expected annualized volatility of 90% and expected dividend yield of 0%. Gross proceeds of $720,000 were allocated to common shares and common share purchase warrants in the amount of $609,877 and $110,123 respectively.

[v] During the year ended December 31, 2017, the Company issued 1,162,041 common shares for gross proceeds of $967,107. Of these common shares, 1,043,827 common shares were issued at $0.70 per common share and 118,214 common shares were issued at $2 per common share.

Warrant Reserve

As at December 31, 2017, the following warrants were outstanding and exercisable:

	Warrants Issued / Exercised #	Weighted average exercise price $
Outstanding as at December 31, 2016	**-**	**-**
Warrants issued	2,564,160	$0.99
Warrants exercised	-	-
Outstanding as at December 31, 2017	**2,564,160**	**$0.99**

The following table is a summary of the Company’s warrants outstanding as at December 31, 2017:

Warrants Outstanding			Warrants Exercisable	
Exercise price range $	Number outstanding #	Weighted average remaining contractual life (years) #	Weighted average exercise price $	Number exercisable #
1.00	2,359,160	1.23	1.00	2,359,160
1.00	25,000	0.05	1.00	25,000
2.50	180,000	0.11	2.50	180,000
Balance December 31, 2017	**2,564,160**	**1.13**	**1.11**	**2,564,160**

(expressed in Canadian dollars, except share and per share amounts)

13. SHARE-BASED PAYMENT RESERVE AND STOCK OPTIONS

Share-based compensation is comprised of:

	December 31, 2017	December 31, 2016
Options issued for services	$ 64,134	$ -

The Company has established a stock option plan (the "Option Plan") for directors, officers, employees and consultants of the Company. The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting periods, and the exercise price of options granted to individuals under the Option Plan.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Company's Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the number of common shares outstanding. If any options terminate, expire, or are cancelled as contemplated by the Option Plan, the number of options so terminated, expired, or cancelled shall again be available under the Option Plan.

[i] Share-based payment arrangements

As at December 31, 2017, the Company had the following share-based payment arrangements:

Grant date/individual entitled	Number of instruments	Exercise Price	Vesting conditions	Contractual life of option
Options granted to employees				
In December 2016	1,400,000	$0.10	Note (i)	7 years
In July 2017	50,000	$1.00	Note (ii)	7 years
In September 2017	20,000	$1.00	Note (ii)	7 years
In October 2017	90,000	$1.00	Note (ii), (iii)	7 years
Options granted to non-employees				
In April 2017	250,000	$1.00	Note (ii)	7 years
In May 2017	50,000	$1.00	Note (ii)	7 years
In November 2017	100,000	$1.00	Note (ii)	7 years
Total share options	**1,960,000**			

(expressed in Canadian dollars, except share and per share amounts)

13. SHARE-BASED PAYMENT RESERVE AND STOCK OPTIONS (continued)

Note (i): 1/4 vests 6 months after grant date and then 1/24 vests each month thereafter over an 18-month period resulting in 100% being vested after 24 months from the grant date.

Note (ii): 1/4 vests 6 months after grant date and then 1/12 vests each month thereafter over a 9-month period resulting in 100% being vested after 14 months from the grant date.

Note (ii): 1/4 vests 1 month after grant date and the remainder vests in equal amounts each month thereafter for 5 months resulting in 100% being vested after 6 months from the grant date.

[ii] Measurement of fair values

The fair value of share options granted during the years ended December 31, 2017 and 2016 was estimated at the date of grant using the Black Scholes option pricing model using the following inputs:

	2017	2016
Grant date share price	$ 0.20	$ 0.0001
Exercise price	$ 0.36	$ 0.10
Expected dividend yield	0%	0%
Risk-free interest rate	1.15%	1.08%
Expected option life	7 years	7 years
Expected volatility	90%	90%

Employee and non-employee options

Expected volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

(iii) Reconciliation of outstanding equity-settled share options

	Options Issued / Exercised #	Weighted average exercise price $
Outstanding as at November 25, 2016	**-**	**-**
Options issued	1,400,000	$0.10
Options exercised	-	-
Outstanding as at December 31, 2016	**1,400,000**	**$0.10**
Options issued	560,000	$1.00
Options exercised	-	-
Outstanding as at December 31, 2017	**1,960,000**	**$0.36**

(expressed in Canadian dollars, except share and per share amounts)

13. SHARE-BASED PAYMENT RESERVE AND STOCK OPTIONS (continued)

The following table is a summary of the Company's share options outstanding as at December 31, 2017:

	Options Outstanding		Options Exercisable	
Exercise price range	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable**
$	#	#	$	#
0.10	1,400,000	5.94	0.10	612,500
1.00	560,000	6.49	1.00	235,047
Balance December 31, 2017	**1,960,000**	**6.10**	**0.24**	**847,547**

The following table is a summary of the Company's share options outstanding as at December 31, 2016:

	Options Outstanding		Options Exercisable	
Exercise price range	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable**
$	#	#	$	#
0.10	1,400,000	6.94	nil	nil
Balance December 31, 2016	**1,400,000**	**6.94**	**Nil**	**Nil**

(iv) Share based compensation expense

Employee options

The Company recognized $23,218 of share-based compensation expense to employees during the year ended December 31, 2017 (2016 - $nil) with a corresponding amount recognized as a contributed surplus. See above per "Measurement of Fair Values" for significant assumptions used.

Non-employee options

The Company recognized $97,416 of share-based compensation expense to non-employees during the year ended December 31, 2017 (2016 – $nil) with a corresponding amount recognized as a contributed surplus.

14. EARNINGS PER SHARE

The calculation of earnings per share for the year ended December 31, 2017 was based on the net loss attributable to common shareholders of $2,599,569 (2016 – $29,832) and a weighted average number of common shares outstanding of 9,017,231 (2016 – 671,233) calculated as follows:

		2017		2016
Basic and diluted loss per share				
Net loss for the year	$	(2,599,569)	$	(29,832)
Average number of common shares outstanding during the year		9,017,231		671,233
Loss per share	**$**	**(0.29)**	**$**	**(0.04)**

15. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
	$	$	$	$	$
Amounts payable	547,903	547,903	547,903	-	-
Advance subscription	728,500	728,500	728,500	-	-
	1,276,403	1,276,403	1,276,403	-	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian dollars, which is also the Company's functional currency.

15. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company was not exposed to other price risks as at December 31, 2017 or December 31, 2016.

Fair values

The carrying values of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables and funds held for investment approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

(expressed in Canadian dollars, except share and per share amounts)

16. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2016 – 26.5%) to the effective tax rate is as follows:

	2017 $	2016 $
Net loss before recovery of income taxes	(2,599,570)	(29,832)
Expected income tax recovery	(688,886)	(7,910)
Tax rate changes and other adjustments	37,157	-
Share based compensation	31,968	-
Non-deductible expenses	19,111	1,356
Change in deferred tax asset not recognized	600,650	6,554
Income tax expense (recovery)	-	-

Deferred tax

The following table summarizes the components of deferred tax:

	2017 $	2016 $
Deferred tax assets		
Losses carried forward	129,641	-
	129,641	**-**
Deferred tax liabilities		
Property and equipment and intangible assets	(129,641)	-
	(129,641)	**-**
Net deferred tax asset (liability)	**-**	**-**

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2017 $	2016 $
Losses carried forward - Canada	2,295,081	28,477
	2,295,081	28,477

The Canadian non-capital loss carry-forwards expire between 2036 and 2037. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

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(expressed in Canadian dollars, except share and per share amounts)

17. COMMITMENTS

The Company has rental leases and other agreements for select research activities which it is committed to pay the following amounts:

		2017
2018	$	335,348
2019		83,500
	$	418,848

18. SUBSEQUENT EVENTS

[i] On January 29, 2018, the company complete its second round of financing through the issuance of 2,007,508 units for gross proceeds of $4,015,016. Each unit was issued at $2 per unit and included one common share and one-half common share purchase warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of $2.50 per common share for a period expiring on the earlier of: (i) 24 months from the date of issuance; and (ii) 12 months subsequent to the IPO date.

[ii] On February 20, 2018 the Company acquired an additional 25% of the issued and outstanding shares in Sativa Nativa, for USD$857,000. This increased the Company's total share holdings of Sativa Nativa to 60% of the issued and outstanding shares.

[iii] On February 28, 2018 Avicanna exercised its first right of refusal and purchased an additional 10% of the issued and outstanding shares in Sativa Nativa, from two existing shareholders, in exchange for 150,000 common shares in the Company with a fair value of $2 per share. The acquisition increased the Company's total share holdings in Sativa Nativa to 70% of the issued and outstanding common shares.

[iv] On October 22, 2018, the Company closed an agreement to acquire 60% of the issued and outstanding shares of Santa Marta Golden Hemp S.A.S. ("SMGH") from Inmobiliaria Bondue S.A in exchange for 11.2% of the Company's issued and outstanding common shares as at October 22, 2018, for a total transaction value of approximately $10.8 million. This acquisition allowed the Company to secure a second set of licenses to cultivate, produce, manufacture, extract, retail and export medical cannabis in Colombia.

[v] On December 13, 2018, the Company completed its Series C financing whereby it raised $4,323,872, by issuing 540,484 shares at a common share price of $8 per share. Each common share unit is entitled to receive one half warrant at a full warrant price of $10 per unit.

[vi] On March 1, 2019 the Company closed a financing round for senior unsecured convertible debentures ("Debenture") for total proceeds of $783,000. Each Debenture was priced at $1,000 per unit, carries a two year term and bears an annual interest rate of 8%. In addition, the Debenture is convertible into one common share at a conversion price of $8 and carries one half warrant that is convertible to one common share at an exercise price of $10 per unit. The Debentures are convertible at the option of the holder at any time, and the remaining principle and accrued interest will automatically convert into common shares at the end of the term.

[vii] As of July 8, 2019, the Company issued 601,928 common shares with a total value of $3,409,324. Of these common shares, 276,605 common shares with a value of $10,34,466 were issued as compensation for consulting services rendered. An additional 324,302 common shares were issued at $7.30 per common share for gross proceeds of $2,374,858.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

This Management's Discussion and Analysis ("MD&A") of Avicanna Inc. ("Avicanna" or the "Company") contains "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect the Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "objective", "predict", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "will", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties 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 or implied by the 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. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to:

- changes in general economic, market and business conditions and product demand;
- changing interest rates, income taxes and exchange rates;
- changes in the competitive environment in the markets in which the Company operates;
- changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- opportunities that may be presented to and pursued by the Company;
- the Company's ability to meet its working capital needs at the current level in the short term;
- expectations with respect to raising capital; and
- changes in prices of required commodities.

This MD&A is presented as of the date of the long form final prospectus dated July 8, 2019 ("Prospectus") and is current to that date unless otherwise stated. The MD&A should be read in conjunction with the Company's consolidated audited financial statements for the years ended December 31, 2018 and December 31, 2017 and the accompanying notes thereto and the auditor's report thereon (collectively, "Financial Statements"). The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors on July 8, 2019.

BUSINESS OVERVIEW AND CORPORATE STRUCTURE

Avicanna was incorporated under the *Business Corporations Act* (Ontario) on November 25, 2016.

We are an emerging biopharmaceutical company engaged in the research, development and commercialization of novel cannabinoid-based health, wellness, and medical products. We focus on plant-derived cannabinoid pharmaceuticals, therapeutics, derma-cosmetics, and active ingredients.

We aim to establish Avicanna as a global leader through our product discovery and development processes, our intellectual property portfolio, our supply chain controls, our strategic relationships, and our regulatory and scientific expertise.

Headquartered in the Johnson & Johnson Innovation centre, JLABS @ Toronto, Canada our scientific development team leverages the facilities to develop products that are validated with the active cannabinoid ingredients by researchers at the Leslie Dan Faculty of Pharmacy at The University of Toronto ("U of T Faculty of Pharmacy"). We further improve upon our products using the data received from our clinical research partners at University Health Network and U of T Faculty of Pharmacy before placing them into clinical trials.

Our network of academic and research institutions continues to grow, which further strengthens our reputation as a company that develops products based on sound scientific principles.

In November 2018, we signed contracts with The Hospital for Sick Children in Toronto, Canada ("SickKids") and The University of West Indies ("UWI") to perform clinical studies on humans for Avicanna's pharmaceutical products. These studies are anticipated to provide valuable data for at least two of Avicanna's pharmaceutical products and may provide a basis for applications for drug approvals.

During 2018, we acquired control of two subsidiaries located in Santa Marta, Colombia that are expected to use their federal authorizations to cultivate and process medical cannabis to produce active ingredients – whole plant extracts, as well as purified or isolated forms of cannabidiol ("CBD") and tetrahydrocannabinol ("THC"). We intend to use the active ingredients in our products, to greatly reduce the cost of production, as well as to increase revenues.

We are growing our network of strategic relationships with best-in-class institutions located around the world. These strategic partners assist Avicanna in achieving its business objectives ranging from high quality cultivation and manufacturing to world class scientific research and development to market leading distribution and sales.

The cannabis industry and market are relatively new in the jurisdictions in which the Corporation 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. Within Colombia, the Corporation intends to sell and market its proprietary medical and cosmetic cannabinoid-based products. To this extent the Corporation 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.

SELECTED FINANCIAL INFORMATION

Years ended December 31, 2018 and December 31, 2017

The following table sets forth a summary financial information for the Company for the years ended December 31, 2018 and 2017. The selected financial information set out below may not be indicative of the Company's future performance.

	Twelve months ended December 31, 2018	**Twelve months ended December 31, 2017**
	$	**$**
Revenues	117,971	26,661
General and administrative	1,504,499	481,804
Consulting fees	1,198,855	1,281,819
Professional fees	1,915,725	544,986
Salaries and wages	1,543,325	52,064
Research and development	456,622	23,678
Selling, marketing and promotion	248,731	43,922
Share-based compensation	1,401,320	120,634
Write off of biological assets	122,284	-
Amortization	172,705	63,243
Total expenses	(8,564,066)	(2,612,150)
Foreign exchange gain (loss)	(136,501)	(3,216)
Gain on acquisition	1,129,976	-
Loss attributed to equity accounted investee	(27,607)	(12,317)
Other income	180,475	
Interest income	10,355	1,453
Net loss	(7,289,397)	(2,599,569)
Exchange differences on translating foreign operations	(188,771)	-
Net comprehensive loss	(7,478,168)	(2,599,569)
Net loss per share, basic and diluted	(0.55)	(0.29)
Weighted average number of Common Shares outstanding – basic and diluted	13,587,925	9,017,231

Revenue

Revenue for the year ended December 31, 2018 was $117,971, compared to $26,661 in the prior year. The increase in revenue is due to a full year of operations being included in the calculation of revenues from My Cannabis as the Company acquired My Cannabis on June 1, 2017 and an overall growth in customers which drove commission and assessment revenues.

Expenses

Expenses increased for the year ended December 31, 2018, compared to the same period in 2017. The increase was driven by the following items:

- Several management team members were transitioned to full time in the first quarter of 2018, leading to increased salary and wage cost through 2018 compared to the prior year. Furthermore, the Company added additional team members in the third quarter of 2018 for key scientific and business initiatives;

- Professional fees increased due to the transactions in Colombia, general corporate matters and increased activity related to the Company's going public efforts;

- With the incorporation of Avicanna LATAM S.A.S. ("LATAM") in Colombia, a new, wholly owned subsidiary of the Company, several key consultants were added to assist with the construction of the Santa Marta Golden Hemp S.A.S ("SMGH") and Sativa Nativa S.A.S ("Sativa Nativa") facilities. These consultants included, but were not limited to, agricultural engineers, architectural and construction support and general business support staff accounting for the increase in consulting costs;

- Research and development costs increased for the current period. The Company entered into key partnerships in 2018 which increased costs compared to costs incurred in 2017. In addition, the Company's internal research and development activities increased substantially in 2018, which included the purchase of supplies and tools;

- With the acquisition of Sativa Nativa and SMGH, operational expenses in Colombia were included in the year ended December 31, 2018, whereas for the same period in 2017 results from Sativa Nativa, SMGH, and LATAM were excluded; and

- Travel expenses increased given our operations in Colombia and business development efforts in certain key geographical areas in South America.

Other Items

The gain on acquisition represents the gain realized on the adjustment to the fair market values of the assets acquired from Sativa Nativa. The fair market values of Sativa Nativa's land and the cultivation and extraction license were appraised at values that were higher than the book values. Non-controlling interest represents the proportionate share of Sativa Nativa's minority interest shareholders. As the Company did not have an interest in Sativa Nativa for the year ended 2017 nothing was recorded during fiscal 2017. The Company conducts business in US dollars, Canadian Dollars and Colombian Pesos. Gains and losses arise from time to time as a result of foreign currency exchange transactions conducted in the ordinary course of the Company's business.

REVIEW OF FINANCIAL POSITION AS AT DECEMBER 31, 2018 AND DECEMBER 31, 2017

The following provides a summary of the financial position of the Company as at December 31, 2018 and December 31, 2017.

	As at December 31, 2018 $	As at December 31, 2017 $
Assets		
Cash	69,295	1,176,546
Market Securities	-	10,000
Trade and other receivables	258,608	75,337
Prepaid assets	863,624	45,381
Intangible assets	10,733,266	129,550
Interest in equity accounted investee	-	144,875
Due from related parties	-	74,888
Investments	72	-
Property and equipment	16,256,136	460,893
Total assets	**28,181,001**	**2,117,470**
Liabilities and equity		
Amounts payable	1,455,565	547,903
Shareholder advance	331,320	-
Advance subscription	-	728,500
Term loan	14,441	-
Total liabilities	1,801,326	1,276,403
Shareholder's equity	26,379,675	841,067
Total liabilities and shareholder's equity	**28,181,001**	**2,117,470**

Total Assets

Total assets as at December 31, 2018 were $28.18 million, compared to $2.12 million as at December 31, 2017. The increase in total assets between December 31, 2017 and December 31, 2018 was due to the following:

- Property and equipment increased by $15,795,243 from December 31, 2017 due to the development of Sativa Nativa's and SMGH's cultivation facilities, which resulted in adding certain equipment for research and development activities, and the acquisition of land from the acquisition of SMGH;

- In particular, the following summarizes the funds expended on the construction of the cultivation facilities as at December 31, 2018:

	As at December 31, 2018	As at December 31, 2017
Total expended	5,121,490	Nil

  - The Company plans to expand the Sativa Nativa facility to a total of 100,000 square feet of outdoor shadehouse space and 20,000 square feet of indoor greenhouse space at Sativa Nativa; and

  - The Company plans to expand the SMGH facility to a total of 270,000 square feet of outdoor shadehouse space and 20,000 square feet of indoor greenhouse space at Sativa Nativa.

- Intangible assets increased during fiscal 2018 by $10,603,716 from December 31, 2017. The main reason for the increase was due to the fair valuing of the licenses obtained by the Company upon acquisition of majority ownership in Sativa Nativa and SMGH; and

- Prepaid assets increased during fiscal 2018 by $818,243 from December 31, 2017 due to the prepayment of services to contractors for the development of the Sativa Nativa's and SMGH's cultivation site.

Total Liabilities

Total liabilities as at December 31, 2018 were $1,801,326 compared to $1,276,403 as at December 31, 2017. The difference is due to the following:

- Accounts payable increased significantly at December 31, 2018 due to accruals made for professional fees related to legal and accounting fees;

- The term loan for Sativa Nativa relates to a vehicle that was purchased (and financed) in the second quarter of 2018; and

- During the year a minority shareholder of the Company advanced the Company $331,320 to help finance construction activities.

Shareholder's Equity

While the deficit from operations increased for the year ended December 31, 2018 compared to the year ended December 31, 2017, the Company raised approximately $10.6 million in share subscriptions for the year ended December 31, 2018. In addition, approximately $662,775 in gross proceeds was raised through the exercise of options and warrants during the year ended December 31, 2018. These share subscriptions and warrant and option proceeds accounted for the major increase in equity during fiscal 2018 over the prior fiscal year.

SUMMARY OF QUARTERLY RESULTS

The following provides a summary of the quarterly results for the 3 months ending March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018.

	For the 3 months ending December 31, 2018 $	For the 3 months ending September 30, 2018 $	For the 3 months ending June 30, 2018 $	For the 3 months ending March 31, 2018 $
Revenues	24,142	35,166	25,156	33,507
General and administrative expenses	2,591,012	1,574,201	1,241,367	1,212,446
Selling, marketing and promotion	85,701	76,649	48,216	38,165
Share-based compensation	729,819	370,808	203,051	97,642
Write off of biological assets	122,284	-	-	-
Depreciation and amortization	55,942	45,650	38,115	32,998
Total expenses	(3,584,758)	(2,067,308)	(1,530,749)	(1,381,251)
Foreign exchange gain (loss)	39,786	(108,982)	(95,574)	28,269
Gain on acquisition of previously equity accounted investee	-	-	-	1,129,976
Loss from equity accounted investee	-	-	-	(27,607)
Other income	180,475	-	-	-
Interest income	38	516	3,852	5,949
Exchange differences on translating foreign operations	(135,381)	119,090	(159,368)	(13,112)
Net comprehensive loss	(3,475,698)	(2,021,518)	(1,756,683)	(224,269)
Loss per share – basic and dilutive	(0.25)	(0.15)	(0.13)	(0.02)
Weighted average number of common shares – basic	13,587,925	13,666,351	13,288,211	11,268,271

The increase in expenses over the last 4 quarters was as the result of growing operations, in particular from the 3 month period ending September 30, 2018 to the 3 month period ending December 31, 2018. During this period the Company added additional resources and incurred increased professional/consulting fees related to its go public transaction.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows for the year ended December 31, 2018 and December 31, 2017

Cash from Operating Activities

For the period ended December 31, 2018 the Company generated a cash flow deficit from operations of $(4,990,786). Higher expenditures during this period resulted in the deficit.

Cash used in Investing Activities

For the period ended December 31, 2018, cash flows used in investing activities was $(7,040,419). The cash flow deficit is due to expenditures related to capital asset purchases and cash advanced to SMGH and Sativa Nativa prior to acquistion. The majority of the capital purchases relate to the construction of the cultivation facility.

There are currently two major projects that the Company is in the process of completing. The Company is constructing two cultivation facilities at the sites of SMGH and Sativa Nativa in Santa Marta, Colombia. Once the initial phase of construction is complete the Company will have approximately 120,000 square feet of indoor and outdoor greenhouse space at Sativa Nativa and approximately 270,000 square feet of indoor and outdoor greenhouse space at SMGH. The following breaks down the total expended to date and estimated funds remaining to complete the initial phase. The Company is anticipating the initial phase to be completed in the third quarter of 2019 and extraction to commence at that point.

		Expended to Date (as at December 31, 2018)		Remaining to Complete Initial Phase
Purchases made in connection with cultivation facilities	$	5,012,228	$	2,749,675

Based on the above, the Company is estimated to spend a total of $7,761,903 on the cultivation facilities. Once the initial phase is complete we commence extraction activities, which is anticipated in the third quarter of 2019.

In addition to the cultivation facilities, the Company is engaged in substantial research and development activities. The following summarizes amounts expended on commitments to key research partners to date and estimated amounts remaining over the next 12 months.

		Expended to Date (as at December 31, 2018)		Remaining spend – next 12 months as of December 31, 2018
Amounts expended for R&D partnerships	$	358,204	$	523,414

Based on the above the Company is expected to spend approximately $881,618 in total on its research and development commitments through its research partnerships over the next 12 months.

Cash from Financing Activities

Cash generated from financing activities totalled $10,923,954 for the year ended December 31, 2018. The increase in cash generated from financing activities was the result of the Company closing two rounds of equity offering and recognizing gross proceeds of approximately $9.8 million.

Liquidity and Capital Resources

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations and capital expenditures. As at December 31, 2018, the Company had working capital deficit of approximately $(595,358), with current assets of approximately $1.2 million and current liabilities of approximately $1.79 million. The Company is not planning to commence commercial activities until fiscal 2019; therefore, in the interim period, the Company will not require significant working capital for inventory. As the Company continues to grow at a rapid pace, it requires funding for ongoing working capital, and to fund the capital projects underway in its subsidiaries. This funding need will continue to increase in the interim period. As such, the Company plans to raise additional funds by selling equity, and potentially liquidating some of its assets.

The anticipated cash required over the next 12 months includes the following:

Capital expenditures related to the construction of the cultivation facilities	$	2,749,675
Working capital requirements for tech transfers		299,500
General and administrative expenses		5,865,598
Total working capital and capital required		8,914,773

As noted above the Company will need to fund its activities over the next 12 months by raising additional capital for future plans. On April 15, 2019 the Company successfully completed the second tranche of a special warrant offering whereby the Company issued 2,228,328 Special Warrants at $8.00 each for aggregate gross proceeds of $17,826,624. The Company anticipates that this funding will allow it to operate for a 18 month period, prior to having to raise any additional funds.

COMMITMENTS AND CONTINGENCIES

Commitments

The Company has rental leases and other agreements for select research activities for which as at December 31, 2018 the Company is committed to pay the following amounts:

2019	$	546,775
2020		343,689
2021		238,689
2022		179,017
	$	1,308,170

In order to fund the above commitments and contingencies the Company plans to raise additional capital through equity issuances and potentially selling a stake in its assets. The Company currently has research agreements in place that will require funding per the terms of the agreements. This will require payments to commence in early 2019.

Contingencies

In the ordinary course of business and from time to time, Avicanna is involved in various claims related to operations, rights, commercial, employment or other matters. Although such matters cannot be predicted with certainty, management does not consider Avicanna's exposure to these claims to be material to these financial statements. As at December 31, 2018 and December 31, 2017 to the Company's knowledge, there were no claims against Avicanna.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than those described under commitments and contingencies above.

RELATED PARTY BALANCES AND TRANSACTIONS

Compensation expense for Avicanna's key management personnel for the year ended December 31, 2018 and year ended December 31, 2017 is as follows:

	As at December 31, 2018 ($)	As at December 31, 2017 ($)
Salaries and benefits	671,433	362,281
Share-based compensation	34,000	85,000

Certain management personnel were compensated in shares for services rendered to the Company. As such, certain personnel accepted shares as compensation for their services in fiscal 2017 and fiscal 2018. Shares were issued at the fair market value at the time the services were rendered and invoiced to the Company. These arrangements were made with Mr. Aras Azadian, Mr. Setu Purohit and Mr. Arash Moghani. The final payment was made in February 2018 and no further payments or commitments are outstanding.

CRITICAL ACCOUNTING ESTIMATES

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

[i] Useful lives and impairment of property and equipment

Depreciation of property, plant and equipment is dependent upon management's estimate of the assets' useful lives. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

[ii] Share-based compensation

In calculating the share-based compensation expense, key estimates such as the value of the common shares, the rate of forfeiture of options granted, the expected life of the option, the volatility of the value of the Company's common shares and the risk free interest rate are used.

NEW ACCOUNTING PRONOUNCEMENTS

New standards, amendments and interpretations adopted by the Company

The following new accounting standards applied or adopted during the year ended December 31, 2018 had no material impact on the financial statements:

[i] IFRS 9 - Financial Instruments ["IFRS 9"]
In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company is in the process of evaluating the impact of IFRS 9 on the Company's financial statements.

The Company has adopted IFRS 9 with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairments model.

The standard contains three classifications categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Valuation techniques based on inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices); and

Level 3 Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018 had no impact on the measurement of financial instruments, which are summarized in the following table:

	Previous classification	**Classification under IFRS 9**
Cash	Loans and receivables	Amortized cost
Marketable securities	FVTPL	FVTPL
Amounts receivable	Loans and receivables	Amortized cost
Prepaid assets	Other assets	Amortized cost
Investments	Other assets	Amortized cost
Amounts payable	Other liabilities	Amortized cost
Loan payable	Other liabilities	Amortized cost
Term loan	Other liabilities	Amortized cost

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated and applied from January 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The changes in accounting policies will also be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2018. The Company has adopted IFRS 9 retrospectively, and the adoption of IFRS 9 did not result in any transition adjustments being recognized as at January 1, 2018.

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated as described below. There was no impact on the consolidated financial statements as at and for the year ended December 31, 2018.

[ii] IFRS 15 - Revenue from Contracts with Customers ["IFRS 15"]

IFRS 15 outlines a single comprehensive model to account for revenue arising from contracts with customers and replaced the majority of existing IFRS requirements on revenue recognition including IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. The core principle of the standard is to recognize revenue to depict the transfer of control of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has prescribed a five-step model to apply the principles. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract as well as requiring more informative and relevant disclosures. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue.

The Company has adopted IFRS 15 with an initial adoption date of January 1, 2018. The Company utilized the modified retrospective method to adopt the new standard. There was no material impact on the Company's consolidated net loss or consolidated financial position resulting from the adoption of IFRS 15.

Revenue is recognized when all of the following criteria have been satisfied: significant risks and rewards of ownership have been transferred to the buyer, there is no continuing managerial involvement with respect to the good sold or services provided, revenue can be reliably measured at the fair value of consideration received or expected to be received, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is recognized at the fair value of consideration received or receivable, net of discounts and sales taxes.

The Company currently generates revenue from the consulting and patient referral services provided through the Company's wholly owned subsidiary My Cannabis. The Company recognizes revenue at the time when the consulting service is provided to the patient and consideration has been received in full. For its referral services, the Company recognizes revenue at the time when the customer acknowledges the referral and the consideration has been transferred in full.

New standards, amendments and interpretations not yet adopted by the Company
The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

[i] IFRS 16 - Leases ["IFRS 16"]
In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

[ii] IFRIC 23 – Uncertainty over Income Tax Treatment ["IFRIC 23"]
In September 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual period beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company's financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
Trade and other payables	$ 1,455,565	$ 1,455,565	$ 1,455,565	$ -	$ -
	$ 1,455,565	$ 1,455,565	$ 1,455,565	$ -	$ -

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian dollars, which is also the Company's functional currency. [1]

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at December 31, 2017.

Fair values

The carrying values of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables and funds held for investment approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

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[1] See "Other Items" in Selected Financial Information, which states: "The Company conducts business in US dollars, Canadian dollars and Colombian Pesos. At September 30, 2018, the Company held a significant amount of US dollars and Colombian Pesos."

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

SUBSEQUENT EVENTS

On March 1, 2019, the Company completed a non-brokered private placement offering of Debentures. The Debentures were issued as part of a unit which included 62.5 Debenture Warrants for every $1,000 principal amount of Debenture acquired. Pursuant to the offering of Debentures, we raised gross proceeds of $783,000 and issued: (i) Debentures having an aggregate principal amount of $783,000 (issued in denominations of $1,000); and (ii) 48,937 Debenture Warrants. The Debentures are governed by and issued pursuant to the terms of the Debenture Certificates. The Debentures incur interest at 8.0% per annum and become due on the Maturity Date.

Mr. Davila Char (a related party through his relationship as a director and shareholder of the Company) indirectly acquired an aggregate principal amount of $406,000 Debentures and 25,375 Debenture Warrants.

In connection with the issuance of the Debentures, the Company issued 48,937 Debenture Warrants. Each Debenture Warrant entitles the holder thereof to acquire one Common Share at a price of $10.00 per share for a period of 12 months following March 1, 2019, subject to our right to accelerate the expiry date of the Debenture Warrants upon 30 days notice in the event that our Common Shares become listed on a recognized stock exchange and the volume weighted average trading price of the Common Shares equals or exceeds $12.50 for a period of 10 consecutive trading days on such exchange.

On April 5, 2019, Mountain Valley MD Inc. ("MVMD") subscribed to, and purchased 25% of the issued and outstanding shares of Sativa Nativa. As part of the transaction, MVMD directly subscribed for 17,892,248 shares of Sativa Nativa for an aggregate purchase price of $2.8 million. The remaining 15% interest was purchased from existing shareholders of Sativa Nativa, the Company not being one. Following the close of the transaction, the Company's interest in Sativa Nativa was diluted to 63% of the then total issued and outstanding shares.

On April 15, 2019 (the "Second Tranche Closing Date"), the Company completed the second tranche of a special warrant offering whereby the Company issued 2,228,328 Special Warrants at $8.00 each for aggregate gross proceeds of $17,826,624. As part of this transaction the Company incurred an issuance cost of $670,800. Each Special Warrant holder is entitled to receive upon conversion one unit (each, a "unit") of the Company with each unit consisting of one common share ("Common Share") in the capital of the Company and one half of one Common Share purchase warrant (each whole warrant, a "Warrant" and together with the common shares, "Underlying Securities") with each Warrant entitling the holder thereof to purchase one common share in the capital of the Company at a price of $10.00 for a period of two years after the closing date; subject to the Company's right to accelerate the expiry date of the Warrants upon thirty (30) days' notice in the event that the Common Shares become listed on a recognized stock exchange in Canada and the volume weighted average trading price of the Common Shares is equal to or exceeds $12.50 for a period of ten (10) consecutive trading days on such exchange. The Special Warrants issued will be automatically exercised into Underlying Securities, without any action, including additional payment, on the part of the Special Warrant holder, upon the earlier to occur of: (i) the date that is three business days following the date on which the Company obtains a receipt, from the applicable securities regulatory authorities, for the Prospectus, and (ii) the date that is 120 days following the Second Tranche Closing Date. Additionally, pursuant to the Agency agreement, the Company issued to Sprott Capital Partners LP and Paradigm Capital Inc. 129,290 Compensation Units. Each Compensation Unit entitles the holder to acquire one Common Share and one half of one common share purchase warrant on the same terms as the units issuable on the automatic exercise of the Special Warrants.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

This Management's Discussion and Analysis ("MD&A") of Avicanna Inc. ("Avicanna" or the "Company") contains "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "objective", "predict", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "will", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties 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 or implied by the 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. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to:

- changes in general economic, market and business conditions and product demand;
- changing interest rates, income taxes and exchange rates;
- changes in the competitive environment in the markets in which the Company operates;
- changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- opportunities that may be presented to and pursued by the Company;
- the Company's ability to meet its working capital needs at the current level in the short term;
- expectations with respect to raising capital; and
- changes in prices of required commodities.

This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. The MD&A should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2017 and 2016 and the accompanying notes thereto and the auditor's report thereon (collectively, "Financial Statements"). The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's board of directors on July 8, 2019.

BUSINESS OVERVIEW AND CORPORATE STRUCTURE

We are an emerging biopharmaceutical company engaged in the research, development and commercialization of novel cannabinoid-based health, wellness, and medical products. We focus on plant-derived cannabinoid pharmaceuticals, therapeutics, dermocosmetics, and active ingredients.

We aim to establish Avicanna as a global leader through our product discovery and development processes, our intellectual property portfolio, our supply chain controls, our strategic relationships, and our regulatory and scientific expertise.

Headquartered in the Johnson & Johnson Innovation centre, JLABS @ Toronto, Canada our scientific development team leverages the facilities to develop products that are validated with the active cannabinoid ingredients by researchers at the Leslie Dan Faculty of Pharmacy at The University of Toronto ("U of T Faculty of Pharmacy"). We further improve upon our products using the data received from our clinical research partners at University Health Network and U of T Faculty of Pharmacy before placing them into clinical trials.

Our network of academic and research institutions continues to grow, which further strengthens our reputation as a company that develops products based on sound scientific principles.

We are growing our network of strategic relationships with best-in-class institutions located around the world. These strategic partners assist Avicanna in achieving its business objectives ranging from high quality cultivation and manufacturing to world class scientific research and development to market leading distribution and sales.

STRATEGY AND OUTLOOK

Research and Development Activities

Avicanna is committed to being a leader in the research and development of cannabinoid-based products. The Company has secured research partnerships with several, highly regarded institutions within Canada including the University of Toronto (both the Department of Pharmacy and Pharmacy of Dentistry) and University Health Network. Through these partnerships, the Company is currently in the process of generating clinical data to validate many of its products and pave the way for future clinical trials and potential development of indication specific pharmaceutical grade products.

Development of Brands

The Company is expected to launch two proprietary brands, PURA Elements™ and PURA Earth in South America. The Company will continue to aggressively market, strengthen and expand distribution of these brands globally. The Company anticipates that a strong global brand will build consumer recognition and trust which in turn is expected to drive sales.

Investment in Sativa Nativa S.A.S.

On August 18, 2017, Avicanna invested in Sativa Nativa S.A.S ("Sativa Nativa"), a company located in Santa Marta, Colombia and focused on the cultivation of medical cannabis. The Company acquired 35% of the total outstanding shares of Sativa Nativa for $157,193, of which $50,000 was settled for shares in Avicanna. This investment has been pivotal for the Company, such that the Company believes that:

- It will provide vertical integration securing future supply of low cost, high quality medical cannabis.

- It serves as a gateway to the Colombian cosmetic and medical cannabis market and can be used as a launch-pad of Avicanna's products into the Colombian marketplace.

Through the cultivation of organic psychoactive and non-psychoactive cannabis, the Company is capable of producing and controlling its own supply of THC and CBD, expected to be utilized in the manufacturing and ultimate commercialization of its branded products.

Investment in MyCannabis

On June 1, 2017, the Company acquired 100% of the total issued and outstanding shares of MyCannabis in exchange for 200,000 common shares of Avicanna valued at $0.70 per share. MyCannabis is a patient on-boarding centre dedicated to increasing awareness and educating patients about the potential benefits of medical cannabis. MyCannabis also assists patients through the registration process with Health Canada approved licensed producers. The patient data generated has proven to assist the Company in guiding the focus of its research activities and its continued development of indication specific products.

Closing of First Round Equity Financing

On May 5, 2017, the Company closed its first round of equity financing issuing 2,359,160 common shares and 2,359,160 common share purchase warrants exercisable at a price of $1.00 per share for total proceeds of $1,651,413, net of cash issuance costs (the "May Financing"). The May Financing allowed the Company to be able to make its initial investment in Sativa Nativa in addition to providing the necessary working capital to fund the expansion of the executive management team, the Company's research and product development activities as well as various capital expenditures.

OPERATIONAL HIGHLIGHTS

Fiscal 2017

- In May 2017, the Company was accepted as a resident of the Johnson and Johnson Innovation JLABS @ Toronto incubation centre within the MaRS Discovery District, becoming the first cannabis-related company to be accepted as a JLABS resident.

- In June 2017, the Company acquired all of the outstanding and issued common shares of MyCannabis in exchange for 200,000 common shares of the Company at $0.70 per share.

- In August 2017, the Company acquired 35% of the issued and outstanding shares of Sativa Nativa in exchange for $50,000 worth of common shares in the Company and an additional $107,193 in cash. Sativa Nativa owns approximately 2.1 hectares of land located in Santa Marta, Colombia.

- In October 2017, the Company secured partnerships with the University of Toronto and University Health Network in Toronto. These partnerships provide the Company with the opportunity to collaborate with these top tier research institutions on the Company's research and product development.

- In December 2017, the Company opened an office in Santa Marta, Colombia.

- On December 29, 2017, the Colombian Ministry of Justice and Law and the Ministry of Health issued a psychoactive cannabis Cultivation license and Cannabis Derivatives Processing and Manufacturing license to Sativa Nativa.

Fiscal 2016

- The Company was incorporated on November 25, 2016 in Toronto, Ontario, Canada.

- The Company appointed its board of directors and added two senior managers on November 26, 2016.

SELECTED FINANCIAL INFORMATION

Years ended December 31, 2017 and 2016

The following table sets forth a summary financial information for the Company for the years ended December 31, 2017 and 2016. The selected financial information set out below may not be indicative of the Company's future performance.

	2017 $	2016 $	Change $
Revenues	26,661	-	26,661
General and administrative expenses	2,384,351	27,120	2,357,231
Selling, marketing and promotion	43,922	2,712	41,210
Share-based compensation	120,634	-	120,634
Depreciation and amortization	63,243	-	63,243
Loss from operations	(2,585,489)	(29,832)	(2,555,657)
Foreign exchange loss	(3,216)	-	(3,216)
Interest income	1,453	-	1,453
Loss from equity accounted investee	(12,317)	-	(12,317)
Net comprehensive loss	(2,599,569)	(29,832)	(2,569,737)
Loss per share – basic and dilutive	$ (0.29)	$ (0.04)	
Weighted average number of common shares – basic	9,017,231	671,233	

Revenue

Revenue for the twelve months ended December 31, 2017 was $26,661 compared to no revenues for fiscal 2016. The recognition of revenue is related to the acquisition of MyCannabis. MyCannabis receives revenue from patient assessment fees and commissions from Canadian Licensed Producers based on the volume of medical cannabis orders placed by MyCannabis patients. MyCannabis was incorporated in fiscal 2016; however, it did not onboard patients until fiscal 2017. As such, there were no revenues recognized in fiscal 2016. In addition, as the Company commenced marketing efforts in fiscal 2017, patient numbers for MyCannabis began to steadily increase leading to an increase in revenue.

Expenses

A breakdown of the Company's expenses has been summarized below.

	Twelve months ended December 31	
	2017	**2016**
Professional fees	544,986	2,000
Research and development	23,678	-
Consulting fees	1,281,819	14,525
Salaries and wages	52,064	-
Board fees	211,328	-
General and administrative	270,476	10,595
	2,384,351	27,120

The increase in general and administrative expenses during the fiscal year was largely due to fiscal 2017 representing a full year of operations, whereas fiscal 2016 reflected only two months of operations. Such increase in general and administrative expenses is also related to:

- An increase in executive and director compensation as a result of adding personnel and increasing base pay rates to reflect executive members joining the Company on a full-time basis. This pay reflected both cash and shares for services-based pay;

- Consulting fees increased as the Company engaged individuals to assist with regulatory, research and development activities during the fiscal period;

- An increase in research and development costs is a direct reflection of the Company's focus on such activities. These costs are not reflective of any personnel costs related to research and development activities;

- Increases in general and administrative costs is a direct result of increased activity within the Company;

- Professional fees, predominantly comprised of legal costs, were associated with various negotiations, foreign acquisitions, and equity raises;

- In May 2017, the Company secured residency in Johnson and Johnson Innovation's JLABS @ Toronto. Prior to securing this office space, the Company was operating remotely and did not require an office space;

- Salary and wage increase is a result of increased activity within the Company and the hiring of a team of full time scientists; and

- The Company's management engaged in significantly more travel, given that 2017 represented a full calendar year of operations and certain executives and key management travelled to secure certain key strategic partnerships and perform due diligence on the Company's acquisitions in Colombia as well as prospective partnerships in the United States.

General and Administrative Expenses

Selling, marketing and promotion

Selling, marketing and promotion costs increased in fiscal 2017 as a result of increased product development and initial marketing efforts. Expenditures were related to marketing and advertising design, corporate presentations and product packaging.

Share based compensation

During the fiscal year 2017 certain management and contractors were compensated through share-based arrangements. No such arrangements were made in 2016.

Depreciation and Amortization

Increased expenses related to acquisition of research and development property during fiscal 2017. No capital purchases were made in fiscal 2016.

Non-operating Items

The Company routinely incurs expenses and makes payments in American currency. The foreign exchange loss represents the Company's loss incurred during the 2017 fiscal period. The Company holds GICs with any excess cash on hand, and earns interest on such investments. The loss from the equity accounted investee represents the Company's proportional loss from its investment in Sativa Nativa. In the 2016 fiscal year, given the short period of operations, the Company did not earn any interest income, nor did it incur any such costs.

Net Loss and Comprehensive Loss

Net loss and comprehensive loss was $2.60 million in fiscal 2017 and $29,832 in fiscal 2016, representing an increase of $2.28 million year to year. The increase in net loss and comprehensive loss in fiscal 2017 was primarily attributable to the increased loss from operations. The Company operated for the full fiscal year in 2017, whereas in 2016, the Company only operated for approximately 5 weeks. In addition, the Company actively grew in pursuit of its vision and strategy, which led to significant cost increases.

REVIEW OF FINANCIAL POSITION AS AT DECEMBER 31, 2017 AND DECEMBER 31, 2016

The following provides a summary of the financial position of the Company as at December 31, 2017 and December 31, 2016.

	December 31, 2017 $	December 31, 2016 $
Assets		
Cash	1,176,546	91,448
Marketable securities	10,000	-
Trade and other receivables	75,337	1,483
Prepaid assets	45,381	-
Property and equipment	460,893	-
Intangible assets	129,550	-
Interest in equity accounted investee	144,875	-
Due from related parties	74,888	70
Total assets	**2,117,470**	**93,001**
Liabilities and equity		
Trade and other payables	547,903	12,763
Advance subscription	728,500	-
Due to related parties	-	110,000
Total liabilities	1,276,403	122,763
Shareholder’s equity	841,067	(29,762)
Total liabilities and shareholder’s equity	**2,117,470**	**93,001**

Total Assets

Total assets at December 31, 2017 were $2.1 million compared to $93,001 at December 31, 2016. The increase in total assets at December 31, 2017 was due to the following:

- Cash and cash equivalents increased by $1.085 million due to two rounds of equity financing during 2017.
- Property and equipment increased by $460,893 from fiscal 2016. Equipment purchases increased significantly as the Company purchased equipment to ramp up research and development and prepare for commercialization of its products.
- Intangible assets increased from December 31, 2016 to December 31, 2017. The increase related to the acquisition of MyCannabis and Sativa Nativa in Santa Marta and the recognition of goodwill and recording the license at fair value.
- Interest in the equity accounted investee relates to the Company’s investment in Sativa Nativa in 2017.

- The due from related parties relates to funds advanced to Sativa Nativa for working capital and development activities.

Current Liabilities

Current liabilities at December 31, 2017 were $1,276,403 compared to $122,763 as at December 31, 2016. The significant difference was due to the following:

- There were certain funds held in trust totalling $728,500 at December 31, 2017 for shareholders who provided the Company with funds, while the second round of equity financing was still ongoing.

- Accounts payable and accrued liabilities increased by $535,140 in fiscal 2017 from fiscal 2016. The increase was as a result of increased operations during fiscal 2017.

Shareholder's Equity

While the deficit from operations increased in fiscal 2017, the Company raised approximately $3.4 million in share subscriptions in 2017. This accounted for the major increase in equity in fiscal 2017.

SUMMARY OF QUARTERLY RESULTS

The following provides a summary of the quarterly results for the 3 months ending March 31, 2017, June 30, 2017 and September 30, 2017.

	For the 3 months ending December 31, 2017 $	For the 3 months ending September 30, 2017 $	For the 3 months ending June 30, 2017 $	For the 3 months ending March 31, 2017 $
Revenues	17,906	7,098	1,657	-
General and administrative expenses	1,025,173	521,425	533,375	304,378
Selling, marketing and promotion	17,251	10,334	12,445	3,892
Share-based compensation	85,142	35,492	-	-
Depreciation and amortization	63,243	-	-	-
Loss from operations	(1,172,903)	(560,153)	(544,163)	(308,270)
Foreign exchange gain (loss)	4,073	(4,211)	(16,942)	13,864
Interest income	1,453	-	-	-
Loss from equity accounted investee	(12,317)	-	-	-
Net comprehensive loss	(1,172,596)	(571,462)	(561,105)	(294,406)
Loss per share – basic and dilutive	$ (0.11)	$ (0.06)	$ (0.08)	$ (0.04)
Weighted average number of common shares – basic and dilutive	10,828,389	9,926,413	7,426,694	7,000,000

The increase in expenses over the last 3 quarters was as the result of growing operations, in particular from the 3 months ending September 30, 2017 to the 3 months ending December 31, 2017. During this period the Company added additional resources and incurred increased business development costs.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows for the years ended December 31, 2017 and December 31, 2016

Cash from Operating Activities

During the period from inception to December 31, 2016 the Company generated a cash flow deficit from operations of ($18,552). For the current period cash flow from operations decreased by $2,114,866 from cash flow generated in operations of ($2,133,418). Higher expenditures in the current period were offset by cash inflow from working capital activities that contributed $415,905 to cash flow from operating activities.

Cash used in Investing Activities

Cash used in investing activities totalled ($663,686) for the 2017 fiscal period. During the 2017 fiscal period the Company invested in capital items for research and development and certain machinery and equipment. The capital equipment for research and development activities is actively used in the formulation of the Company's products. The machinery and equipment included a piece of equipment that will be used to manufacture the Company's cannabinoid-based transdermal patches. In addition, the Company made an investment to acquire 35% of the equity in a Colombian entity Sativa Nativa S.A.S. No investments were made in the same period last year.

Cash from Financing Activities

Cash from financing activities comprised proceeds derived from the issuance of Common Shares for gross proceeds of $3,882,202.

Liquidity and Capital Resources

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations and capital expenditures. As of December 31, 2017 the Company had working capital of approximately $30,861, with current assets of approximately $1.31 million and current liabilities of approximately $1.28 million. A large portion of the current liabilities represented $728,500 of advance subscription funds, whereby the Company received funds for a share capital purchase that had not officially closed. All of these investments subsequently closed in January 2018 and the funds were released and subsequently, made available for use. The Company will continue to require funding to meet working capital requirements and funding for future capital projects related to Sativa Nativa's cultivation site. In order to meet funding requirements the Company will need to raise additional funds through equity issuances and potential sales of its assets.

COMMITMENTS AND CONTINGENCIES

Commitments

The Company has rental leases and other agreements for select research activities which it is committed to pay the following amounts as at December 31, 2017:

2018	$	335,348
2019		83,500
	$	**418,848**

The Company currently has the funds on hand to meet the commitments outlined herein. However, it will require future funding to meet growth targets and pursue development activities. In addition, a portion of the commitments outlined above relate to research and development activities. These commitments relate to specific agreements for which the Company must provide funding to various institutions. The Company intends to raise additional funds for its development activities as well as for future working capital needs.

Contingencies

In the ordinary course of business and from time to time, Avicanna is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider Avicanna's exposure to these claims to be material to these financial statements. As at December 31, 2017 and December 31, 2016 there were no claims against Avicanna that the Company is aware of.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than those described under the commitments and contingencies section above.

RELATED PARTY BALANCES AND TRANSACTIONS

Prior to raising equity the Company funded operations through the support of related parties. In 2016, the Company received a non interest bearing loan for $110,000 (fiscal 2017 – nil) to help fund operations which was subsequently converted into equity in fiscal 2017. The loan was provided by a company that was controlled by two of the officers of the Company. In addition, a director of the Company loaned $100,000 (fiscal 2016 – nil) to help fund the purchase of certain capital assets. These funds were repaid prior to December 31, 2017.

Upon investing in Sativa Nativa, the Company advanced $74,818 (fiscal 2016 – nil) in fiscal 2017 as a loan in order to fund operating expenditures.

Compensation expense for Avicanna's key management personnel for the years ended December 31, 2017 and 2016 is as follows:

	2017	**2016**
	$	**$**
Salaries and benefits	362,281	14,525
Share-based compensation	85,000	-
	447,281	14,525

CRITICAL ACCOUNTING ESTIMATES

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

[i] Useful lives and impairment of property and equipment

Depreciation of property, plant and equipment is dependent upon management's estimate of the assets' useful lives, which requires judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

[ii] Share-based compensation

In calculating the share-based compensation expense, key estimates such as the value of the common shares, the rate of forfeiture of options granted, the expected life of the option, the volatility of the value of the Company's common shares and the risk free interest rate are used.

NEW ACCOUNTING PRONOUNCEMENTS

New standards, amendments and interpretations not yet adopted by the Company
The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

[i] IFRS 9 - Financial Instruments ["IFRS 9"]
In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company is in the process of evaluating the impact of IFRS 9 on the Company's financial statements.

[ii] IFRS 15 - Revenue from Contracts with Customers ["IFRS 15"]
In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company does not have any contracts with customers and therefore, there is no impact from adoption of IFRS 15 on the consolidated financial statements of the Company.

[iii] IFRS 16 - Leases ["IFRS 16"]
In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening

equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

[iv] IFRIC 23 – Uncertainty over Income Tax Treatment ["IFRIC 23"]
In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual period beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company's financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
	$	$	$	$	$
Trade and other payables	547,903	547,903	547,903	-	-
Funds held for investment	728,500	728,500	728,500	-	-
	1,276,403	1,276,403	1,276,403	-	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian and US dollars. The Company receives many of its share issuance proceeds in US dollars and therefore any foreign currency translation risk is minimized.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices [other than those arising from interest rate risk or currency risk], whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at December 31, 2017.

Fair values

The carrying values of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables and funds held for investment approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

SUBSEQUENT EVENTS

- On January 29, 2018, the Company complete its second round of financing through the issuance of 2,139,321 units for gross proceeds of $4,278,642. Each unit was issued at $2 per unit and included one common share and one-half common share purchase warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of $2.50 per common share for a period expiring on the earlier of: (i) 24 months from the date of issuance; and (ii) 12 months subsequent to the IPO date.

- On February 20, 2018 the Company acquired an additional 25% of the issued and outstanding shares in Sativa Nativa for cash valued at $857,000. This increased Avicanna's total share holdings of Sativa Nativa to 60% of the total issued and outstanding shares.

- On February 28, 2018 Avicanna exercised its first right of refusal and purchased an additional 10% of the issued and outstanding shares in Sativa Nativa for 150,000 common shares valued at $2.00 per share from two existing shareholders. This increased Avicanna's total share holdings to 70% in Sativa Nativa.

- On October 2018 the Company entered into an agreement to acquire 60% of the issued and outstanding shares of Santa Marta Golden Hemp S.A.S. from Inmobiliaria Bondue S.A in exchange for 11.2% of the Company's issued and outstanding common shares as at October 22, 2018 for a total transaction value of USD$8,400,000. This acquisition allowed the Company to secure a second set of licenses to cultivate, produce, manufacture, extract, retail and export medical cannabis in Colombia and partner with one of the largest agro businesses in Latin America, Grupo Daabon, which through its subsidiaries owns 38.6% of the issued and outstanding shares of SMGH.

- On December 13, 2018, the Company completed its financing whereby it raised $4,323,872, by issuing 540,484 special warrants at a price of $8.00 per special warrant. Each special warrant automatically converted into one unit comprised of one common share and one-half warrant. Each full warrant is convertible into one common share at a price of $10.00 per common share.

- On March 1, 2019 the Company closed a financing round for senior unsecured convertible debentures ("Debenture") for total proceeds of $783,000. Each Debenture was priced at $1,000 per unit, carries a two year term and bears an annual interest rate of 8%. In addition, the Debenture is convertible into one common share at a conversion price of $8.00 and carries one half warrant that is convertible to one common share at an exercise price of $10.00 per unit. The Debentures are convertible at the option of the holder at any time, and the remaining principal and accrued interest will automatically convert into common shares at the end of the term.

Avicanna Inc.
Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2019 and 2018
(expressed in Canadian dollars, except share and per share amounts)

Avicanna Inc.
Condensed Consolidated Interim Statements of Financial Position
As at March 31, 2019 and December 31, 2018
(Expressed in Canadian Dollars)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash	$ **483,318**	$ 69,295
Amounts receivable	**198,753**	258,608
Prepaid assets	**1,576,844**	863,624
	2,258,915	1,191,527
Property and equipment (Note 5)	**16,675,615**	16,256,136
Intangible assets (Note 6)	**10,726,200**	10,733,266
Investments	**72**	72
	$ **29,660,802**	$ 28,181,001
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable	$ **2,485,738**	$ 1,455,565
Shareholder advance (Note 8)	**331,320**	331,320
Advance subscription (Note 13)	**831,554**	-
	3,648,612	1,786,885
Convertible debentures (Note 7)	**678,669**	-
Derivative liability (Note 7)	**97,335**	-
Term loan	**14,441**	14,441
Total Liabilities	**4,439,057**	1,801,326
Shareholders' Equity		
Share capital (Note 9)	**23,645,305**	21,492,039
Warrants (Note 9)	**4,929,994**	5,218,984
Share-based payment reserve (Note 10)	**2,410,915**	1,515,107
Accumulated other comprehensive income	**(221,309)**	(188,771)
Non-controlling interest (Note 11)	**7,894,791**	8,070,778
Deficit	**(13,437,951)**	(9,728,462)
	25,221,745	26,379,675
	$ **29,660,802**	$ 28,181,001

Subsequent events (Note 13)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Avicanna Inc.
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
For the Three Months Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenue	**$ 24,023**	$ 33,507
Expenses		
General and administrative	**2,585,693**	1,212,446
Selling, marketing and promotion	**101,513**	38,165
Share-based compensation (Note 10)	**1,044,639**	97,642
Depreciation and amortization (Note 5 and 6)	**56,295**	23,263
	(3,788,140)	(1,371,516)
Other income (loss)		
Foreign exchange (loss) gain	**(133,078)**	33,768
Gain on acquisition	**-**	1,129,976
Gain on revaluation of derivative liability	**4,134**	-
Loss attributed from equity accounted investee	**-**	(27,607)
Interest income	**7,585**	5,949
Net loss	**$ (3,885,476)**	$ (195,923)
Net loss attributable to non-controlling interest (Note 11)	**(175,987)**	(13,112)
Net loss attributable to shareholders of the Company	**(3,709,489)**	(182,811)
Exchange differences on translating foreign operations	**(32,538)**	(18,611)
Net comprehensive loss	**(3,918,014)**	(214,534)
Weighted average number of common shares – basic and diluted	**15,885,863**	11,268,271
Loss per share – basic and dilutive	**$ (0.25)**	$ (0.02)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Avicanna Inc.
Condensed Consolidated Interim Statements of Changes in Shareholder's Equity
For the Three Months Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Common Shares		**Warrants**	**Share Based Reserve**	**Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Non-controlling Interest**	**Total**
	#	$	$	$	$	$	$	$
Balance at December 31, 2017	**10,881,201**	**2,768,649**	**581,185**	**120,634**	**(2,629,401)**	**-**	**-**	**841,067**
Issuance of units (Note 10(ii))	2,007,508	3,412,234	602,782	-	-	-	-	4,015,016
Issuance of common shares (Note 10(iv))	116,077	232,154	-	-	-	-	-	232,154
Issuance on purchase of Sativa (Note 10 (iii))	150,000	300,000	-	-	-	-	-	300,000
Exercise of options (Note 10(i))	25,000	28,937	-	(3,937)	-	-	-	25,000
Share-based compensation expense (Note 9)	-	-	-	56,137	-	-	-	56,137
Retained deficit – Sativa	-	-	-	-	(38,579)	-	-	(39,436)
Non-controlling interest (Note 11)	-	-	-	-	-	-	1,983,739	1,983,739
Net loss	-	-	-	-	(105,296)	-	-	(105,296)
Balance at March 31, 2018	**13,179,786**	**6,741,974**	**1,183,967**	**172,834**	**(2,773,276)**	**-**	**(1,983,739)**	**7,309,238**
Issuance of units	-	-	-	-	-	-	-	-
Issuance of common shares (Note 10(iv))	209,246	2,142,704	-	-	-	-	-	2,142,704
Special warrants issued (Note 10(vii))	-	-	4,179,156	-	-	-	-	4,179,156
Issuance on acquisition (Note 10 (vi))	1,477,818	10,788,071	-	-	-	-	-	10,788,071
Exercise of options (Note 10(ix))	200,000	22,910	-	(2,910)	-	-	-	20,000
Exercise of warrants (Note 10(v)(x))	303,510	761,914	(144,139)	-	-	-	-	617,775
Shares issued for services (Note 10(viii))	276,605	1,034,466	-	-	-	-	-	1,034,466
Share-based compensation (Note 9)	-	-	-	1,345,183	-	-	-	1,345,183
Non-controlling interest (Note 11)	-	-	-	-	-	-	6,277,375	6,277,375
Foreign exchange translation	-	-	-	-	-	(188,771)	-	(188,771)
Net loss	-	-	-	-	(6,955,186)	-	(190,336)	(7,145,522)
Balance at December 31, 2018	**15,646,965**	**21,492,039**	**5,218,984**	**1,515,107**	**(9,728,462)**	**(188,771)**	**8,070,778**	**26,379,675**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Avicanna Inc.
Condensed Consolidated Interim Statements of Changes in Shareholder's Equity (continued)
For the Three Months Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Common Shares		Warrants	Share Based Reserve	Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
	#	$	$	$	$	$	$	$
Balance at December 31, 2018	**15,646,965**	**21,492,039**	**5,218,984**	**1,515,107**	**(9,728,462)**	**(188,771)**	**8,070,778**	**26,379,675**
Exercise of options	440,000	108,607	-	(18,607)	-	-	-	90,000
Exercise of warrants	1,437,014	1,788,035	(295,521)	-	-	-	-	1,492,514
Shares issued for services	32,078	256,624	-	-	-	-	-	256,624
Share-based compensation	-	-	-	914,415	-	-	-	914,415
Warrants issued with convertible debentures	-	-	6,531	-	-	-	-	52,932
Non-controlling interest	-	-	-	-	-	-	(175,987)	(175,987)
Foreign exchange translation	-	-	-	-	-	(32,538)	-	(32,538)
Net loss	-	-	-	-	(3,709,489)	-	-	(3,709,489
Balance at March 31, 2019	**17,556,057**	**23,645,305**	**4,929,994**	**2,410,915**	**(13,437,951)**	**(221,309)**	**7,894,791**	**25,221,745**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Avicanna Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended March 31, 2019 and March 31, 2018
(Expressed in Canadian Dollars)

	For the Three Months Ended March 31, 2019	For the Three Months Ended March 31, 2018
Cash flows from operating activities:		
Net loss	$ (3,709,489)	$ (182,811)
Amortization	56,295	23,263
Share-based compensation	914,415	97,642
Non-controlling interest	(175,987)	(13,112)
Impact of foreign exchange losses	(32,538)	-
Issuance of common shares for services	256,624	-
Loss attributed to equity accounted investee	-	27,607
Gain in fair value of equity accounted investees	-	(1,126,976)
Changes in non-cash operating elements of working capital	376,808	(468,695)
Cash used in operating activities	**(2,313,872)**	**(1,643,082)**
Cash flows from investing activities:		
Purchase of capital assets	(468,708)	(168,045)
Purchase of intangible asset	-	(2,475,000)
Acquisition of Sativa Nativa S.A.S.	-	161,478
Cash used in investing activities	**(468,708)**	**(2,481,567)**
Cash flows from financing activities:		
Issuance of convertible debentures	782,535	-
Warrants granted for services	-	654,656
Change in funds due from (to) related parties	-	(120,700)
Proceeds from exercise of warrants	1,492,514	25,000
Proceeds from exercise of options	90,000	-
Cash obtained for advance subscription of equity offering	831,554	-
Proceeds from issuance of common shares and units	-	3,127,640
Cash provided by financing activities	**3,196,603**	**3,686,596**
Net increase (decrease) in cash	**414,023**	**(438,053)**
Cash, beginning of period	**69,295**	**1,176,546**
Cash, end of period	**$ 483,318**	**$ 738,493**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS

Avicanna Inc. ("Avicanna" or the "Company") was incorporated in Ontario. The Company is focused on innovative product development and research in the medical cannabis industry. To date, the Company has not generated significant revenues from its operations and is considered to be in development stage.

During the year ended December 31, 2018, Avicanna obtained control of Sativa Nativa S.A.S. ("Sativa Nativa") by acquiring an additional 35% of the issued and outstanding shares, bringing the Company's total ownership up to 70%. As such, the results for Sativa Nativa for the year ending December 31, 2018 have been consolidated with the Company's. In addition, during the year ended December 31, 2018, Avicanna obtained control of Santa Marta Golden Hemp S.A.S. ("SMGH") by acquiring 60% of the issued and outstanding shares. As such, the results for SMGH for the year ending December 31, 2018 have been consolidated with the Company's.

As at March 31, 2019 the Company has an accumulated deficit of $13,437,951 (December 31, 2018 - $9,728,462), cash of $483,318 (December 31, 2018 – $69,295), and a working capital deficit of $1,389,697 (December 31, 2018 – deficit of $595,358). The Company will need to raise additional financing to continue operations, product development and clinical research. Although the Company has been successful in the past in obtaining financing and it believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements have been prepared on a going concern basis which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below have been consistently applied to all periods presented unless otherwise noted. These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all information required for full annual financial statements. These condensed consolidated interim financial statements have been prepared using the same accounting policies described in Note 3 of the annual consolidated financial statements, except in relation to the adoption of new standards, as described below. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for years ended December 31, 2018 and 2017, which have been prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Company's Board of Directors on July 8, 2019.

Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for biological assets, which are measured at fair value, as explained in the accounting policies below. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services. These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2. BASIS OF PRESENTATION (continued)

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company, its wholly-owned subsidiaries 2516167 Ontario Inc. ("My Cannabis") and Avicanna LATAM S.A.S. ("LATAM"), its majority owned subsidiary Sativa Nativa in which the Company owns 70% of the issued and outstanding shares, and its majority owned subsidiary SMGH in which the Company owns 60% of the issued and outstanding shares. The Company is deemed to control a subsidiary when it is exposed to, or has the right to, variable returns from its involvement with an investee and it has the ability to direct the activities of the investee that significantly affects the investee's returns through its power over the subsidiary. Where the Company's interest in a subsidiary is less than one hundred percent, the Company recognizes a non-controlling interest in the investee. The results of subsidiaries acquired during the year are consolidated from the date of acquisition. All intercompany transactions, balances, revenues and expenses are eliminated on consolidation.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount recognized initially, plus the non-controlling interests' share of changes in the capital of the company in addition to changes in ownership interests. Total comprehensive income or loss is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of controlled entities are included in these condensed consolidated interim financial statements from the date control is effective until control ceases to exist.

Foreign currency translation

The presentation currency as well as the functional currency of the Company and its subsidiaries, except for Sativa Nativa, LATAM, and SMGH is the Canadian dollar. The functional currency of Sativa Nativa, LATAM, and SMGH is the Colombian Peso. Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES

Leases

Effective January 1, 2019, the Company adopted IFRS 16, Leases, replacing IAS 17, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in the standard, IFRS 16 was adopted retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2019. The Company also utilized certain practical expedient elections whereby (i) there is no need to reassess whether an existing contract is a lease, or contains an embedded lease if previously determined under IAS 17, (ii) short term and low value leases are treated as operating leases, and (iii) there is no need to reassess the previous assessments in respect of onerous contracts that confirmed there were no existing onerous lease contracts. Under IFRS 16, most leases are now recognized on the balance sheet for lessees, essentially eliminating the distinction between a finance lease and an operating lease under IAS 17, where operating leases were reflected in the condensed consolidated interim statements of operations and comprehensive loss.

As at March 31, 2019, all leases were short-term in nature and therefore, the adoption of IFRS 16 has had no effect on these condensed consolidated interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The following are the Company's new accounting policies for its leases under IFRS 16:

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement on the inception date.

As a lessee, the Company recognizes a lease obligation and a right-of-use asset in the condensed consolidated interim statements of financial position on a present-value basis at the date when the leased asset is available for use. Each lease payment is apportioned between a finance charge and a reduction of the lease obligation. Finance charges are recognized in finance cost in the condensed consolidated interim statements of operations and comprehensive loss. The right of-use asset is included in property and equipment and is depreciated over the shorter of its estimated useful life and the lease term on a straight-line basis.

Lease obligations are initially measured at the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease, or if this rate cannot be determined, the Company's incremental borrowing rate. Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of the lease obligation;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- rehabilitation costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the condensed consolidated interim statements of operations and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise primarily small equipment.

Convertible Debentures

Convertible debentures are recorded on the statement of financial position at amortized cost. The convertible debentures are separated out into their liability and equity components. The fair value of the liability component at the time of issue was determined based on an estimated interest rate of the debentures without the conversion feature less the value associated to derivative liability as mentioned below. The fair value of the equity component was determined as the difference between the total proceeds on issuance of the convertible note less the value assigned to the derivative liability and convertible debenture. Subsequent to initial recognition, the company will accrete the debenture over its contractual term using the effective interest rate method.

Derivative Liability

Derivatives are recorded on the statement of financial position at fair value. The conversion features of the convertible debentures, whereby the holder of the notes can convert any accrued interest payments to common shares (see note 7) is determined to be an embedded derivative liability and is separately valued and accounted for on the statement of financial position with changes in fair value recognized through profit and loss. The pricing model the Company uses for determining the fair value of the derivative liability is the Black Scholes Model. The model uses market sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management's judgment and may impact net income.

(expressed in Canadian dollars, except share and per share amounts)

4. BIOLOGICAL ASSETS

The Company wrote off $158,407 of biological assets for the three months ending March 31, 2019 (December 31, 2018 - $122,284). While the Company, through its subsidiaries Sativa Nativa and SMGH, has licenses to harvest, extract and sell medical cannabis, there are certain regulatory requirements that must be met in order to be allowed to sell medical cannabis in the Republic of Colombia. Part of this process requires the Company to grow and register the strains of cannabis plants that it wishes to commercially harvest for sale. As at March 31, 2019 the Company was in the process of registering these strains and had not yet gained approval to officially sell. Therefore, any biological assets that were grown for the purposes of obtaining regulatory approval have been expensed for the three months ended March 31, 2019.

		Amount
Balance as at December 31, 2018	$	-
Costs incurred for the current period		158,407
Write of off biological asset		(158,407)
Balance as at March 31, 2019	**$**	**-**

The Company values medical cannabis plants at fair market value from the date of initial clipping from the mother plants until the end of the growing cycle. As noted above, as the Company has not been approved to sell its current genetics and strains all costs related to the current harvest have been written off.

(expressed in Canadian dollars, except share and per share amounts)

5. PROPERTY AND EQUIPMENT

	Equipment	Land	Construction in Progress	Total
Cost				
Balance at December 31, 2018	$ 1,077,894	$ 10,361,920	$ 5,012,228	$ 16,452,042
Additions	-	-	468,708	468,708
Disposals				
At March 31, 2019	$ 1,077,894	$ 10,361,920	$ 5,480,936	$ 16,920,750

	Equipment	Land	Construction in Progress	Total
Accumulated Amortization				
Balance at, December 31, 2018	$ 195,906	$ -	$ -	$ 195,906
Amortization	49,229	-	-	49,229
Disposals				
At March 31, 2019	$ 245,135	$ -	$ -	$ 245,135

	Equipment	Land	Construction in Progress	Total
Net Book Value				
December 31, 2018	$ 881,988	$ 10,361,920	$ 5,012,228	$ 16,256,136
March 31, 2019	$ 832,759	$ 10,361,920	$ 5,480,936	$ 16,675,615

	Equipment	Land	Construction in Progress	Total
Cost				
Balance at December 31, 2017	$ 512,359	$ -	$ -	$ 512,359
Additions	565,535	10,361,920	5,012,228	15,939,683
Disposals	-	-	-	-
At December 31, 2018	$ 1,077,894	$ 10,361,920	$ 5,012,228	$ 16,452,042

	Equipment	Land	Construction in Progress	Total
Accumulated Amortization				
Balance at, December 31, 2017	$ 51,466	$ -	$ -	$ 51,466
Amortization	144,440	-	-	144,440
Disposals	-	-	-	-
At December 31, 2018	$ 195,906	$ -	$ -	$ 195,906

	Equipment	Land	Construction in Progress	Total
Net Book Value				
December 31, 2017	$ 460,893	$ -	$ -	$ 460,893
December 31, 2018	$ 881,988	$ 10,361,920	$ 5,012,228	$ 16,256,136

During the period the Company incurred amortization expense on its equipment of $49,229 (March 31, 2018- $16,197).

(expressed in Canadian dollars, except share and per share amounts)

6. INTANGIBLE ASSETS

	Customer Relationships	Licenses and Permits	Total
Cost			
Balance at December 31, 2018	$ 141,327	$ 10,631,981	$ 10,773,308
Additions	-	-	-
Disposals	-	-	-
At March 31, 2019	$ 141,327	$ 10,631,981	$ 10,773,308

	Customer Relationships	Licenses and Permits	Total
Accumulated amortization			
Balance at December 31, 2018	$ 40,042	$ -	$ 40,042
Additions	7,066	-	7,066
Disposals	-	-	-
At March 31, 2019	$ 47,108	$ -	$ 47,108

	Customer Relationships	Licenses and Permits	Total
Net Book Value			
December 31, 2018	$ 101,285	$ 10,631,981	$ 10,733,266
March 31, 2019	$ 94,219	$ 10,631,981	$ 10,726,200

	Customer Relationships	Licenses and Permits	Total
Cost			
Balance at December 31, 2017	$ 141,327	$ -	$ 141,327
Additions	-	10,631,981	10,631,981
Disposals	-	-	-
At December 31, 2018	$ 141,327	$ 10,631,981	$ 10,773,308

	Customer Relationships	Licenses and Permits	Total
Accumulated amortization			
Balance at December 31, 2017	$ 11,776	$ -	$ 11,776
Additions	28,266	-	28,266
Disposals	-	-	-
At December 31, 2018	$ 40,042	$ -	$ 40,042

	Customer Relationships	Licenses and Permits	Total
Net Book Value			
December 31, 2017	$ 129,551	$ -	$ 129,552
December 31, 2018	$ 101,285	$ 10,631,981	$ 10,733,266

During the period the company incurred amortization expense of $7,066 on its Customer Relationships (March 31, 2018- $7,066). As at March 31, 2019 the licenses and permits were not available for use as the Company did not have the ability to sell the Extracts. As such depreciation was not taken during the period.

(expressed in Canadian dollars, except share and per share amounts)

7. CONVERTIBLE DEBENTURES

On March 1, 2019 ("Closing Date"), the Company completed a convertible debenture offering and raised gross proceeds of $783,000. The debentures incur interest at 8.0% per annum and have a maturity date of March 1, 2021. Each debenture is convertible at any time at the option of the holder thereof into fully paid and non-assessable Common Shares at any time before the maturity date at the conversion price (the "Conversion Price"), representing a conversion rate of 125 Common Shares per $1,000 principal amount of debentures, subject to adjustment in accordance with the debenture certificates. Additionally, each debenture entitles the holder to acquire one common share in the capital share of the Company (a "Warrant Share") at a price of $10.00 per Warrant Share for a period of 12 months following the Closing Date. Upon conversion of any Debentures, the holder thereof will also receive all accrued and unpaid interest thereon in Common Shares issued at the Conversion Price.

8. RELATED PARTY TRANSACTIONS

The following outlines amounts that were paid to officers of the Company.

		For the Three Months ended March 31, 2019		December 31, 2018
Salaries	$	162,500	$	671,433
Share-based compensation		-		34,000
	$	**162,500**	**$**	**705,433**

Additionally, at the end of March 31, 2019 a minority shareholder of the of SMGH, Inmobiliaria Bondue S.A.S ("Bondue") advanced funds in the amount of $331,320. Bondue is owned by Mr. Char who is also a director of the Company. The purpose of the advance was to fund the Company's working capital requirements.

9. SHARE CAPITAL

Authorized and outstanding share capital:

The authorized share capital of the Company consists of an unlimited number of common shares and unlimited number of preferred shares. As at March 31, 2019, the Company had 15,646,965 common shares issued and outstanding (2017 – 10,881,201).

Transactions:

[i] On January 29, 2018, common shares were issued on the exercise of 25,000 stock options. The options were exercised at a price of $1 per common share for gross proceeds of $25,000. These stock options had a fair value of $6,847.

[ii] On January 29, 2018, the Company issued 2,007,508 units for gross proceeds of $4,015,016. Each unit was issued at $2 per unit and included one common share and one-half common share purchase warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of $2.50 per common share for a period expiring on the earlier of: (i) 24 months from the date of issuance; and (ii) 12 months subsequent to the IPO date. Fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of $2, a risk-free interest rate of 1.77%, an expected annualized volatility of 90% and expected dividend yield of 0%. Gross proceeds of $4,015,016 were allocated to common shares and common share purchase warrants in the amount of $3,412,234 and $602,782, respectively. As at December 31, 2017, proceeds of $728,500 related to this share issuance were received in advance.

[iii] On February 28, 2018, the Company issued 150,000 common shares to acquire 10% of the issued and outstanding common shares of Sativa Nativa S.A.S. The common shares of the Company were valued at $300,000 and were issued at a price of $2 per common share (Note 9).

[iv] On July 31, 2018, the company issued 325,323 common shares for gross proceeds of $2,374,858. Each common share was issued at a price of $7.30 per share.

9. SHARE CAPITAL (continued)

Transactions (continued):

[v] On September 21, 2018, 94,000 common shares were issued on the exercise of 94,000 common share purchase warrants. The warrants were exercised at a price of $1 per common share for gross proceeds of $94,000. These warrants had a fair value of $18,322.

[vi] On October 22, 2018, the Company issued 1,477,818 common shares to acquire 60% of the issued and outstanding common shares of Santa Marta Golden Hemp S.A.S. The common shares issued by the Company were issued at a price of $7.30 per share and had a total fair value of $10,788,071 (Note 9).

[vii] On December 13, 2018 ("First Tranche Closing Date") the Company issued 540,484 Special Warrants at $8 each for gross proceeds of $4,323,872 which was the first tranche ("First Tranche") of the Company's Special Warrants offering. As part of this transaction the company incurred issuance cost of $144,716, resulting in net proceeds of $4,179,156. Each Special Warrant holder is entitled to receive upon conversion one unit (each, a "Unit") of the corporation with each Unit consisting of one common share ("Common Share") in the capital of the corporation and one half of one Common Share purchase warrant (each whole warrant, "Whole Warrant" and together with the Common Shares, "Underlying Securities") with each Warrant entitling the holder thereof to purchase one Common Share in the capital of the corporation at a price of $10 for a period of two years after the closing date; subject to the Company's right to accelerate the expiry date of the Warrants upon thirty (30) days' notice in the event that the Common Shares become listed on a recognized stock exchange in Canada and the volume weighted average trading price of the Common Shares is equal to or exceeds $12.50 for a period of ten (10) consecutive trading days on such exchange. The Special Warrants issued will be automatically exercised into Underlying Securities, without any action, including additional payment, on the part of the Special Warrant holder, upon the earlier to occur of: (i) the date that is three business days following the date on which the Corporation obtains a receipt, from the applicable securities regulatory authorities, for the Prospectus, and (ii) the date that is 120 days following the First Tranche Closing Date. Additionally, 18,090 compensation warrants were issued to finders related to this sale of Special Warrants. The compensation warrants are exercisable into a Unit for a period of 2 years and an exercise price of $8 per compensation warrant. Fair value of the compensation warrants was determined using the Black-Scholes option pricing model with a market price per common share of $8, a risk-free interest rate of 1.89%, an expected annualized volatility of 90% and expected dividend yield of 0%. A fair value of $70,281 has been allocated to the compensation warrants.

[viii] During the year ended December 31, 2018, the Company issued 276,605 common shares for consulting services with a value of $1,034,466. Of these common shares, 195,638 common shares were issued at $2 per common share, 6,494 common shares were issued at $7.30 per common share and 74,473 common shares were issued at $8 per common share.

[ix] During the year ended December 31, 2018, 200,000 common shares were issued on the exercise of 200,000 stock options. The options were exercised at a price of $0.10 per common share for gross proceeds of $20,000.

[x] During the year ended December 31, 2018, 209,510 common shares were issued on the exercise of 209,510 common share purchase warrants. The warrants were exercised at a price of $2.50 per common share for gross proceeds of $523,775. The warrants had a fair value of $125,817.

[xi] During the three months ended March 31, 2019, 440,000 common shares were issued on the exercise of 440,000 stock options. Of the total options exercised, 400,000 were exercised at a price of $0.10 per common share, 30,000 were exercised at a price of $1.00 per common share and 10,000 were exercised at a price of $2.00 per common share for gross proceeds of $90,000. The options exercised were held at a fair value of $18,607.

[xii] During the three months ended March 31, 2019 as part of the convertible debenture issuance (Note 7), each debenture entitles the holder to acquire one common share in the capital share of the Company (a "Warrant Share") at a price of $10.00 per Warrant Share for a period of 12 months following the Closing Date. At the time of issuance the Warrant Share's had a fair value of $6,531.

(expressed in Canadian dollars, except share and per share amounts)

9. SHARE CAPITAL (continued)

[xiii] During the three months ended March 31, 2019, 1,437,014 common shares were issued on the exercise of 1,437,014 common share purchase warrants. Of the total warrants exercised, 1,40,014 were exercised at a price of $1.00 per common share and 37,000 were exercised at a price of $2.50 per common share for gross proceeds of $1,492,514. The common share purchase warrants exercised were held at a fair value of $295,521.

Warrant Reserve

As at March 31, 2019, the following warrants were outstanding and exercisable:

	Warrants Issued / Exercised #	Weighted average exercise price $
Outstanding as at December 31, 2017	**2,564,160**	**$0.99**
Warrants issued	1,003,754	2.50
Special warrants issued	540,484	10.00
Compensation warrants issued	18,090	8.00
Warrants exercised	(303,510)	(1.69)
Outstanding as at December 31, 2018	**3,822,977**	**$2.15**
Warrants issued	783	0.01
Warrants exercised	(1,437,014)	(1.04)
Outstanding as at March 31, 2019	**2,386,746**	**2.30**

The following table is a summary of the Company's warrants outstanding as at March 31, 2019:

Warrants Outstanding			Warrants Exercisable	
Exercise price range $	Number outstanding #	Weighted average remaining life (years)	Weighted average exercise price $	Number exercisable #
1.00	890,145	0.16	0.24	890,145
2.50	937,244	0.22	0.61	937,244
8.00	18,090	0.01	0.04	18,090
10.00	541,267	0.44	1.41	541,267
Balance March 31, 2019	**2,386,746**	**0.84**	**2.30**	**2,386,746**

(expressed in Canadian dollars, except share and per share amounts)

10. SHARE BASED PAYMENT RESERVE AND STOCK OPTIONS

Share-based compensation is comprised of:

	Three Months Ended			
		March 31, 2019		**March 31, 2018**
Options to consultants	$	28,240	$	56,137
Options issued to employees				
	$	28,240	$	56,137

The Company has established a stock option plan (the "Option Plan") for directors, officers, employees and consultants of the Company. The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting periods, and the exercise price of options granted to individuals under the Option Plan.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither the right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Company's Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the number of common shares outstanding. If any options terminate, expire, or are cancelled as contemplated by the Option Plan, the number of options so terminated, expired, or cancelled shall again be available under the Option Plan

[i] Measurement of fair values

The fair value of share options granted during the periods ended March 31, 2019 and December 31, 2018 was estimated at the date of grant using the Black Scholes option pricing model using the following inputs:

	2019	**2018**
Grant date share price	$8.00	$3.75
Exercise price	$8.00	$3.86
Expected dividend yield	0%	0%
Risk-free interest rate	2.06%	2.06%
Expected option life	7 years	7 years
Expected volatility	90%	90%

Employee and non-employee options

Expected volatility was estimated by using the historical volatility of other actively traded public companies that the Company considers comparable that have trading and volatility history. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

(expressed in Canadian dollars, except share and per share amounts)

10. SHARE BASED PAYEMENT RESERVE AND STOCK OPTIONS (continued)

[iii] Reconciliation of outstanding equity-settled share options

	Options Issued	Weighted average
	#	$
Outstanding as at December 31, 2017	**1,960,000**	**0.36**
Options issued	877,500	5.10
Options expired	(150,000)	0.10
Options exercised	(225,000)	1.00
Outstanding as at December 31, 2018	**2,462,500**	**1.82**
Options issued	52,000	6.38
Options expired	-	-
Options exercised	(440,000)	.16
Outstanding as at March 31, 2019	**2,074,500**	**2.63**

The following table is a summary of the Company's share options outstanding as at March 31, 2019:

Options Outstanding			Options Exercisable	
Exercise price range	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable
$	#	(years)	$	#
$0.10	640,000	4.70	$0.03	640,000
$1.00	505,000	5.37	$0.24	505,000
$2.00	424,500	5.99	$0.41	387,125
$7.30	72,000	6.30	$0.25	134,917
$8.00	408,000	6.61	$1.57	43,833
$10.00	25,000	6.28	$0.12	16,667
Balance March 31, 2019	**2,074,500**	**5.58**	**$2.63**	**1,737,542**

11. NON-CONTROLLING INTEREST

The following table presents the summarized financial information about the Company's subsidiaries that have non-controlling interests. This information represents amounts before intercompany eliminations as at March 31, 2019.

The net change in non-controlling interest is as follows:

As at December 31, 2018	$	8,070,778
Net loss attributed to non-controlling interest		(175,987)
As at March 31, 2019	**$**	**7,894,791**

(expressed in Canadian dollars, except share and per share amounts)

12. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
Amounts payable	$ 2,485,738	$ 2,485,738	$ 2,485,738	$ -	$ -
	$ 2,485,738	$ 2,485,738	$ 2,485,738	$ -	$ -

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian and US dollars. The Company receives many of its share issuance proceeds in USD and therefore any foreign currency translation risk is minimized.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at December 31, 2018 and 2017.

12. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Fair values

The carrying values of cash, marketable securities, amounts receivable, prepaid assets, investments and amounts payable approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy as disclosed in Note 3. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and marketable securities are classified as Level 1 financial instruments. Amounts receivable, amounts payable and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

13. SUBSEQUENT EVENTS

[i] On April 15, 2019 (the "Second Tranche Closing Date") the Company completed the second tranche of a special warrant offering whereby the Company issued 2,228,328 Special Warrants at $8 each for gross proceeds of $17,826,624. As part of this transaction the company incurred issuance cost of $670,800. Each Special Warrant holder is entitled to receive upon conversion one unit (each, a "unit") of the corporation with each unit consisting of one common share ("Common Share") in the capital of the corporation and one half of one Common Share purchase warrant (each whole warrant, "whole warrant" and together with the common shares, "underlying securities") with each Warrant entitling the holder thereof to purchase one common share in the capital of the corporation at a price of $10 for a period of two years after the closing date; subject to the Corporation's right to accelerate the expiry date of the Warrants upon thirty (30) days' notice in the event that the Common Shares become listed on a recognized stock exchange in Canada and the volume weighted average trading price of the Common Shares is equal to or exceeds $12.50 for a period of ten (10) consecutive trading days on such exchange. The Special Warrants issued will be automatically exercised into Underlying Securities, without any action, including additional payment, on the part of the Special Warrant holder, upon the earlier to occur of: (i) the date that is three business days following the date on which the Corporation obtains a receipt, from the applicable securities regulatory authorities, for the Prospectus, and (ii) the date that is 120 days following the Second Tranche Closing Date. Additionally, pursuant to the Agency agreement, the Company issued to the Agents 129,290 Compensation Units. Each Compensation Unit entitles the holder to acquire one Common Share and one half of one common share purchase warrant on the same terms as the units issuable on the automatic exercise of the Special Warrants. The Company received funds in advance of the Second Tranche Closing Date which give rise to an advance subscription in the amount of $831,554.

[ii] On April 5, 2019 Mountain Valley MD Inc. ("MVMD") subscribed to, and purchased 25% of the issued and outstanding shares of Sativa Nativa. As part of the transaction, MVMD directly subscribed for 17,892,248 shares of Sativa Nativa for an aggregate purchase price of $2.8 million. The remaining 15% interest was purchased from existing shareholders of Sativa Nativa, the Company not being one. Following the close of the transaction, the Company's interest in Sativa Nativa was diluted to 63% of the then total issued and outstanding shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

This Management's Discussion and Analysis ("MD&A") of Avicanna Inc. ("Avicanna" or the "Company") contains "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect the Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "objective", "predict", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "will", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties 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 or implied by the 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. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to:

- changes in general economic, market and business conditions and product demand;
- changing interest rates, income taxes and exchange rates;
- changes in the competitive environment in the markets in which the Company operates;
- changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- opportunities that may be presented to and pursued by the Company;
- the Company's ability to meet its working capital needs at the current level in the short term;
- expectations with respect to raising capital; and
- changes in prices of required commodities.

This MD&A is presented as of the date of the long form final prospectus dated July 8, 2019 ("Prospectus") and is current to that date unless otherwise stated. The MD&A should be read in conjunction with the Company's consolidated financial statements for the three months ended March 31, 2019 and March 31, 2018 and the accompanying notes thereto (collectively, "Financial Statements"). The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors on "xxx".

BUSINESS OVERVIEW AND CORPORATE STRUCTURE

Avicanna was incorporated under the *Business Corporations Act* (Ontario) on November 25, 2016.

We are an emerging biopharmaceutical company engaged in the research, development and commercialization of novel cannabinoid-based health, wellness, and medical products. We focus on plant-derived cannabinoid pharmaceuticals, therapeutics, derma-cosmetics, and active ingredients.

We aim to establish Avicanna as a global leader through our product discovery and development processes, our intellectual property portfolio, our supply chain controls, our strategic relationships, and our regulatory and scientific expertise.

Headquartered in the Johnson & Johnson Innovation centre, JLABS @ Toronto, Canada our scientific development team leverages the facilities to develop products that are validated with the active cannabinoid ingredients by researchers at the Leslie Dan Faculty of Pharmacy at The University of Toronto ("U of T Faculty of Pharmacy"). We further improve upon our products using the data received from our clinical research partners at University Health Network and U of T Faculty of Pharmacy before placing them into clinical trials.

Our network of academic and research institutions continues to grow, which further strengthens our reputation as a company that develops products based on sound scientific principles.

In November 2018, we signed contracts with The Hospital for Sick Children in Toronto, Canada ("SickKids") and The University of West Indies ("UWI") to perform clinical studies on humans for Avicanna's pharmaceutical products. These studies are anticipated to provide valuable data for at least two of Avicanna's pharmaceutical products and may provide a basis for applications for drug approvals.

During 2018, we acquired control of two subsidiaries located in Santa Marta, Colombia that are expected to use their federal authorizations to cultivate and process medical cannabis to produce active ingredients – whole plant extracts, as well as purified or isolated forms of cannabidiol ("CBD") and tetrahydrocannabinol ("THC"). We intend to use the active ingredients in our products, to greatly reduce the cost of production, as well as to increase revenues.

We are growing our network of strategic relationships with best-in-class institutions located around the world. These strategic partners assist Avicanna in achieving its business objectives ranging from high quality cultivation and manufacturing to world class scientific research and development to market leading distribution and sales.

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. 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.

SELECTED FINANCIAL INFORMATION

Three months ended March 31, 2019 and March 31, 2018

The following table sets forth a summary financial information for the Company for the three months ended March 31, 2019 and 2018. The selected financial information set out below may not be indicative of the Company's future performance.

	Three Months Ended March 31, 2019 **$**	**Three Months Ended March 31, 2018** **$**
Revenues	**24,023**	**33,507**
General and administrative	724,603	196,124
Consulting	246,094	531,438
Research and development	118,066	49,653
Professional fees	401,122	197,121
Board fees	6,699	26,369
Salaries and wages	930,702	211,741
Write off of biological asset	158,407	-
Selling, marketing and promotion	101,513	38,165
Share-based compensation	1,044,639	97,642
Depreciation and amortization	56,295	23,263
Total expenses	**(3,788,140)**	**(1,371,516)**
Other income (loss)		
Foreign exchange gain (loss)	(133,078)	33,768
Gain on acquisition	-	1,129,976
Gain on revaluation of derivative liability	4,134	-
Loss attributed from equity accounted investee	-	(27,607)
Interest income	7,585	5,949
Net loss	(3,885,476)	(195,923)
Non-controlling interest	(175,987)	(13,112)
Net loss attributable to shareholders of the Company	**(3,709,489)**	**(182,811)**
Exchange differences on translating foreign operations	(32,538)	(18,611)
Net comprehensive loss	(3,918,014)	(214,534)
Weighted average number of Common Shares outstanding – basic and diluted	15,885,863	11,268,271
Loss per share – basic and diluted	(0.25)	(0.02)

Revenue

Revenue for the three months ended March 31, 2019 was $24,023, compared to $33,507 for the same period in the prior year. The decrease in revenue is due to the legalization of recreational cannabis in Canada which has reduced demand for the services that My Cannabis provides.

Expenses

Expenses increased for the three months ended March 31, 2019, compared to the same period in 2018. The increase was driven by the following items:

- With the acquisition of Sativa Nativa S.A.S. ("Sativa Nativa") and Santa Marta Golden Hemp S.A.S ("SMGH") and the formation of Avicanna LATAM S.A.S. ("LATAM"), operational expenses in Colombia are included in the results for the three months ended March 31, 2019. When compared to the same period in 2018, SMGH and LATAM are excluded and only one month of Sativa Nativa's results are included as the acquisition was completed on February 28, 2018;

- The increase in general and administrative expenses is largely due to an increase in office, rent and travel costs. When compared to the same period in prior year, the Company incurred higher expenditures as a result of its ongoing efforts to expand its facilities in Colombia. Additionally, as mentioned above, the current period includes the consolidated results for the full three months ended as at March 31, 2019 for Sativa Nativa and SMGH, whereas the prior period only includes one month results from date of acquisition to March 31, 2018 for Sativa Nativa;

- Consulting expenses decreased for the current period when compared to the same period in prior year. The decrease is due to the Company hiring full time employees that were previously consultants for the Company;

- Research and development costs increased for the current period. The Company entered into key partnerships in 2019 when compared to the same period in 2018. In addition, the Company's internal research and development activities increased substantially in 2019, which included the purchase of supplies and tools;

- The increase in professional fees is due to the Company incurring higher costs as a result of its go public transaction when compared to the same period in the prior year;

- The increase in salaries and wages is driven by the Company's expansion efforts which has resulted in the Company incurring higher personnel costs. Additionally, certain personnel that were consultants in the same period of the prior year were hired as full time employees of the Company in the current period; and

- The increase in share based compensation is driven by the vesting of previously issued options and shares provided to consultants for services performed.

Other Items

Non-controlling interest represents the proportionate share of Sativa Nativa's and SMGH's minority interest shareholders. Losses arising from non-controlling interest increased during current period as the balance reflects the results of the operations of Sativa Nativa and SMGH. When compared to the same period in fiscal 2018, non-controlling interest only includes one month of results from Sativa Nativa as the Company did not acquire control of Sativa Nativa until February 28, 2018. The Company conducts business in US dollars, Canadian Dollars and Colombian Pesos. Gains and losses arise from time to time as a result of foreign currency exchange transactions conducted in the ordinary course of the Company's business.

REVIEW OF FINANCIAL POSITION AS AT MARCH 31, 2019 AND DECEMBER 31, 2018

The following provides a summary of the financial position of the Company as at March 31, 2019 and December 31, 2018.

	As at March 31, 2019 $	As at December 31, 2018 $
Assets		
Cash	483,318	69,295
Trade and other receivables	198,753	258,608
Prepaid assets	1,576,844	863,624
Property and equipment	16,675,615	16,256,136
Intangible assets	10,726,200	10,733,266
Investments	72	72
Total Assets	**29,660,802**	**28,181,001**
Liabilities and equity		
Amounts payable	2,485,738	1,455,565
Shareholder advance	331,320	331,320
Advance subscription	831,554	-
Convertible debentures	678,669	-
Derivative liability	97,335	-
Term loan	14,441	14,441
Total liabilities	4,439,057	1,801,326
Shareholder's equity	25,221,745	26,379,675
Total liabilities and shareholder's equity	**29,660,802**	**28,181,001**

Total Assets

Total assets as at March 31, 2019 were $29.66 million, compared to $28.20 million as at December 31, 2018. The increase in total assets between December 31, 2018 and March 31, 2019 was due to the following:

- Property and equipment increased by $419,479 from December 31, 2018 due to the development of Sativa Nativa's and SMGH's cultivation facilities, which resulted in adding certain equipment for research and development activities; and

- Prepaid assets increased during the three months ended March 31, 2019 by $713,220 from December 31, 2018 due to the prepayment of services to contractors for the development of the Sativa Nativa's and SMGH's cultivation sites, and down payments for additional extraction and laboratory equipment.

Total Liabilities

Total liabilities as at March 31, 2019 were $4,393,057 compared to $1,801,326 as at December 31, 2018. The difference is due to the following:

- Accounts payable increased significantly at March 31, 2019 due to accruals made for professional fees related to legal and accounting fees;

- During the period the Company issued convertible debentures that had a carrying amount of $678,669 and a derivative liability of $97,335 as at March 31, 2019; and

- During the period the Company collected $831,554 in advance subscription related to our special warrant offering (see subsequent events);

Shareholder's Equity

While the deficit from operations increased for the three months ended March 31, 2019 compared to the year ended December 31, 2018, the Company raised approximately $1.6 million as a result of the exercise of options and warrants. Additionally, the Company issued approximately $256,624 worth of shares to consultants for services provided. Furthermore, $914,415 worth of options were issued and vested during the period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows for the three months ended March 31, 2019 and March 31, 2018

Cash from Operating Activities

For the three months ended March 31, 2019 the Company generated a cash flow deficit from operations of $(2,313,872). Higher expenditures during this period resulted in the deficit.

Cash used in Investing Activities

For the three months ended March 31, 2019, cash flows used in investing activities was $(468,708). The cash flow deficit is due to expenditures related to capital asset purchases. The majority of the capital purchases relate to the construction of the cultivation facility.

There are currently two major projects that the Company is in the process of completing. The Company is constructing two cultivation facilities at the sites of SMGH and Sativa Nativa in Santa Marta, Colombia. Once the initial phase of construction is complete the Company will have approximately 120,000 square feet of indoor and outdoor greenhouse space at Sativa Nativa and approximately 270,000 square feet of indoor and outdoor greenhouse space at SMGH. The following breaks down the total expended to date and estimated funds remaining to complete the initial phase. The Company is anticipating the initial phase to be completed in the third quarter of 2019 and extraction to commence at that point.

		Expended to Date (as at March 31, 2019)		Remaining to Complete Initial Phase
Purchases made in connection with cultivation facilities	$	5,480,936	$	4,098,904

Based on the above, the Company is estimated to spend a total of $9,579,840 on the cultivation facilities. Once the initial phase is complete we commence extraction activities, which is anticipated in the third quarter of 2019.

In addition to the cultivation facilities, the Company is engaged in substantial research and development activities. The following summarizes amounts expended on commitments to key research partners to date and estimated amounts remaining over the next 12 months.

		Expended to Date (as at March 31, 2019)		Remaining spend – next 12 months as of March 31, 2019
Amounts expended for R&D partnerships	$	358,204	$	1,388,164

Based on the above the Company is expected to spend approximately $1,746,368 in total on its research and development commitments through its research partnerships over the next 12 months.

Cash from Financing Activities

Cash generated from financing activities totalled $3,196,603 for the three months ended March 31, 2019. The increase in cash generated from financing activities was the result of the Company issuing convertible debentures and proceeds from the exercise of warrants and options.

Liquidity and Capital Resources

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations and capital expenditures. As at March 31, 2019, the Company had working capital deficit of approximately $(1,389,697), with current assets of approximately $2.26 million and current liabilities of approximately $3.65 million. The Company is not planning to commence commercial activities until Q4 of fiscal 2019; therefore, in the interim period, the Company will not require significant working capital for inventory. As the Company continues to grow at a rapid pace, it requires funding for ongoing working capital, and to fund the capital projects underway in its subsidiaries. This funding need will continue to increase in the interim period. As such, the Company plans to raise additional funds by selling equity, and potentially liquidating some of its assets.

The anticipated cash required over the next 12 months includes the following:

Capital expenditures related to the construction of the cultivation facilities	$	4,098,904
Working capital requirements for tech transfers		299,500
General and administrative expenses		8,410,598
Total working capital and capital required		12,809,002

As noted above the Company will need to fund its activities over the next 12 months by raising additional capital for future plans. On April 15, 2019 the Company successfully completed the second tranche of a special warrant offering whereby the Company issued 2,228,328 Special Warrants at $8.00 each for aggregate gross proceeds of $17,826,624. The Company anticipates that this funding will allow it to operate for a 15 month period, prior to having to raise any additional funds.

COMMITMENTS AND CONTINGENCIES

Commitments

The Company has rental leases and other agreements for select research activities for which as at March 31, 2019 the Company is committed to pay the following amounts:

2019	$	410,081
2020		343,689
2021		238,689
2022		179,017
	$	1,171,476

In order to fund the above commitments and contingencies the Company plans to raise additional capital through equity issuances and potentially selling a stake in its assets. The Company currently has research agreements in place that will require funding per the terms of the agreements.

Contingencies

In the ordinary course of business and from time to time, Avicanna is involved in various claims related to operations, rights, commercial, employment or other matters. Although such matters cannot be predicted with certainty, management does not consider Avicanna's exposure to these claims to be material to these Financial Statements. As at March 31, 2019 and December 31, 2018 to the Company's knowledge, there were no claims against Avicanna.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than those described under commitments and contingencies above.

RELATED PARTY BALANCES AND TRANSACTIONS

Compensation expense for Avicanna's key management personnel for the three months ended March 31, 2019 and year ended December 31, 2018 is as follows:

	For the three months ended March 31, 2019	December 31, 2018
Salaries and benefits	162,500	671,433
Share-based compensation	-	34,000

Additionally, at the end of March 31, 2019 a minority shareholder of SMGH, Inmobiliaria Bondue S.A.S. ("Bondue") advanced funds in the amount of $331,320. Bondue is owned by Mr. Char who is also a director of the Company. The purpose of the advance was to fund the Company's working capital requirements.

CRITICAL ACCOUNTING ESTIMATES

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:

[i] Useful lives and impairment of property and equipment

Depreciation of property, plant and equipment is dependent upon management's estimate of the assets' useful lives. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

[ii] Share-based compensation

In calculating the share-based compensation expense, key estimates such as the value of the common shares, the rate of forfeiture of options granted, the expected life of the option, the volatility of the value of the Company's common shares and the risk free interest rate are used.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
Amounts payable	$ 2,485,738	$ 2,485,738	$ 2,485,738	$ -	$ -
	$ 2,485,738	$ 2,485,738	$ 2,485,738	$ -	$ -

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian dollars, which is also the Company's functional currency. [1]

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at March 31, 2019 and December 31, 2018.

Fair values

The carrying values of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables and funds held for investment approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the

[1] See "Other Items" in Selected Financial Information, which states: "The Company conducts business in US dollars, Canadian dollars and Colombian Pesos. At September 30, 2018, the Company held a significant amount of US dollars and Colombian Pesos."

Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

SUBSEQUENT EVENTS

On April 5, 2019, Mountain Valley MD Inc. ("MVMD") subscribed to and purchased 25% of the issued and outstanding shares of Sativa Nativa. As part of the transaction, MVMD directly subscribed for 17,892,248 shares of Sativa Nativa for an aggregate purchase price of $2.8 million. The remaining 15% interest was purchased from existing shareholders of Sativa Nativa, the Company not being one. Following the close of the transaction, the Company's interest in Sativa Nativa was diluted to 63% of the then total issued and outstanding shares.

On April 15, 2019 (the "Second Tranche Closing Date"), the Company completed the second tranche of a special warrant offering whereby the Company issued 2,228,328 Special Warrants at $8.00 each for aggregate gross proceeds of $17,826,624. As part of this transaction the Company incurred an issuance cost of $670,800. Each Special Warrant holder is entitled to receive upon conversion one unit (each, a "unit") of the Company with each unit consisting of one common share ("Common Share") in the capital of the Company and one half of one Common Share purchase warrant (each whole warrant, a "Warrant" and together with the common shares, "Underlying Securities") with each Warrant entitling the holder thereof to purchase one common share in the capital of the Company at a price of $10.00 for a period of two years after the closing date; subject to the Company's right to accelerate the expiry date of the Warrants upon thirty (30) days' notice in the event that the Common Shares become listed on a recognized stock exchange in Canada and the volume weighted average trading price of the Common Shares is equal to or exceeds $12.50 for a period of ten (10) consecutive trading days on such exchange. The Special Warrants issued will be automatically exercised into Underlying Securities, without any action, including additional payment, on the part of the Special Warrant holder, upon the earlier to occur of: (i) the date that is three business days following the date on which the Company obtains a receipt, from the applicable securities regulatory authorities, for the Prospectus, and (ii) the date that is 120 days following the Second Tranche Closing Date. Additionally, pursuant to the agency agreement, the Company issued to Sprott Capital Partners LP and Paradigm Capital Inc. 129,290 compensation units. Each compensation unit entitles the holder to acquire one Common Share and one half of one common share purchase warrant on the same terms as the units issuable on the automatic exercise of the Special Warrants. The Company received funds in advance of the Second Tranche Closing Date which gave rise to an advance subscription in the amount of $831,554.

SCHEDULE "B" – PRIMARY BUSINESS FINANCIAL STATEMENTS & MD&A

The following financial statements of My Cannabis, SN and SMGH have been prepared in accordance with IFRS and are attached hereto:

- Audited statements of income for the period of January 1, 2017 to May 31, 2017 of My Cannabis Inc. and audited statements of income for the period from the date of incorporation, April 29, 2016, to December 31, 2016.

- Management's discussion and analysis of operations, financial position and outlook of My Cannabis for the five month period ended May 31, 2017 and the period from the date of incorporation, April 29, 2016, to December 31, 2016.

- Audited statements for the period from January 1, 2018 to February 28, 2018, the year ended December 31, 2017 and from the date of incorporation, December 23, 2016 to December 31, 2016, including notes thereto for Sativa Nativa S.A.S.

- Management's discussion and analysis of operations, and financial position as at and for the period from January 1, 2018 to February 28, 2018, as at and for the year ended December 31, 2017 and as at and for the period from incorporation, December 23, 2016 to December 31, 2016 for Sativa Nativa S.A.S.

- Audited statements for the nine months ended September 30, 2018 and the year ended December 31, 2017 and from the date of incorporation, July 27, 2016, to December 31, 2016, including notes thereto for Santa Marta Golden Hemp S.A.S.

- Management's discussion and analysis of operations, and financial position as at and for the nine months ended September 30, 2018 and as at and for the year ended December 31, 2017 and from the date of incorporation, July 27, 2016, to December 31, 2016, for Santa Marta Golden Hemp S.A.S.

2516167 Ontario Inc. (o/a My Cannabis)
Financial Statements
For the Five Months Ended May 31, 2017 and from the date of incorporation, April 29, 2016 to December 31, 2016
(expressed in Canadian dollars, except share and per share amounts)

Independent Auditor's Report

To the Shareholders of 2516167 Ontario Inc. (o/a My Cannabis):

We have audited the accompanying financial statements of 2516167 Ontario Inc. (o/a My Cannabis) (the "Company"), which comprise the statements of financial position as at May 31, 2017 and December 31, 2016, and the statements of operations and comprehensive income, changes in shareholders' equity, and cash flows for the five months ended May 31, 2017 and for the period from the date of incorporation April 29, 2016 to December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of 2516167 Ontario Inc. as at May 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the five months ended May 31, 2017 for the period from the date of incorporation April 29, 2016 to December 31, 2016 in accordance with International Financial Reporting Standards.

MNP LLP

Mississauga, Ontario
July 8, 2019

Chartered Professional Accountants
Licensed Public Accountants

2516167 Ontario Inc. (o/a My Cannabis)
Statements of Financial Position
As at, May 31, 2017 and December 31, 2016
(Expressed in Canadian Dollars)

		May 31, 2017		December 31, 2016
ASSETS				
Current assets				
Cash	$	9,729	$	5,093
Amounts receivable		1,726		3,164
	$	**11,455**	**$**	**8,257**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade and other payables (Note 6)	$	908	$	-
Income tax payable (Note 6)		1,599		860
Dividends payable (Notes 4, 6)		10,000		-
		12,507		**860**
Shareholders' equity				
Share capital (Note 4)		200		200
Retained (Deficit) earnings		(1,252)		7,197
		(1,052)		**7,397**
	$	**11,455**	**$**	**8,257**

Subsequent events (Note 8)

The accompanying notes are an integral part of these financial statements.

2516167 Ontario Inc. (o/a My Cannabis)
Statements of Operations and Comprehensive Income
For the periods noted below
(Expressed in Canadian Dollars)

		For the five months ended May 31, 2017		From the date of incorporation, April 29, 2016 to December 31, 2016
Revenues				
Service revenue	$	4,786	$	8,662
Expenses				
Advertising and promotion		1,521		-
General and administration		975		605
		2,496		605
Net income before income taxes		**2,290**		**8,057**
Income tax expense		739		860
Net income	**$**	**1,551**	**$**	**7,197**
Weighted average number of common shares, basic and diluted		20,000		20,000
Net Income per share, basic and diluted (Note 5)	**$**	0.08	$	0.36

The accompanying notes are an integral part of these financial statements.

2516167 Ontario Inc. (o/a My Cannabis)
Statement of Changes in Shareholders' Equity
For the Five Months Ended May 31, 2017 and From the Date of Incorporation, April 29, 2016 to December 31, 2016
(Expressed in Canadian Dollars)

	Common Shares		**Retained Earnings (Deficit)**	**Total**
	#	$	$	$
Balance at April 29, 2016	**-**	**-**	**-**	**-**
Issuance of common shares to founders (Note 4(c)(i))	20,000	200	-	200
Net income	-	-	7,197	7,197
Balance at December 31, 2016	**20,000**	**200**	**7,197**	**7,397**
Dividends declared (Note 4(c)(ii))	-	-	(10,000)	(10,000)
Net income	-	-	1,551	1,551
Balance at May 31, 2017	**20,000**	**200**	**(1,252)**	**(1,052)**

The accompanying notes are an integral part of these financial statements.

2516167 Ontario Inc. (o/a My Cannabis)
Statements of Cash Flows
For the periods noted below
(Expressed in Canadian Dollars)

	For the five months Ended May 31, 2017	From the date of incorporation April 29, 2016 to December 31, 2016
Cash flows from operating activities		
Net Income	$ 1,551	$ 7,197
Changes in working capital		
Trade and other receivables	1,438	(3,164)
Income tax payable	739	860
Trade and other payables	908	-
Cash generated from operating activities	**4,636**	**4,893**
Cash flows from financing activities		
Proceeds from issuance of founder's shares	-	200
Cash generated from financing activities	**-**	**200**
Net increase in cash	**$ 4,636**	**$ 5,093**
Cash, beginning of period	5,093	-
Cash, end of period	**$ 9,729**	**$ 5,093**

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

2516167 Ontario Inc. (o/a My Cannabis) ("My Cannabis" or the "Company") is a medical cannabis on-boarding and data collection company. The Company was incorporated in Ontario on April 29, 2016. Through the Company's activities, an understanding is built of the potential therapeutic and medical benefits of cannabinoid products for a wide range of symptoms and conditions. In particular, My Cannabis collects data from registered patients relating to: (i) indications/symptoms addressed; (ii) source of cannabinoid products; (iii) types of cannabinoid products; (iv) frequency of use; and (v) use of other medications in combination with cannabinoid products. My Cannabis generates this information during the patient on-boarding process where patients provide information related to the use of cannabis, as well as their specific medical ailments they use cannabis to treat. My Cannabis also regularly follows-up with registered patients to review the use and effectiveness of the medical cannabis treatment. Data collected by My Cannabis is correlated and used to increase awareness about the potential therapeutic benefits of cannabinoids and to assist with product and clinical development plans.

2. BASIS OF PRESENTATION

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein as issued by International Accounting Standards Board ("IASB"). The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

These financial statements have been prepared on a historical cost basis. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services. These financial statements are presented in Canadian dollars, which is the Company's functional currency.

These financial statements were approved and authorized for issuance by the Company's Board of Directors on July 8, 2019.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue recognition

Revenue from the sale of products is recognized when all of the following criteria have been satisfied: significant risks and rewards of ownership have been transferred to the buyer, there is no continuing managerial involvement with respect to the goods sold, revenue can be reliably measured at the fair value of consideration received or expected to be received, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the statements of net loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the year.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the year, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive loss or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Company initially recognizes financial assets at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial assets as financial assets at fair value through profit or loss or loans and receivables. The Company does not have assets that would be classified as available-for-sale financial assets or held-to-maturity financial assets.

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the consolidated statements of net operations and comprehensive loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Classification	
Cash	Loans and receivables
Trade and other receivables	Loans and receivables
Trade and other payables	Other liabilities

Impairment of financial assets

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initially recognizing the financial asset, the present value of estimated future cash flows determined based on the instrument's original effective interest rate are lower than the asset's carrying amount. When an impairment has been identified, the financial asset's carrying amount is reduced through the use of an allowance account, with changes in the carrying amount recognized in profit or loss. Subsequent recoveries of amounts previously written off are adjusted against the allowance account.

New standards, amendments and interpretations not yet adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

(i) IFRS 9 - Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company is in the process of evaluating the impact of IFRS 9 on the Company's financial statements.

(expressed in Canadian dollars, except share and per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations not yet adopted by the Company (continued)

(ii) IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")
In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses of non-financial assets. This new accounting guidance will also result in enhanced disclosures about revenue. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. The Company is in the process of evaluating the impact of IFRS 15 on the Company's financial statements.

(iii) IFRS 16 - Leases ("IFRS 16")
In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

4. SHARE CAPITAL

(a) The authorized share capital of the Company consists of an unlimited number of class A common shares.

(b) As at May 31, 2017 the Company had 20,000 class A common shares issued and outstanding (December 31, 2016 – 20,000).

(c) Transactions

Common Shares	Number of Shares	Value of Shares $
Share issuance April 2016 (i)	20,000	200
	20,000	**200**

(i) On April 29, 2016, the Company issued 20,000 common shares to the Company's Founders for total cash proceeds of $200.
(ii) On May 31, 2017, the Company declared a dividend of $10,000 to the outstanding common shareholders of the company.

5. EARNINGS PER SHARE

The calculation of earnings per share for the five-months ended May 31, 2017 was calculated to be $0.08 per common share (December 31, 2016 - $0.36), based on the net income attributable to common shareholders of $1,551 (From date of incorporation April 29, 2016 to December 31, 2016 – $7,197) and a weighted average number of common shares outstanding of 20,000 (December 31, 2016 – 20,000). There is no effect on the earnings per share calculation from potentially dilutive instruments.

(expressed in Canadian dollars, except share and per share amounts)

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
Income taxes payable	$ 1,599	$ 1,599	$ 1,599	$ -	$ -
Dividends payable	10,000	10,000	10,000	-	-
Trade and other payables	908	908	908	-	-
	$ 12,507	**$ 12,507**	**$ 12,507**	**$ -**	**$ -**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at May 31, 2017 and December 31, 2016.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Fair values

The carrying values of cash, amounts receivable and trade and other payables approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash is classified as a Level 1 financial instrument. Amounts receivable and trade and other payables are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

7. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets, as well as with consideration of externally imposed capital requirements. The Company has generated positive earnings and positive cash flows since inception however, in order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt.

The Company considers cash and common shares as its capital. During the period, the Company's strategy was to obtain enough capital to cover its expenses.

8. SUBSEQUENT EVENTS

On June 1, 2017 the 100% Company was acquired by Avicanna Inc. The total purchase price was satisfied by the issuance of 200,000 common shares of Avicanna Inc. at a deemed issue price of $0.70 per common share, resulting in a total purchase price of $140,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

This Management's Discussion and Analysis ("MD&A") of 2516167 Inc. ("My Cannabis" or the "Company") contains "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words 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 statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forwardlooking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties 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 or implied by the 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. Accordingly, readers should not place undue reliance on forwardlooking statements.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forwardlooking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the
Company's ability to obtain the necessary financing and the general impact of financial market conditions, product demand, changes in prices of required commodities, competition, government regulations and other risks.

This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. The MD&A should be read in conjunction with the Company's financial statements for the five months ended May 31, 2017 and from the date of incorporation, April 29, 2016 to December 31, 2016 and the accompanying notes thereto ("Financial Statements").

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors on July 8, 2019.

BUSINESS OVERVIEW

My Cannabis was incorporated under the *Business Corporations Act* (Ontario) on April 29, 2016.

The Company is a medical cannabis on-boarding and data collection company in Canada. Through the activities of My Cannabis, we build our understanding of the potential therapeutic and medical benefits of cannabinoid products for a wide range of symptoms and conditions. In particular, My Cannabis collects data from registered patients relating to: (i) indications/symptoms addressed; (ii) source of cannabinoid products; (iii) types of cannabinoid products; (iv) frequency of use; and (v) use of other medications in combination with cannabinoid products. My Cannabis generates this information during the patient on-boarding process where patients provide information related to the use of cannabis, as well as their specific medical ailments they use cannabis to treat. My Cannabis also regularly follows-up with registered patients to review the use and effectiveness of the medical cannabis treatment. Data collected by My Cannabis is correlated and used to increase our awareness about the potential therapeutic benefits of cannabinoids.

SELECTED FINANCIAL INFORMATION

Five months ended May 31, 2017 and May 31, 2016

The following table sets forth a summary financial information for the Company for the five months ended May 31, 2017 and the period from the date of incorporation, April 29, 2016 to December 31, 2016 ("2016"). The selected financial information set out below may not be indicative of the Company's future performance.

	Five months ended May 31, 2017 **$CAD**	**From the date of incorporation, April 29, 2016 to December 31, 2016** **$CAD**
Revenues	4,786	8,662
General and administrative expenses	2,496	605
Income tax expense	739	860
Net Income	1,551	7,197
Net Income per share, basic and diluted	0.08	0.36
Weighted average number of common shares outstanding – basic and diluted	20,000	20,000

Revenue

Revenue for the five months ended May 31, 2017 was $4,786 compared to revenue in 2016 of $8,662. The lower revenue in 2017 is attributable to results being reflected for five months of operations as compared to eight months in 2016.

Expenses

Expenses increased for the five months ended May 31, 2017 compared to the eight months of operation in 2016. The increase in expenses in 2017 are as a result of growth incurred in the business when compared to 2016, where the company was still in its infancy stages. The chart below summarizes the general and administrative expenses for the five months ended May 31, 2017 and from the date of incorporation, April 29, 2016 to December 31, 2016.

	2017	**2016**
Advertising and promotion	1,521	-
Administrative	975	605
	2,496	**605**

REVIEW OF FINANCIAL POSITION AS AT MAY 31, 2017 AND DECEMBER 31, 2016

The following provides a summary of the financial position of the Company as at May 31, 2017 and December 31, 2016.

	As at May 31, 2017 $CAD	December 31, 2016 $CAD
Assets		
Cash and cash equivalents	9,729	5,093
Accounts receivable	1,726	3,164
Total Assets	**11,455**	**8,257**
Liabilities and Equity		
Trade and other payables	908	-
Income tax payable	1,599	860
Dividends payable	10,000	-
Total Liabilities	12,507	860
Shareholder's (deficit) equity	(1,052)	7,397
Total Liabilities and Shareholder's Equity	**11,455**	**8,257**

Total Assets

Total assets as at May 31, 2017 were $11,455, compared to $8,257 as at December 31, 2016. The increase in total assets between December 31, 2016 and May 31, 2017 was due to the following:

- Current assets increased $3,198 from December 31, 2016 due to the increase in cash slightly offset by a reduction in receivables.

Total Liabilities

Current liabilities as at May 31, 2017 were $12,507 compared to $860 as at December 31, 2016. The difference is due to the following:

- Accounts payable increased by $908 at May 31, 2017 due to accruals made for professional fees.

- Dividends payable increased by $10,000 as a result of dividends declared to shareholders during the period that were unpaid as at May 31, 2017.

Shareholder's Equity

Deficit from operations increased for the five months ended May 31, 2017 compared to December 31, 2016 as a result of declaration of dividends that occurred during the period which was partially offset by the earnings in the period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows for the five months ended May 31, 2017

Cash from Operating Activities

During the period from December 31, 2016 to May 31, 2017 the Company generated a cash flow surplus from operations of $4,636. The surplus is a result of an increase in business during the period.

Liquidity and Capital Resources

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations and capital expenditures. As at May 31, 2017 the Company had working capital deficit of approximately $(1,052), with current assets of approximately $11,455 and current liabilities of approximately $12,507.

COMMITMENTS AND CONTINGENCIES

As at May 31, 2017 and December 31, 2016, the Company had no commitments or contingencies

OFF BALANCE SHEET ARRANGEMENTS

As at May 31, 2017 and December 31, 2016, the Company had no off-balance sheet arrangements

RELATED PARTY BALANCES AND TRANSACTIONS

There were no related party transactions that occurred during the periods ending May 31, 2017 and December 31, 2016.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NEW ACCOUNTING PRONOUNCEMENTS

New standards, amendments and interpretations not yet adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

(i) IFRS 16 - Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company has evaluated IFRS 16 and concluded that there is no impact on the Company's financial statements.

(ii) IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has begun the process of evaluating the impact of this standard on its financial statements and does not anticipate material changes to the financial statements.

(iii) IFRS 15 - Revenue from contracts with customers ("IFRS 15")

Effective January 1, 2018, the Company will adopt IFRS 15, issued in May 2014, and amended in September 2015 and April 2016. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. In accordance with the transitional provisions in IFRS 15, the Company elected to adopt the new standard using the modified retrospective approach. The Company expects no impact of adopting IFRS 15 on the Company's financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows			
			Year 1	Year 2	Year 3
Income taxes payable	$ 1,599	$ 1,599	$ 1,599	$ -	$ -
Dividends payable	10,000	10,000	10,000	-	-
Trade and other payables	908	908	908	-	-
	$ 12,507	$ 12,507	$ 12,507	$ -	$ -

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian dollars, which is also the Company's functional currency.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices [other than those arising from interest rate risk or currency risk], whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at December 31, 2017.

Fair values

The carrying values of cash, amounts receivable and trade and other payables approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash is classified as Level 1 financial instruments. Amounts receivable and trade and other payables are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

SUBSEQUENT EVENTS

On June 1, 2017 the 100% Company was acquired by Avicanna Inc. The total purchase price was satisfied by the issuance of 200,000 common shares of Avicanna Inc. at a deemed issue price of $0.70 per common share, resulting in a total purchase price of $140,000.

Sativa Nativa S.A.S.
Financial Statements
For the Two Months Ended February 28, 2018 and
the Year Ended December 31, 2017
(Expressed in Canadian dollars, except share and per share amounts)

Independent Auditor's Report

To the Shareholders of Sativa Nativa S.A.S.

We have audited the accompanying financial statements of Sativa Nativa S.A.S. which comprise the statements of financial position as at February 28, 2018 and December 31, 2017, and the statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the two months ended February 28, 2018 and the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sativa Nativa S.A.S. as at February 28, 2018 and December 31, 2017, and its financial performance and its cash flows for the for the two months ended February 28, 2018 and the year ended December 31, 2017 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which highlights the existence of material uncertainty relating to conditions that cast significant doubt on Avicanna Inc.'s ability to continue as a going concern.

MNP LLP

Mississauga, Ontario
July 8, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

Sativa Nativa S.A.S.
Statements of Financial Position
For the Two Months Ended February 28, 2018 and the Year Ended December 31, 2017
(Expressed in Canadian Dollars)

		February 28, 2018		December 31, 2017
ASSETS				
Current assets				
Cash	$	254,383	$	5,793
Amounts receivable (Note 4)		37,186		337
Prepaid assets		237,150		20,213
Total current assets		528,719		26,343
Property and equipment (Note 5)		157,420		84,324
Due from shareholders (Note 7)		346,814		6,451
Intangible assets (Note 6)		10,449		6,675
	$	1,043,402	$	123,793
LIABILITIES				
Current liabilities				
Amounts payable	$	53,583	$	2,353
		53,583		2,353
Shareholder's Equity				
Share capital (Note 8)		1,103,876		156,632
Accumulated comprehensive income		9,623		168
Deficit		(123,680)		(35,360)
		989,819		121,440
	$	1,043,402	$	123,793

Nature of Operations and Going Concern (Note 1)
Commitments (Note 11)
Subsequent Events (Note 13)

The accompanying notes are an integral part of these financial statements.

Sativa Nativa S.A.S.
Statements of Operations and Comprehensive Loss
For the Two Months Ended February 28, 2018 and the Year Ended December 31, 2017
(Expressed in Canadian Dollars)

		Two Months Ended February 28, 2018		Year Ended December 31, 2017
Expenses				
General and administrative expenses	$	55,401	$	-
Bank charges and interest		511		650
Professional fees		32,408		34,710
Loss from operations		(88,320)		(35,360)
Net loss	**$**	**(88,320)**	**$**	**(35,360)**
Exchange differences on translation of foreign operations		9,455		168
Net comprehensive loss		**(78,865)**		**(35,192)**
Weighted average number of common shares outstanding – basic and dilutive		98,738,203		55,180,181
Net loss per share – basic and dilutive (Note 7)	**$**	**(0.0009)**	**$**	**(0.0006)**

The accompanying notes are an integral part of these financial statements.

Sativa Nativa S.A.S.
Statement of Changes in Shareholders' Equity
For the Two Months Ended February 28, 2018 and the Year Ended December 31, 2017
(Expressed in Canadian Dollars)

	Common Shares		Deficit	Accumulated Other Comprehensive Income	Total
	#	$	$	$	$
Balance at December 31, 2016	-	-	-	-	-
Issuance of common shares (Note 8)	97,520,202	156,632	-	-	156,632
Foreign exchange translation	-	-	-	168	168
Net loss	-	-	(35,360)	-	(35,360)
Balance at December 31, 2017	**97,520,202**	**156,632**	**(35,360)**	**168**	**121,440**
Issuance of common shares (Note 8)	63,510,032	947,244	-	-	947,244
Foreign exchange translation	-	-	-	9,455	9,455
Net loss	-	-	(88,320)	-	(88,320
Balance at February 28, 2018	**161,030,234**	**1,103,876**	**(123,680)**	**9,623**	**989,819**

The accompanying notes are an integral part of these financial statements.

Sativa Nativa S.A.S.
Statements of Cash Flows
For the Two Months Ended February 28, 2018 and the Year Ended December 31, 2017
(Expressed in Canadian Dollars)

	For the Two Month Ended February 28, 2018	For the Year Ended December 31, 2017
Cash flows from operating activities:		
Net loss	$ (88,320)	$ (35,360)
Foreign exchange translation	9,455	168
Changes in operating assets and liabilities:		
Amounts receivable	(36,849)	(337)
Prepaid assets	(216,937)	(20,213)
Amounts payable	51,230	2,353
	(281,421)	**(53,389)**
Cash flows from investing activities:		
Development of intangible assets	(3,774)	(6,675)
Purchase of property and equipment	(73,096)	(84,324)
	(76,870)	**(90,999)**
Cash flows from financing activities:		
Related party advances	(340,363)	(6,451)
Equity issuance for cash	947,244	156,632
	606,881	**150,181**
Net increase in cash	**248,590**	**5,793**
Cash, beginning of period	**5,793**	**-**
Cash, end of period	**$ 254,383**	**$ 5,793**

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Sativa Nativa S.A.S. ("Sativa Nativa" or the "Company") was formed in Santa Marta, Colombia. The Company is engaged with the development and harvesting of medical cannabis in Colombia. To date, the Company has not generated significant revenues from its operations and is considered to be in development stage.

As at December 31, 2017, the Company has an accumulated deficit of $123,680 (2017 – $35,360), cash of $254,383 (2017 – $5,793), and working capital of $475,136 (2017 – $23,990). The Company will need to raise additional financing to continue operations, product development and clinical research and there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern.

These financial statements have been prepared on a going concern basis which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein as issued by International Accounting Standards Board ("IASB"). The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements were approved and authorized for issuance by the Company's Board of Directors on July 8, 2019.

Basis of presentation

These financial statements have been prepared on a historical cost basis. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services. These financial statements are presented in Canadian dollars; however the functional currency of the Company is the Colombian Peso.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2. BASIS OF PRESENTATION (continued)

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Translation differences from the Company's functional currency to the presentation currency herein, are recorded in the statement of operations and comprehensive loss.

Use of judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Estimated useful life of long-lived assets
Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Impairment of long-lived assets
Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. For the purposes of measuring recoverable values, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable value is the greater of an asset's fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value.

Provisions
Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements of financial position and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company. The adequacy of provisions is regularly assessed as new information becomes available.

2. BASIS OF PRESENTATION (continued)

Use of judgments, estimates and assumptions (continued)

Income taxes
Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The Company's effective income tax rate can vary significantly for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash include cash-in-hand or deposits held with banks. The Company does not invest in any asset-backed deposits or investments.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. All other repair and maintenance costs are recognized in the statements of operations and comprehensive loss.

The initial cost of property and equipment comprises its purchase price or construction cost and any costs directly attributable to bringing it to a working condition for its intended use. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset. Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for as separate items of property and equipment.

For all property and equipment, depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is calculated starting on the date that property and equipment is available for its intended use. For all other property and equipment, depreciation is calculated using the declining balance method using the following annual rates:

	Annual rate
Equipment	20%

Construction-in-progress includes property and equipment in the course of construction and is carried at cost less any recognized impairment charge. These assets are reclassified to the appropriate category of property and equipment and depreciation of these assets commences when they are completed and ready for their intended use.

Intangible assets

Intangible assets acquired separately are measured upon initial recognition at cost, which comprises the purchase price plus any costs directly attributable to the preparation of the asset for its intended use. Intangible assets acquired through business combinations or asset acquisitions are initially recognized at fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment charges.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

All intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

	Estimated useful life (years)
Licenses	20-25

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets require the use of estimates and assumptions and are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense attributable to an intangible asset is recognized in the statements of operations and comprehensive loss in the expense category consistent with the function of the intangible asset.

Impairment of non-financial assets

Impairment of non-financial assets Long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or "CGU"). An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use (being the present value of expected future cash flows of the asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized.

Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the taxable loss or income for the period. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred income tax

Deferred income tax is provided on temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be generated in future periods to utilize these deductible temporary differences.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be generated to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be generated to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred tax (continued)
Judgment is required in determining whether deferred income tax assets and liabilities are recognized on the statement of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in order to utilize the deferred income tax assets. Estimates of future taxable income are based on forecasted cash flows from operations or other activities. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded on the reporting date could be impacted.

Financial Instruments

The Company has adopted IFRS 9 with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairments model.

The standard contains three classifications categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Valuation techniques based on inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices); and

Level 3 Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018 had no impact on the measurement of financial instruments, which are summarized in the following table:

	Previous classification	**Classification under IFRS 9**
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Prepaid assets	Other assets	Amortized cost
Amounts payable	Other liabilities	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated and applied from January 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The changes in accounting policies will also be reflected in the Company's financial statements as at and for the year ending December 31, 2018. The Company has adopted IFRS 9 retrospectively, and the adoption of IFRS 9 did not result in any transition adjustments being recognized as at January 1, 2018.

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated as described below. There was no impact on the financial statements for the two months ending February 28, 2018.

(i) Financial assets

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Where the fair values of financial assets recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to this model are derived from observable market date where possible, but where observable market data is not available, judgement is required to establish fair values.

(ii) Impairment of financial assets

For amounts receivable, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all amounts receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience, the past due status, the existence of third-party insurance and forward-looking macroeconomic factors.

(iii) Financial liabilities

Non-derivative financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include amounts payable and debt which are each measured at amortized cost.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statements of operations and comprehensive loss.

(expressed in Canadian dollars, except share and per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations not yet adopted by the Company
The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

(iii) IFRS 16 - Leases ("IFRS 16")
In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

(iv) IFRIC 23 – Uncertainty over Income Tax Treatment ("IFRIC 23")
In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual period beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company's financial statements.

4. AMOUNTS RECEIVABLE

The Company's accounts receivable consists of sales tax receivable. The breakdown of the receivable amounts are as follows:

		February 28, 2018		December 31, 2017
Sales tax receivable	$	756		337
Other receivables		36,430		-
Total amounts receivable	**$**	**37,186**	**$**	**337**

5. PROPERTY AND EQUIPMENT

		Equipment		Land		Construction in Progress		Total
Cost								
Balance at December 31, 2017	$	-	$	84,324	$	-	$	84,324
Additions		8,265		-		64,831		73,096
Disposals		-		-		-		-
At February 28, 2018	$	8,265	$	84,324	$	64,831	$	157,420

(expressed in Canadian dollars, except share and per share amounts)

5. PROPERTY AND EQUIPMENT (continued)

	Equipment	Land	Construction in Progress	Total
Accumulated Amortization				
Balance at, December 31, 2017	$ -	$ -	$ -	$ -
Amortization	-	-	-	-
Disposals	-	-	-	-
At February 28, 2018	$ -	$ -	$ -	$ -

	Equipment	Land	Construction in Progress	Total
Net Book Value				
December 31, 2017	$ -	$ 84,324	$ -	$ 84,324
February 28, 2018	$ 8,265	$ 84,324	$ 64,831	$ 157,420

	Equipment	Land	Construction in Progress	Total
Cost				
Balance at December 31, 2016	$ -	$ -	$ -	$ -
Additions	-	84,324	-	84,324
Disposals	-	-	-	-
At December 31, 2017	$ -	$ 84,324	$ -	$ 84,324

	Equipment	Land	Construction in Progress	Total
Accumulated Amortization				
Balance at, December 31, 2016	$ -	$ -	$ -	$ -
Amortization	-	-	-	-
Disposals	-	-	-	-
At December 31, 2017	$ -	$ -	$ -	$ -

	Equipment	Land	Construction in Progress	Total
Net Book Value				
December 31, 2016	$ -	$ -	$ -	$ -
December 31, 2017	$ -	$ 84,324	$ -	$ 84,324

During the two-month period ended February 28, 2018, the Company recorded $nil in amortization (2017 - $11,777). All depreciable assets remain under development and therefore, $nil amortization has been expensed to date.

(expressed in Canadian dollars, except share and per share amounts)

6. INTANGIBLE ASSETS

		Licenses and Permits
Cost		
At December 31, 2016	$	-
Additions		6,675
At December 31, 2017	**$**	**6,675**

		Licenses
Accumulated Amortization		
At December 31, 2016	$	-
Additions		-
At December 31 2017	**$**	**-**

		Licenses and Permits
Net Book Value		
At December 31, 2016	$	-
At December 31, 2017	$	6,675

		Licenses
Cost		
At December 31, 2017	$	6,675
Additions		3,774
At February 28, 2018	**$**	**10,449**

		Licenses
Accumulated Amortization		
At December 31, 2017	$	-
Additions		-
At February 28, 2018	**$**	**-**

		Licenses
Net Book Value		
At December 31, 2017	$	6,675
At February 28, 2018	$	10,449

During the two-month period ended February 28, 2018, the Company recorded $nil in amortization (2017 - $11,777). Licenses remain under development and therefore, $nil amortization has been expensed to date.

7. RELATED PARTY TRANSACTIONS

The due from related parties consisted of amounts due from certain shareholders for share subscriptions. These shareholders owe the Company $346,814 (2017 – 6,451). The terms of the advance are non-interest bearing with no repayment schedules.

(expressed in Canadian dollars, except share and per share amounts)

8. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares and unlimited number of preferred shares.

Reconciliation of the Company's share capital is as follows:

Common Shares	Number of Shares	Share capital ($)
Balance at December 31, 2016	-	-
Share issuance August 2017 (i)	97,520,202	156,632
Share issuance February 2018 (ii)	63,510,032	947,244
	161,030,234	**1,103,876**

[i] In August 2017, the Company issued 97,520,202 common shares for $156,632. There were no issuance costs.
[ii] On February 21, 2018, the Company issued 63,510,032 common shares for $947,244. There were no issuance costs.

9. EARNINGS PER SHARE

The calculation of earnings per share for the two months ended February 28, 2018 was based on the net loss attributable to common shareholders of $88,320 (2017 – 35,360) and a weighted average number of common shares outstanding of 98,738,203 (2017 – 55,180,181) calculated as follows:

		2018		**2017**
Basic and diluted loss per share				
Net loss	$	(88,320)	$	(35,360)
Average number of common shares outstanding during the year		98,738,203		55,180,181
Loss per share	**$**	**(0.0009)**	**$**	**(0.0006)**

10. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

10. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Colombian Pesos, which is also the Company's functional currency.

Fair values

The carrying values of cash securities, trade and other receivables, trade and other payables and funds held for investment approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

11. COMMITMENTS

The Company has rental leases for office space that it entered into in 2018, the following represent the commitments for this rental space:

		2018
2018	$	9,675
2019		3,870
	$	13,545

(expressed in Canadian dollars, except share and per share amounts)

12. INCOME TAXES

Current tax

The reconciliation of the combined Columbian statutory income tax rate of 40% (2017 – 40%) to the effective tax rate is as follows:

	2018 $	2017 $
Net loss before recovery of income taxes	(88,320)	(35,360)
Expected income tax recovery	(35,330)	(14,140)
Change in deferred tax asset not recognized	35,330	14,140
Income tax expense (recovery)	-	-

Deferred tax

Unrecognized deferred tax assets
Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2018 $	2017 $
Losses carried forward - Columbia	123,680	35,360
	123,680	35,360

The Columbian loss carry forwards expire as follows:

	$
2029	35,360
2030	88,320
	123,680

13. SUBSEQUENT EVENTS

On April 5, 2019 Mountain Valley MD Inc. ("MVMD") subscribed to and purchased 25% of the issued and outstanding shares of Sativa Nativa. As part of the transaction, MVMD directly subscribed for 17,892,248 shares of Sativa Nativa for an aggregate purchase price of $2.8 million. The remaining 15% interest was purchased from existing shareholders of Sativa Nativa for an aggregate purchase price of $4.2 million.

Sativa Nativa S.A.S.
Financial Statements
For the Year Ended December 31, 2017 and
the period from incorporation December 23, 2016 to December 31, 2016
(Expressed in Canadian dollars, except share and per share amounts)

Independent Auditor's Report

To the Shareholders of Sativa Nativa S.A.S.

We have audited the accompanying financial statements of Sativa Nativa S.A.S. which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended December 31, 2017 and the period from the date of incorporation, December 23, 2016, to December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sativa Nativa S.A.S. as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the year ended December 31, 2017 and for the period from the date of incorporation, December 23, 2016, to December 31, 2016 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which highlights the existence of material uncertainty relating to conditions that cast significant doubt on Avicanna Inc.'s ability to continue as a going concern.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
July 8, 2019

MNP

Sativa Nativa S.A.S.
Statements of Financial Position
For the Year Ended December 31, 2017 and the period from incorporation December 23, 2016 to December 31, 2016
(Expressed in Canadian Dollars)

		December 31, 2017		December 31, 2016
ASSETS				
Current assets				
Cash	$	5,793	$	-
Amounts receivable (Note 4)		337		-
Prepaid assets		20,213		-
Total current assets		26,343		-
Property and equipment (Note 5)		84,324		-
Due from related parties (Note 7)		6,451		
Intangible assets (Note 6)		6,675		-
	$	123,793	$	-
LIABILITIES				
Current liabilities				
Trade and other payables	$	2,353	$	-
		2,353		-
Shareholder's Equity				
Share capital (Note 8)		156,632		-
Accumulated comprehensive income		168		
Deficit		(35,360)		-
		121,440		-
	$	123,793	$	-

Nature of Operations and Going Concern (Note 1)
Commitments (Note 12)
Subsequent Events (Note 14)

Approved by the Board

The accompanying notes are an integral part of these financial statements.

Sativa Nativa S.A.S.
Statements of Operations and Comprehensive Loss
For the Year Ended December 31, 2017 and the period from incorporation December 23, 2016 to December 31, 2016
(Expressed in Canadian Dollars)

	Year Ended December 31, 2017	Period Ended December 31, 2016
Expenses		
Bank charges and interest	$ 650	$ -
Consulting fees	34,014	-
Professional fees	696	-
Loss from operations	(35,360)	-
Net loss	**$ (35,360)**	**$ -**
Exchange differences on translation of foreign operations	168	-
Net comprehensive loss	**(35,192)**	**-**
Weighted average number of common shares outstanding – basic and dilutive	55,180,181	-
Net loss per share – basic and dilutive (Note 9)	**$ (0.0006)**	**$ -**

The accompanying notes are an integral part of these financial statements.

Sativa Nativa S.A.S.
Statement of Changes in Shareholders' Equity
For the Year Ended December 31, 2017 and the period from incorporation December 23, 2016 to December 31, 2016
(Expressed in Canadian Dollars)

	Common Shares		Deficit	Accumulated Other Comprehensive Income	Total
	#	$	$	$	$
Balance at December 23, 2016	**-**	**-**	**-**	**-**	**-**
Net loss	-	-	-	-	-
Balance at December 31, 2016	**-**	**-**	**-**	**-**	**-**
Issuance of units (Note 8)	97,520,202	156,632	-	-	156,632
Foreign exchange translation	-	-	-	168	168
Net loss	-	-	(35,360)	-	(35,360)
Balance at December 31, 2017	**97,520,202**	**156,632**	**(35,360)**	**168**	**121,440**

The accompanying notes are an integral part of these financial statements.

Sativa Nativa S.A.S.
Statements of Cash Flows
For the Year Ended December 31, 2017 and the period from incorporation December 23, 2016 to December 31, 2016
(Expressed in Canadian Dollars)

	For the Year Ended December 31, 2017	For the Period Ended December 31, 2016
Cash flows from operating activities:		
Net loss	$ (35,360)	$ -
Exchange differences on translation of foreign operations	168	-
Changes in operating assets and liabilities:		
Amounts receivable	(337)	-
Prepaid assets	(20,213)	-
Trade and other payables	2,353	-
	(53,389)	**-**
Cash flows from investing activities:		
Purchase of capital assets	(90,999)	-
	(90,999)	**-**
Cash flows from financing activities:		
Related party advances	(6,451)	-
Equity issuance for cash	156,632	-
	150,181	**-**
Net increase in cash	**5,793**	**-**
Cash, beginning of period	**-**	**-**
Cash, end of period	**$ 5,793**	**$ -**

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Sativa Nativa S.A.S. ("Sativa Nativa" or the "Company") was formed in Santa Marta, Colombia. The Company is engaged with the development and harvesting of medical cannabis in Colombia. To date, the Company has not generated significant revenues from its operations and is considered to be in development stage.

As at December 31, 2017, the Company has an accumulated deficit of $35,360 (2016 – $nil), cash of $5,793 (2016 – $nil), and working capital of $23,990 (2016 – $nil). The Company will need to raise additional financing to continue operations, product development and clinical research and there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern.

These financial statements have been prepared on a going concern basis which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below have been consistently applied to all periods presented unless otherwise noted.

Basis of presentation

These financial statements have been prepared on a historical cost basis Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services. These financial statements are presented in Canadian dollars; however, the Company's functional currency is in Colombian Pesos.

These financial statements were approved and authorized for issuance by the Company's Board of Directors on July 8, 2019.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Translation differences from the Company's functional currency to the presentation currency herein, are recorded in the statement of other comprehensive income.

Use of judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. BASIS OF PRESENTATION (continued)

Use of judgments, estimates and assumptions (continued)

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Useful lives and impairment of property and equipment
Depreciation of property, plant and equipment is dependent upon management's estimate of the assets' useful lives, which requires judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash include cash-in-hand or deposits held with banks. The Company does not invest in any asset-backed deposits or investments.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is provided for on a straight-line basis over the assets' estimated useful lives. To date there has been no acquisition of property in which depreciation has been taken.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in the statements of net loss and comprehensive loss of the related year.

Income taxes

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the taxable loss or income for the period. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred income tax
Deferred income tax is provided on temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be generated in future periods to utilize these deductible temporary differences.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be generated to allow all or part of the deferred income tax asset to be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be generated to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Judgment is required in determining whether deferred income tax assets and liabilities are recognized on the consolidated statement of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in order to utilize the deferred income tax assets. Estimates of future taxable income are based on forecasted cash flows from operations or other activities. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded on the reporting date could be impacted.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Company initially recognizes financial assets at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial assets as financial assets at fair value through profit or loss or loans and receivables. The Company does not have assets that would be classified as available-for-sale financial assets or held-to-maturity financial assets.

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the statements of net loss and comprehensive loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Classification	
Cash	Loans and receivables
Trade and other receivables	Loans and receivables
Due from related parties	Loans and receivables
Trade and other payables	Other liabilities
Due to related parties	Other liabilities

Impairment of financial assets

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initially recognizing the financial asset, the present value of estimated future cash flows determined based on the instrument's original effective interest rate are lower than the asset's carrying amount. When an impairment has been identified, the financial asset's carrying amount is reduced through the use of an allowance account, with changes in the carrying amount recognized in profit or loss. Subsequent recoveries of amounts previously written off are adjusted against the allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations not yet adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

(i) IFRS 9 - Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company does not expect a significant impact to the Company's financial statements on adoption of IFRS 9.

(ii) IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company does not have any contracts with customers and therefore, there is no impact from adoption of IFRS 15 on the financial statements of the Company.

(iii) IFRS 16 - Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

(iv) IFRIC 23 – Uncertainty over Income Tax Treatment ("IFRIC 23")

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual period beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company's financial statements.

(expressed in Canadian dollars, except share and per share amounts)

4. AMOUNTS RECEIVABLE

The Company's amounts receivable consists of sales tax receivable. The breakdown of the receivable amounts are as follows:

		December 31, 2017		December 31, 2016
Sales tax receivable	$	337	$	-
Total trade and other receivables	**$**	**337**	**$**	**-**

5. PROPERTY AND EQUIPMENT

		Land
Cost		
Balance at December 23, 2016	$	-
Additions		-
Disposals		-
Balance at December 31, 2016	$	-
Additions		84,324
Disposals		-
At December 31, 2017	$	84,324

		Land
Accumulated Amortization		
Balance at December 23, 2016	$	-
Amortization		-
Disposals		-
Balance at December 31, 2016	$	-
Amortization		-
Disposals		-
At December 31, 2017	$	-

Net Book Value		**Land**
December 31, 2016	$	-
December 31, 2017	$	84,324

(expressed in Canadian dollars, except share and per share amounts)

6. INTANGIBLE ASSETS

		Licenses
Cost		
At December 31, 2016	$	-
Additions		6,675
At December 31, 2017	**$**	**6,675**
Accumulated Amortization		
At December 31, 2016	$	-
Additions		-
At December 31 2017	**$**	**-**
Net Book Value		
At December 31, 2016	$	-
At December 31, 2017	$	6,675

7. RELATED PARTY TRANSACTIONS

The due from related parties consisted of amounts due from certain shareholders for share subscriptions. These shareholders owe the Company $6,451 (2016 – nil). The terms of the advance are non-interest bearing with no repayment schedules.

8. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares and unlimited number of preferred shares.

Reconciliation of the Company's share capital is as follows:

Common Shares	Number of Shares	Shares ($)
Balance at December 31, 2016	-	-
Share issuance August 2017 (i)	97,520,202	156,632
	97,520,202	**156,632**

[i] In August 2017, the Company issued 97,520,202 common shares for $156,632. There were no issuance costs.

9. LOSS PER SHARE

The calculation of earnings per share for the year ended December 31, 2017 was based on the net loss attributable to common shareholders of $35,260 (2016 – $nil) and a weighted average number of common shares outstanding of 55,180,181 (2016 – nil) calculated as follows:

		2017		2016
Basic and diluted loss per share				
Net loss	$	(35,360)	$	-
Average number of common shares outstanding during the year		55,180,181		-
Loss per share	**$**	**(0.0006)**	**$**	**-**

10. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Colombian Pesos, which is also the Company's functional currency.

Fair values

The carrying values of cash securities, trade and other receivables, trade and other payables and funds held for investment approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

(expressed in Canadian dollars, except share and per share amounts)

11. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

12. COMMITMENTS

The Company has rental leases for office space that it entered into in 2018, the following represent the commitments for this rental space:

		2017
2018	$	11,610
2019		3,870
	$	15,480

13. INCOME TAXES

Current tax

The reconciliation of the combined Columbian statutory income tax rate of 40% (2016 – 34%) to the effective tax rate is as follows:

	2017	**2016**
	$	$
Net loss before recovery of income taxes	(35,360)	-
Expected income tax recovery	(14,140)	-
Change in deferred tax asset not recognized	14,140	-
Income tax expense (recovery)	-	-

Deferred tax

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2017	**2016**
	$	$
Losses carried forward - Columbia	35,360	-
	35,360	-

(expressed in Canadian dollars, except share and per share amounts)

13. INCOME TAXES (continued)

Deferred tax (continued)

The Columbian loss carry forwards expire as follows:

	$
2029	35,360
	35,360

14. SUBSEQUENT EVENTS

- On February 22, 2018, the Company issued an additional 25% of the issued and outstanding shares to Avicanna Inc. for proceeds of $947,244. In addition, on February 28, 2018, two of the Company's shareholders sold 10% of the issued and outstanding shares to Avicanna Inc. for $300,000, which was settled with Avicanna shares. As a result of these two transactions, Avicanna Inc. obtained effective control of the Company through the control of 70% of the issued and outstanding common shares of the Company.

- In January 2019, Mountain Valley Medicinals Inc ("MVM") signed a letter of intent ("LOI") with the Company. Under the terms of the LOI, MVM will subscribe to new shares of the Company, representing 10% of the issued and outstanding shares, for a total purchase price of $2.8M. In addition, MVM will purchase 15% of the issued and outstanding shares from the current shareholders of the Company.

- On April 5, 2019 Mountain Valley MD Inc. ("MVMD") subscribed to and purchased 25% of the issued and outstanding shares of Sativa Nativa. As part of the transaction, MVMD directly subscribed for 17,892,248 shares of Sativa Nativa for an aggregate purchase price of $2.8 million. The remaining 15% interest was purchased from existing shareholders of Sativa Nativa for an aggregate purchase price of $4.2 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

This Management's Discussion and Analysis ("MD&A") of Sativa Nativa S.A.S. ("Sativa Nativa" or the "Company") contains "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "objective", "predict", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "will", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties 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 or implied by the 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. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to:

- changes in general economic, market and business conditions and product demand;
- changing interest rates, income taxes and exchange rates;
- changes in the competitive environment in the markets in which the Company operates;
- changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- opportunities that may be presented to and pursued by the Company;
- the Company's ability to meet its working capital needs at the current level in the short term;
- expectations with respect to raising capital; and
- changes in prices of required commodities.

This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. The MD&A should be read in conjunction with the Company's consolidated financial statements for the two month period February 28, 2018 and the year ending December 31, 2017 and the accompanying notes thereto and the auditor's report thereon (collectively, "Financial Statements"). The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors.

BUSINESS OVERVIEW AND CORPORATE STRUCTURE

Sativa Nativa was initially formed with an intention to apply for a license to cultivate, extract and sell medicinal cannabis in the Republic of Colombia. Formed in late 2016, the Company was founded by two individuals who had an intention to purchase a plot of land, raise capital and commence construction of a facility. Based in Santa Marta, Colombia, the region provides significant benefits to growing medicinal cannabis.

In fiscal 2017, the Company submitted an application to cultivate, extract and sell medicinal cannabis. Prior to the license being granted, the Company had been able to secure funding from a Canadian-based medicinal cannabis company, Avicanna Inc. With the capital injection in fiscal 2017, the Company was able to purchase a plot of land for the purpose of cultivating medicinal cannabis.

The Company was granted the license shortly thereafter and started planning the initial phase of construction of the facility, which was to start in fiscal 2018.

SELECTED FINANCIAL INFORMATION

For the Two Months Ended February 28, 2018 and the Year Ended December 31, 2017

The following table sets forth a summary financial information for the Company for the period January 1, 2018 to February 28, 2018 and the period ending December 31, 2017. The selected financial information set out below may not be indicative of the Company's future performance.

	For the two months ended February 28, 2018 $	For the year ended December 31, 2017 $
Revenues	-	-
General and administrative expenses	88,320	35,360
Depreciation and amortization	-	-
Loss from operations	(88,320)	(35,360)
Exchange differences on translating foreign operations	9,455	168
Net comprehensive loss	(78,865)	(35,192)

Revenue

There was no revenue earned as of February 28, 2018 or December 31, 2017. The Company has initiated plans to develop their parcel of land to grow, harvest and process medicinal cannabis.

Expenses

Expenses increased for the period ending February 28, 2018, compared to the period ending December 31, 2017. The chart below summarizes the general and administrative expenses for these periods.

	For the period ending February 28, 2018	For the period ending December 31, 2017
Bank charges and interest	$ 511	$ 650
General and administrative expenses	55,401	-
Professional fees	32,408	34,710
	$ 88,320	**$ 35,360**

The increase was driven by the following items:

- The increase in general and administrative expenses is due to the company incurring higher expenses from personnel, rent and general office costs.
- Professional fees were incurred in fiscal 2017 related to certain accounting and tax filing requirements.

Other Items

The exchange differences upon conversion of foreign operations is the gain recorded from converting the Company's functional currency, being the Colombian Pesos, into Canadian Dollars.

REVIEW OF FINANCIAL POSITION AS AT FEBRUARY 28, 2018 AND DECEMBER 31, 2017

The following table provides a summary of the financial position of the Company as at February 28, 2018 and December 31, 2017.

	February 28, 2018	December 31, 2017
	$	$
Assets		
Cash	254,383	5,793
Trade and other receivables	37,186	337
Prepaid assets	237,150	20,213
Intangible assets	10,449	6,675
Due from related parties	346,814	6,451
Property and equipment	157,420	84,324
Total assets	**1,043,402**	**123,793**
Liabilities and equity		
Trade and other payables	53,583	2,353
Total Liabilities	53,583	2,353
Shareholder's equity	989,819	121,440
Total liabilities and shareholder's equity	**1,043,402**	**123,793**

Total Assets

Total assets as at February 28, 2018 were $1,043,402 compare to December 31, 2017 were $123,793. The increase in total assets was due to the following:

- Property and equipment increased from December 31, 2017 due to an increase in capital expenditures as a result of the Company's plans for expansion and harvesting of medicinal cannabis;
- The increase in prepaid assets is as a result of prepayment to contractors resulting from the Company's capital expenditures
- Intangible assets increased from December 31, 2017. These represented costs directly attributable to the application for a license to cultivate, extract and sell medicinal cannabis; and
- Due from related parties amount represents a prepayment of consulting fees to two of the founding shareholders.

Current Liabilities

Current liabilities as at February 28, 2018 were $53,583 compared to $2,353 as at December 31, 2017. The difference is due to the following:

- The increase in liabilities is a result of accruals made for professional fees and trade payables.

Shareholder's Equity

While there was a deficit incurred of $123,680, the Company received a direct equity investment in fiscal 2018 totalling $947,244.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows for the period ending February 28, 2018 and the year ending December 31, 2017

Cash from Operating Activities

During the period from December 31, 2017 to February 28, 2018 the Company generated a cash flow deficit from operations of ($281,421). Higher expenditures during this period resulted in the deficit.

Cash used in Investing Activities

For the period ended February 28, 2018 cash flows used in investing activities was ($76,870). These cash flow deficits were the result of purchasing the plot of land and incurring costs related to the license.

Cash from Financing Activities

Cash generated from financing activities totalled $606,881 for the 2 months ending February 28, 2018. The increase in cash generated from financing activities was the result of the Company issuing equity for total proceeds of $947,244. The Company provided an advance to a related party which totalled $(340,363) for the period ending February 28, 2018.

Liquidity and Capital Resources

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations and capital expenditures. As at February 28, 2018 the Company had working capital of approximately $475,136, with current assets of $528,719 and current liabilities of $53,583. The Company will require further funding in order to commence the planned construction of the cultivation facility in Santa Marta, Colombia. To date, the Company has relied on investment from a single shareholder in order to purchase the land on which the Company will build the facility. In order to raise additional funds, the Company will sell further equity which will provide the necessary capital to complete the initial phase of the project. Avicanna Inc., the shareholder who recently purchased equity in the Company, has a right of first refusal for future equity raises and has committed to provide capital, to the extent it can, to continue the expansion.

There is a risk that the Company will be unable to raise further equity. In addition, Avicanna Inc, while it is willing to provide further capital, may be restricted due to its own internal policies or lack of liquidity. In this case the Company would have to pause plans to develop the facility until further funding is obtained.

COMMITMENTS AND CONTINGENCIES

Commitments

The Company has rental leases and other agreements for select research activities for which as at February 28, 2018 the Company is committed to pay the following amounts:

2018	$	9,675
2019		3,870
	$	13,545

In order to meet future commitments, the Company is planning to sell and issue equity to prospective shareholders. In addition to the commitments noted above, Sativa Nativa is planning to develop its current cultivation facilities and will require significant capital in this regard. The Company feels confident it will be able to raise the necessary capital to meet the commitments outlined above and fund future growth plans. Avicanna Inc., who injected capital recently, has indicated, to the extent it is able and permitted to, a commitment to continue funding the Company through the initial development of the facility.

Contingencies

In the ordinary course of business and from time to time, Sativa Nativa is involved in various claims related to operations, rights, commercial, employment or other matters. Although such matters cannot be predicted with certainty, management does not consider Sativa Nativa's exposure to these claims to be material to these financial statements. As at February 28, 2018 and December 31, 2017, to the Company's knowledge, there were no claims against Sativa Nativa.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than those described under commitments and contingencies above.

RELATED PARTY BALANCES AND TRANSACTIONS

The Company provided an advance to one of the founding shareholders as at February 28, 2018 of $346,814 as an advance for work to be performed in the fiscal year 2018. The work was performed in the subsequent period.

CRITICAL ACCOUNTING ESTIMATES

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

[i] Useful lives and impairment of property and equipment

Depreciation of property, plant and equipment is dependent upon management's estimate of the assets' useful lives. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

[ii] Share-based compensation

In calculating the share-based compensation expense, key estimates such as the value of the common shares, the rate of forfeiture of options granted, the expected life of the option, the volatility of the value of the Company's common shares and the risk-free interest rate are used.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
	$	$	$	$	$
Trade and other payables	53,583	53,583	53,583	-	-
	53,583	53,583	53,583	-	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Colombian Pesos, which is also the Company's functional currency.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices [other than those arising from interest rate risk or currency risk], whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at February 28, 2018.

Fair values

The carrying values of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables and funds held for investment approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

SUBSEQUENT EVENTS

On April 5, 2019 Mountain Valley MD Inc. ("MVMD") subscribed to and purchased 25% of the issued and outstanding shares of Sativa Nativa. As part of the transaction, MVMD directly subscribed for 17,892,248 shares of Sativa Nativa for an aggregate purchase price of $2.8 million. The remaining 15% interest was purchased from existing shareholders of Sativa Nativa for an aggregate purchase price of $4.2 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

This Management's Discussion and Analysis ("MD&A") of Sativa Nativa S.A.S. ("Sativa Nativa" or the "Company") contains "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "objective", "predict", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "will", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties 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 or implied by the 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. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to:

- changes in general economic, market and business conditions and product demand;
- changing interest rates, income taxes and exchange rates;
- changes in the competitive environment in the markets in which the Company operates;
- changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- opportunities that may be presented to and pursued by the Company;
- the Company's ability to meet its working capital needs at the current level in the short term;
- expectations with respect to raising capital; and
- changes in prices of required commodities.

This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. The MD&A should be read in conjunction with the Company's consolidated financial statements for the period December 23, 2016 to December 31, 2016 and the period ending December 31, 2017 and the accompanying notes thereto and the auditor's report thereon (collectively, "Financial Statements"). The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors on July 8, 2019.

BUSINESS OVERVIEW AND CORPORATE STRUCTURE

Sativa Nativa was initially formed with an intention to apply for a license to cultivate, extract and sell medicinal cannabis in the Republic of Colombia. Formed in late 2016, the Company was founded by two individuals who had an intention to purchase a plot of land, raise capital and commence construction of a facility. Based in Santa Marta, Colombia, the region provides significant benefits to growing medicinal cannabis.

In fiscal 2017, the Company submitted an application to cultivate, extract and sell medicinal cannabis. Prior to the license being granted, the Company had been able to secure funding from a Canadian-based medicinal cannabis company, Avicanna Inc. With the capital injection in fiscal 2017, the Company was able to purchase a plot of land for the purpose of cultivating medicinal cannabis.

The Company was granted the license shortly thereafter and started planning the initial phase of construction of the facility, which was to start in fiscal 2018.

SELECTED FINANCIAL INFORMATION

For the period December 23, 2016 to December 31, 2016 and year ending December 31, 2017

The following table sets forth a summary financial information for the Company for the period December 23, 2016 to December 31, 2016 and the period ending December 31, 2017. The selected financial information set out below may not be indicative of the Company's future performance.

	For the year ended December 31, 2017 $	For the period December 23, 2016 to December 31, 2016 $
Revenues	-	-
General and administrative expenses	35,361	-
Depreciation and amortization	-	-
Loss from operations	(35,361)	-
Foreign exchange gain (loss)	-	-
Interest income	1	-
Net loss	(35,360)	-
Exchange differences on translating foreign operations	168	-
Net comprehensive loss	(35,192)	-

Revenue

There was no revenue earned as of December 31, 2016 or December 31, 2017. The Company has initiated plans to develop their parcel of land to grow, harvest and process medicinal cannabis.

Expenses

Expenses increased for the year ending December 31, 2017, compared to the same period ending December 31, 2016. The chart below summarizes the general and administrative expenses for these periods.

	For the year ending December 31, 2017	**For the period December 23, 2016 to December 31, 2016**
Bank charges and interest	$ 651	$ -
Consulting fees	34,014	-
Professional fees	696	-
	$ 35,361	**$ -**

The increase was driven by the following items:

- In fiscal 2016, when the Company was formed, there was a minimal period of operations being seven days. As such, no expenses were incurred at that time. The goal, at the time, was to apply for a license to cultivate, extract and sell medicinal cannabis in the Republic of Colombia.

- In fiscal 2017, costs were incurred as the Company commenced operations. It was granted a license to cultivate, extract and sell medicinal cannabis in fiscal 2017. As such, costs were incurred to commence the initial phase of construction of the facility. Three individuals were hired as consultants to commence this process, two of whom were the founders. This made up the majority of the consulting fees;

- In addition, a bank account was opened in fiscal 2017, incurring bank charges and interest; and

- Professional fees were incurred in fiscal 2017 related to certain accounting and tax filing requirements.

Other Items

Interest income was earned on the balance of cash held in a savings account. The exchange differences upon conversion of foreign operations is the gain recorded from converting the Company's functional currency, being the Colombian Pesos, into Canadian Dollars.

REVIEW OF FINANCIAL POSITION AS AT DECEMBER 31, 2017 AND DECEMBER 31, 2016

The following table provides a summary of the financial position of the Company as at December 31, 2017 and December 31, 2016.

	December 31, 2017 $	December 31, 2016 $
Assets		
Cash	5,793	-
Trade and other receivables	337	-
Prepaid assets	20,213	-
Intangible assets	6,675	-
Due from related parties	6,451	-
Property and equipment	84,324	-
Total assets	**123,793**	**-**
Liabilities and equity		
Trade and other payables	2,353	-
Total Liabilities	2,353	-
Shareholder's equity	121,440	-
Total liabilities and shareholder's equity	**123,793**	**-**

Total Assets

Total assets as at December 31, 2017 were $123,793, compared to nil as at December 31, 2016. The increase in total assets between December 31, 2016 and December 31, 2016 was due to the following:

- Property and equipment increased by $84,324 from December 31, 2017 due to the purchase of a plot of land in Santa Marta, Colombia where the Company will harvest medicinal cannabis;
- Intangible assets increased by $6,675 from December 31, 2016. These represented costs directly attributable to the application for a license to cultivate, extract and sell medicinal cannabis; and
- Due from related parties amount represents a prepayment of consulting fees to two of the founding shareholders.

Current Liabilities

Current liabilities as at December 31, 2017 were $2,353 compared to nil as at December 31, 2016. The difference is due to the following:

- There were some consulting fees owing at month end. As the Company only commenced operations in fiscal 2017 there were no payables outstanding as at December 31, 2016.

Shareholder's Equity

While there was a deficit incurred of $(35,360), the Company received a direct equity investment in fiscal 2017 totalling $156,632.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows for the year ending December 31, 2017 and the period December 23, 2016 to December 31, 2016

Cash from Operating Activities

During the period from December 31, 2016 to December 31, 2017 the Company generated a cash flow deficit from operations of ($53,389). Higher expenditures during this period resulted in the deficit.

Cash used in Investing Activities

For the period ended December 31, 2017 cash flows used in investing activities was ($90,999). These cash flow deficits were the result of purchasing the plot of land and incurring costs related to the license.

Cash from Financing Activities

Cash generated from financing activities totalled $150,181 for the 12 months ending December 31, 2017. The increase in cash generated from financing activities was the result of the Company issuing equity for total proceeds of $156,632. The Company provided an advance to a related party which totalled $(6,451) for the period ending December 31, 2017.

Liquidity and Capital Resources

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations and capital expenditures. As at December 31, 2017 the Company had working capital of approximately $23,990, with current assets of $26,343 and current liabilities of $2,353. The Company will require further funding in order to commence the planned construction of the cultivation facility in Santa Marta, Colombia. To date, the Company has relied on investment from a single shareholder in order to purchase the land on which the Company will build the facility. In order to raise additional funds, the Company will sell further equity which will provide the necessary capital to complete the initial phase of the project. Avicanna Inc., the shareholder who recently purchased equity in the Company, has a right of first refusal for future equity raises and has committed to provide capital, to the extent it can, to continue the expansion.

There is a risk that the Company will be unable to raise further equity. In addition, Avicanna Inc, while it is willing to provide further capital, may be restricted due to its own internal policies or lack of liquidity. In this case the Company would have to pause plans to develop the facility until further funding is obtained.

COMMITMENTS AND CONTINGENCIES

Commitments

The Company has rental leases and other agreements for select research activities for which as at December 31, 2017 the Company is committed to pay the following amounts:

2018	$	11,610
2019		3,870
	$	15,480

In order to meet future commitments, the Company is planning to sell and issue equity to prospective shareholders. In addition to the commitments noted above, Sativa Nativa is planning to develop its current cultivation facilities and will require significant capital in this regard. The Company feels confident it will be able to raise the necessary capital to meet the commitments outlined above and fund future growth plans. Avicanna Inc., who injected capital recently, has indicated, to the extent it is able and permitted to, a commitment to continue funding the Company through the initial development of the facility.

Contingencies

In the ordinary course of business and from time to time, Sativa Nativa is involved in various claims related to operations, rights, commercial, employment or other matters. Although such matters cannot be predicted with certainty, management does not consider Sativa Nativa's exposure to these claims to be material to these financial statements. As at December 31, 2016 and December 31, 2017, to the Company's knowledge, there were no claims against Sativa Nativa.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than those described under commitments and contingencies above.

RELATED PARTY BALANCES AND TRANSACTIONS

The Company provided and advance to one of the founding shareholders as at December 31, 2017 of $6,451 in fiscal 2017 as an advance for work to be performed in the fiscal year 2018. The work was subsequently performed in fiscal 2018.

CRITICAL ACCOUNTING ESTIMATES

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

[i] Useful lives and impairment of property and equipment

Depreciation of property, plant and equipment is dependent upon management's estimate of the assets' useful lives. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

[ii] Share-based compensation

In calculating the share-based compensation expense, key estimates such as the value of the common shares, the rate of forfeiture of options granted, the expected life of the option, the volatility of the value of the Company's common shares and the risk-free interest rate are used.

NEW ACCOUNTING PRONOUNCEMENTS

New standards, amendments and interpretations not yet adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

(i) IFRS 9 - Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company is in the process of evaluating the impact of IFRS 9 on the Company's financial statements.

(ii) IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company does not have any contracts with customers and therefore, there is no impact from adoption of IFRS 15 on the consolidated financial statements of the Company.

(iii) IFRS 16 - Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

(iv) IFRIC 23 – Uncertainty over Income Tax Treatment ("IFRIC 23")

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual period beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company's financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
	$	$	$	$	$
Trade and other payables	2,353	2,353	2,353	-	-
	2,353	2,353	2,353	-	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Colombian Pesos, which is also the Company's functional currency.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at December 31, 2017.

Fair values

The carrying values of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables and funds held for investment approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

SUBSEQUENT EVENTS

- For the period ending March 31, 2018, the Company issued and sold additional shares to Avicanna Inc., who made the initial purchase of equity in fiscal 2017. As at March 31, 2018, Avicanna Inc. acquired 70% of the issued and outstanding shares of the Company.

- In January 2019, Mountain Valley Medicinals Inc ("MVM") signed a letter of intent ("LOI") with the Company. Under the terms of the LOI, MVM will subscribe to new shares of the Company, representing 10% of the issued and outstanding shares, for a total purchase price of $2.8M. In addition, MVM will purchase 15% of the issued and outstanding shares from the current shareholders of the Company.

Santa Marta Golden Hemp S.A.S.
Financial Statements
For the Nine Months Ended September 30, 2018
(expressed in Canadian dollars, except share and per share amounts)

Independent Auditor's Report

To the Shareholders of Santa Marta Golden Hemp S.A.S.:

We have audited the accompanying financial statements of Santa Marta Golden Hemp S.A.S. which comprise the statements of financial position as at September 30, 2018 and December 31, 2017, and the statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the nine-month period ended September 30, 2018 and the year-ended December 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Santa Marta Golden Hemp S.A.S. as at September 30, 2018 and December 31, 2017, and its financial performance and its cash flows for the for the nine-month period ended September 30, 2018 and the year ended December 31, 2017, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which highlights the existence of material uncertainty relating to conditions that cast significant doubt on Santa Marta Golden Hemp S.A.S.'s ability to continue as a going concern.

MNP LLP

Mississauga, Ontario
July 8, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

Santa Marta Golden Hemp S.A.S.
Statements of Financial Position
As at,
(Expressed in Canadian Dollars)

		September 30, 2018		December 31, 2017
ASSETS				
Current assets				
Cash	$	**1,104**	$	1,263
Due from related party		**36,724**		-
Prepaid assets		**536,280**		82,564
		574,108		83,827
Property and equipment (Note 4)		**1,558,771**		4,263
	$	**2,132,879**	**$**	88,090
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade and other payables (Note 8)	$	**63,273**	$	51
Loan payable (Note 5)		**2,256,486**		87,675
		2,319,759		87,726
Shareholders' equity				
Share capital (Note 6)		**448**		448
Accumulated other comprehensive income		**4,305**		(24)
Deficit		**(191,633)**		(60)
		(186,880)		364
	$	**2,132,879**	**$**	88,090

Nature of operations and going concern (Note 1)
Subsequent events (Note 9)

Approved by the Board of Directors:

The accompanying notes are an integral part of these financial statements.

Santa Marta Golden Hemp S.A.S.
Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

		For the Nine-months ended September 30, 2018		For the Year-ended December 31, 2017
Expenses				
Consulting fees	$	**29,284**	$	-
Professional fees		**7,201**		-
Salaries and wages		**1,962**		-
General and administrative		**151,102**		18
Selling, marketing and promotion		**865**		-
Amortization (Note 4)		**1,622**		-
		192,036		18
Other income				
Interest income		**463**		-
Net loss		**(191,573)**		(18)
Gain (loss) on foreign exchange translation		**4,329**		(24)
Net loss and comprehensive loss	$	**(187,244)**	$	(42)
Weighted average number of common shares – basic and dilutive		**1,000**		1,000
Net loss per share – basic and dilutive (Note 7)	**$**	**(192)**	$	(0.04)

The accompanying notes are an integral part of these financial statements.

Santa Marta Golden Hemp S.A.S.
Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Common Shares		Deficit	Accumulated Other Comprehensive Loss	Total
	#	$	$	$	$
Balance at December 31, 2016	1,000	448	(42)	-	406
Loss on foreign exchange translation	-	-	-	(24)	(24)
Net loss	-	-	(18)	-	(18)
Balance at December 31, 2017	1,000	448	(60)	(24)	364
Gain on foreign exchange translation	**-**	**-**	**-**	**4,329**	**4,329**
Net loss	**-**	**-**	**(191,573)**	**-**	**(191,633)**
Balance at September 30, 2018	**1,000**	**448**	**(191,633)**	**4,305**	**186,880**

The accompanying notes are an integral part of these financial statements.

Santa Marta Golden Hemp S.A.S.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the Nine-months ended September 30, 2018	For the Year-ended December 31, 2017
Cash flows from operating activities:		
Net loss	**$ (191,573)**	$ (18)
Depreciation	**1,622**	-
Gain on foreign exchange translation	**4,329**	(24)
Changes in operating assets and liabilities:		
Due from related party	**(36,724)**	-
Prepaid assets	**(453,716)**	(22,362)
Trade and other payables	**63,222**	51
	(612,840)	(22,453)
Cash flows from investing activities:		
Purchase of capital assets	**(1,556,130)**	(4,263)
	(1,556,130)	(4,263)
Cash flows from financing activities:		
Increase in long-term liabilities	**2,168,811**	24,955
	2,168,811	24,955
Net decrease in cash	**(159)**	(1,761)
Cash, beginning of period	**1,263**	3,024
Cash, end of period	**$ 1,104**	**$** 1,263

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Santa Marta Golden Hemp S.A.S. ("SMGH" or the "Company") was incorporated in the Republic of Colombia on July 27, 2016. The Company is engaged with the development and harvesting of medical cannabis in Colombia. For the nine-month period ending September 30, 2018 the Company has commenced significant development of its land in Santa Marta, Colombia for the purposes of cultivating, extracting and selling medicinal cannabis in Colombia, however to date, the Company has not generated significant revenues from operations.

As at September 30, 2018 the Company has an accumulated deficit of $191,633 (2017 – $60), cash of $1,104 (2017 – $1,263), and a working capital deficit of $1,745,651 (2017 – $3,899). The Company will need to raise additional financing to continue its development of the cultivation facilities. Although the Company has been successful in the past in obtaining financing and it believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern.

These financial statements have been prepared on a going concern basis which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein as issued by International Accounting Standards Board ("IASB"). The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements were approved and authorized for issuance by the Company's Board of Directors on July 8, 2019.

Basis of presentation

These financial statements have been prepared on a historical cost basis. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services. These financial statements are presented in Canadian dollars; however the functional currency of the Company is the Colombian Peso.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the statements of operations and comprehensive loss.

Use of judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Estimated useful life of long-lived assets
Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Impairment of long-lived assets
Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. For the purposes of measuring recoverable values, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable value is the greater of an asset's fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value.

Provisions
Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements of financial position and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company. The adequacy of provisions is regularly assessed as new information becomes available.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The Company's effective income tax rate can vary significantly for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized.

New Accounting Standards Implemented in the current year

The following accounting standards came into effect commencing in the Company's 2018 fiscal year:

(i) Financial Instruments

The Company has adopted IFRS 9 with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairments model.

The standard contains three classifications categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018 had no impact on the measurement of financial instruments, which are summarized in the following table:

Classification of financial assets and liabilities

	Previous classification	**Classification under IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Prepaid assets	Other assets	Amortized cost
Trade and other payables	Other liabilities	Amortized cost
Long term liabilities	Other liabilities	Amortized cost

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated and applied from January 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The changes in accounting policies will also be reflected in the Company's financial statements as at and for the year ending December 31, 2018. The Company has adopted IFRS 9 retrospectively, and the adoption of IFRS 9 did not result in any transition adjustments being recognized as at January 1, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards Implemented in the current year (continued)

(i) Financial Instruments (continued)

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated as described below. There was no impact on the financial statements as at and for the nine-month period ended September 30, 2018.

Financial assets and liabilities
Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The adoption of IFRS 9 did not impact the Company's accounting policies for the financial liabilities.

Impairment of financial assets
For trade and other receivables, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all trade and other receivables. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience, the past due status, the existence of third-party insurance and forward-looking macroeconomic factors

(ii) Revenue from contracts with customers

Effective January 1, 2018, the Company adopted IFRS 15, issued in May 2014, and amended in September 2015 and April 2016. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. In accordance with the transitional provisions in IFRS 15, the Company elected to adopt the new standard using the modified retrospective approach. There is no impact of adopting IFRS 15 on the Company's financial statements.

New standards, amendments and interpretations not yet adopted by the Company

(i) IFRS 16 - Leases ("IFRS 16")
In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company has evaluated IFRS 16 and concluded that there is no impact on the Company's financial statements.

(expressed in Canadian Dollars, except share and per share amounts)

4. PROPERTY AND EQUIPMENT

	Equipment	Construction in Progress	Total
Cost			
Balance at December 31, 2017	$ -	$ 4,263	$ 4,263
Additions	10,570	1,545,560	1,556,130
Disposals	-	-	-
At September 30, 2018	$ 10,570	$ 1,549,823	$ 1,560,393

	Equipment	Construction in Progress	Total
Accumulated Amortization			
Balance at, December 31, 2017	$ -	$ -	$ -
Amortization	1,622	-	1,622
Disposals	-	-	-
At September 30, 2018	$ 1,622	$ -	$ 1,622

	Equipment	Construction in Progress	Total
Net Book Value			
December 31, 2017	$ -	$ 4,263	$ 4,263
September 30, 2018	$ 8,948	$ 1,549,823	$ 1,558,771

During the nine-month period ending September 30, 2018, the Company expensed depreciation of $1,622 (2017 - $nil).

5. LOAN PAYABLE

For the nine months ended September 30, 2018 the Company was advanced approximately $2,256,486 (December 31, 2017 – $87,675). The advance was provided in the form of non-interest-bearing loan with no maturity date.

6. SHARE CAPITAL

(a) The authorized share capital of the Company consists of 10,000 common shares.

(b) As at September 30, 2018, the Company had 1,000 common shares issued and outstanding (December 31, 2017 – 1,000).

7. LOSS PER SHARE

The calculation of loss per share for the nine-months ended September 30, 2018 was calculated to be $192 per common share (2017 - $nil), based on the net loss attributable to common shareholders of $191,573 (2017 – $nil) and a weighted average number of common shares outstanding of 1,000 (2017 – 1,000). There is no effect on the loss per share calculation from potentially dilutive instruments.

(expressed in Canadian Dollars, except share and per share amounts)

8. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
Trade and other payables	$ 63,273	$ 63,273	$ 63,273	$ -	$ -
	$ 63,273	$ 63,273	$ 63,273	$ -	$ -

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian and US dollars. The Company receives many of its share issuance proceeds in USD and therefore any foreign currency translation risk is minimized.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at September 30, 2018 or December 31, 2017.

8. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Fair values

The carrying values of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables and funds held for investment approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 **–** Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

9. SUBSEQUENT EVENTS

In October 22, 2018, Avicanna Inc. ("Avicanna") purchased 60% of the issued and outstanding shares of the Company from the existing shareholders in exchange for common shares of Avicanna with a USD$8.4 million.

Santa Marta Golden Hemp S.A.S.
Financial Statements
For the Year Ended December 31, 2017 and
the period from incorporation July 27, 2016 to December 31, 2016
(Expressed in Canadian dollars, except share and per share amounts)

Independent Auditor's Report

To the Shareholders of Santa Marta Golden Hemp S.A.S.

We have audited the accompanying financial statements of Santa Marta Golden Hemp S.A.S. which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended December 31, 2017 and for the period from the date of incorporation, July 27, 2016, to December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Santa Marta Golden Hemp S.A.S. as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the year ended December 31, 2017 and for the period from the date of incorporation, July 27, 2016, to December 31, 2016 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which highlights the existence of material uncertainty relating to conditions that cast significant doubt on Avicanna Inc.'s ability to continue as a going concern.

MNP LLP

Mississauga, Ontario
July 8, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

Santa Marta Golden Hemp S.A.S.
Statements of Financial Position
For the Year Ended December 31, 2017 and the period from incorporation July 27, 2016 to December 31, 2016
(Expressed in Canadian Dollars)

		December 31, 2017		December 31, 2016
ASSETS				
Current assets				
Cash	$	1,263	$	3,024
Prepaid assets		82,564		60,102
Total current assets		83,827		63,126
Property and equipment (Note 4)		4,263		-
	$	**88,090**	**$**	**63,126**
LIABILITIES				
Current liabilities				
Trade and other payables	$	51	$	-
Due to related parties (Note 5)		87,675		62,720
		87,726		62,720
Shareholder's Equity				
Share capital (Note 6)		448		448
Accumulated comprehensive income		(24)		-
Deficit		(60)		(42)
		364		406
	$	**88,090**	**$**	**63,126**

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 9)

Approved by the Board

The accompanying notes are an integral part of these financial statements.

Santa Marta Golden Hemp S.A.S.
Statements of Operations and Comprehensive Loss
For the Year Ended December 31, 2017 and the period from incorporation July 27, 2016 to December 31, 2016
(Expressed in Canadian Dollars)

		Year Ended December 31, 2017		Period Ended December 31, 2016
Expenses				
Bank charges and interest	$	18	$	42
		(18)		(42)
Net loss	**$**	**(18)**	**$**	**(42)**
Exchange differences on translating foreign operations		(24)		-
Comprehensive loss	$	**(42)**	**$**	**(42)**
Weighted average number of common shares – basic		**1,000**		**433**
Loss per share – basic and diluted (Note 7)	**$**	**(0.02)**	**$**	**(0.10)**

The accompanying notes are an integral part of these financial statements.

Santa Marta Golden Hemp S.A.S.
Statement of Changes in Shareholder's Equity
For the Year Ended December 31, 2017 and the period from incorporation July 27, 2016 to December 31, 2016
(Expressed in Canadian Dollars)

	Common Shares		Deficit	Accumulated Other Comprehensive Loss	Total
	#	$	$	$	$
Balance at December 31, 2015	-	-	-	-	-
Issuance of units (Note 6)	1,000	448	-	-	448
Net loss	-	-	(42)	-	(42)
Balance at December 31, 2016	1,000	448	(42)	-	406
Net loss	-	-	(18)	(24)	(42)
Balance at December 31, 2017	**1,000**	**448**	**(60)**	**(24)**	**364**

The accompanying notes are an integral part of these financial statements.

Santa Marta Golden Hemp S.A.S.
Statements of Cash Flows
For the Year Ended December 31, 2017 and the period from incorporation July 27, 2016 to December 31, 2016
(Expressed in Canadian Dollars)

	For the Year Ended December 31, 2017	For the Period Ended December 31, 2016
Cash flows from operating activities:		
Net loss	$ (42)	$ (42)
Changes in operating assets and liabilities:		
Prepaid assets	(22,462)	(60,102)
Trade and other payables	51	-
	(22,453)	**(60,144)**
Cash flows from investing activities:		
Purchase of capital assets	(4,263)	-
	(4,263)	**-**
Cash flows from financing activities:		
Related party advances	24,955	62,720
Equity issuance for cash	-	448
	24,955	**63,168**
Net (decrease) increase in cash	**(1,761)**	**3,024**
Cash, beginning of period	**3,024**	**-**
Cash, end of period	**$ 1,263**	**$ 3,024**

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Santa Marta Golden Hemp S.A.S. ("SMGH" or the "Company") was formed in Santa Marta, Colombia. The Company is engaged with the development and harvesting of medical cannabis in Colombia. To date, the Company has not generated significant revenues from its operations and is considered to be in development stage.

As at December 31, 2017, the Company has an accumulated deficit of $60 (2016 – $42), cash of $1,263 (2016 – $3,024), and working capital deficit of $3,899 (2016 – surplus of $406). The Company will need to raise additional financing to continue operations, product development and clinical research and there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern.

These financial statements have been prepared on a going concern basis which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below have been consistently applied to all periods presented unless otherwise noted.

Basis of presentation

These financial statements have been prepared on a historical cost. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services. These financial statements are presented in Canadian dollars; however, the Company's functional currency is in Colombian Pesos.

These financial statements were approved and authorized for issuance by the Company's Board of Directors on July 8, 2019.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the statements of other comprehensive income and loss.

Use of judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. BASIS OF PRESENTATION (continued)

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Useful lives and impairment of property and equipment
Depreciation of property and equipment is dependent upon management's estimate of the assets' useful lives, which requires judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash includes cash-in-hand or deposits held with banks. The Company does not invest in any asset-backed deposits or investments.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is provided for on a straight-line basis over the assets' estimated useful lives. To date there has been no acquisition of property in which depreciation has been taken.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and are recognized in the statements of net loss and comprehensive loss of the related year.

Income taxes

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the taxable loss or income for the period. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred income tax
Deferred income tax is provided on temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be generated in future periods to utilize these deductible temporary differences.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be generated to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be generated to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Judgment is required in determining whether deferred income tax assets and liabilities are recognized on the consolidated statement of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in order to utilize the deferred income tax assets. Estimates of future taxable income are based on forecasted cash flows from operations or other activities. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded on the reporting date could be impacted.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Company initially recognizes financial assets at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial assets as financial assets at fair value through profit or loss or loans and receivables. The Company does not have assets that would be classified as available-for-sale financial assets or held-to-maturity financial assets.

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in the statements of net loss and comprehensive loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

	Classification
Cash	Loans and receivables
Trade and other payables	Other liabilities
Due to related parties	Other liabilities

Impairment of financial assets

Financial assets, other than those classified as fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initially recognizing the financial asset, the present value of estimated future cash flows determined based on the instrument's original effective interest rate are lower than the asset's carrying amount. When an impairment has been identified, the financial asset's carrying amount is reduced through the use of an allowance account, with changes in the carrying amount recognized in profit or loss. Subsequent recoveries of amounts previously written off are adjusted against the allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, amendments and interpretations not yet adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

(i) IFRS 9 - Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company does not expect significant impact to the Company's financial statements on adoption of IFRS 9.

(ii) IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company does not have any contracts with customers and therefore, there is no impact from adoption of IFRS 15 on the financial statements of the Company.

(iii) IFRS 16 - Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

(iv) IFRIC 23 – Uncertainty over Income Tax Treatment ("IFRIC 23")

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual period beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company's financial statements.

(expressed in Canadian dollars, except share and per share amounts)

4. PROPERTY AND EQUIPMENT

		Properties Under Development
Cost		
Balance at July 27, 2016	$	-
Additions		-
Disposals		-
Balance at December 31, 2016	$	-
Additions		4,263
Disposals		-
At December 31, 2017	$	4,263

		Properties Under Development
Accumulated Amortization		
Balance at July 27, 2016	$	-
Additions		-
Disposals		-
Balance at December 31, 2016	$	-
Additions		-
Disposals		-
At December 31, 2017	$	-

		Properties Under Development
Net Book Value		
December 31, 2016	$	-
December 31, 2017	$	4,263

5. RELATED PARTY TRANSACTIONS

During the year the Company was loaned $24,955 to help fund operations (2016 – $62,720) by the shareholders. The terms of the loan are non-interest bearing with no repayment schedules.

6. SHARE CAPITAL

The authorized share capital of the Company consists of a limited number of common shares (10,000).

Reconciliation of the Company’s share capital is as follows:

Common Shares	Number of Shares	Shares ($)
Share issuance July 2016 (i)	1,000	448
	1,000	**448**

[i] On July 27, 2016, the Company issued 1,000 common shares for total cash proceeds of $448. There were no issuance costs.

7. EARNINGS PER SHARE

The calculation of earnings per share for the year ended December 31, 2017 was based on the net loss attributable to common shareholders of $42 (2016 – $42) and a weighted average number of common shares outstanding of 1,000 (2016 – 433) calculated as follows:

		2017		2016
Basic and diluted loss per share				
Net loss for the year	$	(42)	$	(42)
Average number of common shares outstanding during the year		1,000		433
Loss per share	**$**	**(0.042)**	**$**	**(0.097)**

8. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Colombian Pesos, which is also the Company's functional currency.

Fair values

The carrying values of cash, trade and other receivables, trade and other payables and funds held for investment approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

(expressed in Canadian dollars, except share and per share amounts)

8. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

9. INCOME TAXES

Current tax

The reconciliation of the combined Columbian statutory income tax rate of 40% (2016 – 34%) to the effective tax rate is as follows:

	2017 $	2016 $
Net loss before recovery of income taxes	(18)	(42)
Expected income tax recovery	(7)	(14)
Change in deferred tax asset not recognized	7	14
Income tax expense (recovery)	-	-

Deferred tax

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2017 $	2016 $
Losses carried forward - Columbia	60	-
	60	-

(expressed in Canadian dollars, except share and per share amounts)

9. INCOME TAXES (continued)

Deferred tax (continued)

The Columbian loss carry forwards expire as follows:

	$
2028	42
2029	18
	60

10. SUBSEQUENT EVENTS

On October 11, 2018 the Company was involved in a restructuring whereby Santa Marta Golden Hemp S.A.S. acquired 60% of the issued and outstanding shares from Bondue S.A.S.

On October 22, 2018, Avicanna Inc acquired a controlling interest in the Company through the acquisition of 60% of the issued and outstanding common shares of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

This Management's Discussion and Analysis ("MD&A") of Santa Marta Golden Hemp S.A.S. ("SMGH" or the "Company") contains "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "objective", "predict", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "will", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties 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 or implied by the 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. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to:

- changes in general economic, market and business conditions and product demand;
- changing interest rates, income taxes and exchange rates;
- changes in the competitive environment in the markets in which the Company operates;
- changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- opportunities that may be presented to and pursued by the Company;
- the Company's ability to meet its working capital needs at the current level in the short term;
- expectations with respect to raising capital; and
- changes in prices of required commodities.

This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. The MD&A should be read in conjunction with the Company's consolidated financial statements for the period ending December 31, 2017 and the nine months ending September 30, 2018 and the accompanying notes thereto and the auditor's report thereon (collectively, "Financial Statements"). The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors on July 8, 2019.

BUSINESS OVERVIEW AND CORPORATE STRUCTURE

SMGH was initially formed with an intention to apply for a license to cultivate, extract and sell medicinal cannabis in the Republic of Colombia. Based in Santa Marta, Colombia, the region provides significant benefits to growing medicinal cannabis.

In 2017, the Company submitted an application to cultivate, extract and sell medicinal cannabis. The Company was granted the license shortly thereafter and started planning the initial phase of construction of the facility, which was to start in 2018.

SELECTED FINANCIAL INFORMATION

Nine Months and Three months ended September 30, 2018 and September 30, 2017

The following table sets forth summary financial information for the Company for the three months ended September 30, 2018 and 2017. The selected financial information set out below may not be indicative of the Company's future performance.

	Three months ended September 30, 2018 $	Three months ended September 30, 2017 $	Nine months ended September 30, 2018 $	Nine months ended September 30, 2017 $
Revenues	-	-	-	-
General and administrative expenses	186,479	-	189,549	-
Selling, marketing and promotion	851	-	865	-
Depreciation and amortization	1,597	-	1,622	-
Loss from operations	(188,927)	-	(192,036)	-
Interest income	402	-	463	-
Net loss	(188,525)	-	(191,573)	-
Exchange differences on translating foreign operations	(13)	-	4,329	-
Net comprehensive loss	(188,538)	-	(187,244)	-
Net loss per share, basic and diluted	$(188.54)	-	$(187.24)	-
Weighted average number of common shares outstanding – basic and diluted	1,000	1,000	1,000	1,000

Revenue

There was no revenue earned for either the three months or nine months ending September 30, 2018, as the Company had not commenced any commercial activity.

Expenses

Expenses increased significantly for the three and nine month period ending September 30, 2018 compared to the previous period. The chart below summarizes the general and administrative expenses for these periods.

	For the Three Months Ended		**For the Nine Months Ended**	
	September 30, 2018	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Consulting fees	28,826	-	29,284	-
Professional fees	7,089	-	7,201	-
Salaries and wages	1,931	-	1,962	-
General and administrative	148,833	-	151,102	-
	186,479	**-**	**189,549**	**-**

The increase was driven by the following items:

- During the fiscal year 2018, the Company commenced development of its facilities in Santa Marta, Colombia;
- Certain consultants were hired to assist in managing the construction and development of the facilities in 2018;
- Professional fees related to accounting and legal work were incurred as the Company increased its activity to ensure all regulatory filing was kept current;
- Certain dedicated employees were hired by the Company during the fiscal year; and
- General and administrative expenses increased sharply with the increased activity around construction.

Other Items

The exchange differences upon conversion of foreign operations is the gain recorded from converting the Company's functional currency, being the Colombian Peso, into Canadian Dollars. In addition, the Company maintains a savings account which earnings nominal interest income.

REVIEW OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

The following provides a summary of the financial position of the Company as at September 30, 2018 and December 31, 2017.

	September 30, 2018 $	December 31, 2017 $
Assets		
Cash	37,828	1,263
Prepaid assets	536,280	82,564
Property and equipment	1,558,771	4,263
Total Assets	**2,132,879**	**88,090**
Liabilities and Equity		
Trade and other payables	63,273	51
Loan payable	2,256,486	87,675
Total Liabilities	2,319,759	87,726
Shareholder's equity	(186,880)	364
Total Liabilities and Shareholder's Equity	**2,132,879**	**88,090**

Total Assets

Total assets as at September 30, 2018 were approximately $2.1 million compared to $88,090 as at December 31, 2017. The increase in total assets between September 30, 2018 and December 31, 2017 was due to the following:

- Property and equipment increased by $1,554,508 from December 31, 2017 due to the development of the facilities which will enable the Company to cultivate, extract and sell medicinal cannabis in Colombia. These assets included the commencement of construction of a lab, a general building, shadehouses, greenhouses and general land infrastructure;

- Prepaid assets increased by $453,716 from December 31, 2017. The large increase represented large deposits required to contractors and manufacturers for equipment and development of the facilities.

Current Liabilities

Current liabilities as at September 30, 2018 were $63,273 compared to $51 as at December 31, 2017. The difference is due to the following items:

- As operations ramp up the payables increased to trade vendors and suppliers; and

- The loan payable of $2,256,486 related to funds provided by Avicanna Inc. to commence and progress the development of the facilities. The loan bears no interest and has no repayment terms.

Shareholder's Equity

There was a deficit incurred of ($186,880) as at the nine months ending September 30, 2018 due to the increase in expenses incurred.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows for the nine months ended September 30, 2018 and the year ended December 31, 2017

Cash from Operating Activities

During the period from December 31, 2017 to September 30, 2018 the Company generated a cash flow deficit from operations of ($612,840). Higher prepayments and increased expenditures during this period resulted in the deficit.

Cash used in Investing Activities

For the period ended September 30, 2018 cash flows used in investing activities was ($1,556,130). These cash flow deficits were the result of purchasing certain pieces of equipment and developing the facilities in Santa Marta, Colombia.

Cash from Financing Activities

Cash generated from financing activities totalled $2,168,811 for the nine months ending September 30, 2018. The increase in cash generated from financing activities was the result of the Company being provided advances which totalled $2,168,811 for the period ending September 30, 2018.

Liquidity and Capital Resources

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations and capital expenditures. As at September 30, 2018 the Company had working capital of approximately $890,370, with current assets of $953,644 and current liabilities of $63,274.

COMMITMENTS AND CONTINGENCIES

Commitments

The Company had no commitments as at the period ending September 30, 2018.

Contingencies

In the ordinary course of business and from time to time, SMGH is involved in various claims related to operations, rights, commercial, employment or other matters. Although such matters cannot be predicted with certainty, management does not consider SMGH's exposure to these claims to be material to these financial statements. As at December 31, 2017 and September 30, 2018 to the Company's knowledge, there were no claims against SMGH.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than those described under the commitments and contingencies above.

RELATED PARTY BALANCES AND TRANSACTIONS

A related party advance totalling $87,675 was repaid for the nine months ending September 30, 2018.

CRITICAL ACCOUNTING ESTIMATES

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

[i] Useful lives and impairment of property and equipment

Depreciation of property, plant and equipment is dependent upon management's estimate of the assets' useful lives. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

NEW ACCOUNTING PRONOUNCEMENTS

New standards, amendments and interpretations adopted by the Company

The following new accounting standards applied or adopted during the period ended March 31, 2018 had no material impact on the financial statements:

[i] IFRS 9 - Financial Instruments ["IFRS 9"]
In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company is in the process of evaluating the impact of IFRS 9 on the Company's financial statements.

[ii] IFRS 15 - Revenue from Contracts with Customers ["IFRS 15"]
In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company does not have any contracts with customers and therefore, there is no impact from adoption of IFRS 15 on the consolidated financial statements of the Company.

New standards, amendments and interpretations not yet adopted by the Company
The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

[i] IFRS 16 - Leases ["IFRS 16"]

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

[ii] IFRIC 23 – Uncertainty over Income Tax Treatment ["IFRIC 23"]

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual period beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company's financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
Trade and other payables	$ 63,274	$ 63,274	$ 63,274	-	-
	$ 63,274	$ 63,274	$ 63,274	-	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Colombian Pesos, which is also the Company's functional currency.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at September 30, 2018.

Fair values

The carrying values of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables and funds held for investment approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

SUBSEQUENT EVENTS

On October 11, 2018 Avicanna Inc. was involved in a restructuring whereby Santa Marta Golden Hemp S.A.S. acquired 60% of the issued and outstanding shares from Bondue S.A.S.

On October 22, 2018, Avicanna Inc. acquired a controlling interest in the Company through the acquisition of 60% of the issued and outstanding common shares of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

This Management's Discussion and Analysis ("MD&A") of Santa Marta Golden Hemp S.A.S. ("SMGH" or the "Company") contains "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "objective", "predict", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "will", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties 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 or implied by the 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. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to:

- changes in general economic, market and business conditions and product demand;
- changing interest rates, income taxes and exchange rates;
- changes in the competitive environment in the markets in which the Company operates;
- changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- opportunities that may be presented to and pursued by the Company;
- the Company's ability to meet its working capital needs at the current level in the short term;
- expectations with respect to raising capital; and
- changes in prices of required commodities.

This MD&A is presented as of the date of this prospectus and is current to that date unless otherwise stated. The MD&A should be read in conjunction with the Company's consolidated financial statements for the period July 27, 2016 to December 31, 2016 and the period ending December 31, 2017 and the accompanying notes thereto and the auditor's report thereon (collectively, "Financial Statements"). The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors on July 8, 2019.

BUSINESS OVERVIEW AND CORPORATE STRUCTURE

SMGH was initially formed with an intention to apply for a license to cultivate, extract and sell medicinal cannabis in the Republic of Colombia. Based in Santa Marta, Colombia, the region provides significant benefits to growing medicinal cannabis.

In 2017, the Company submitted an application to cultivate, extract and sell medicinal cannabis. The Company was granted the license shortly thereafter and started planning the initial phase of construction of the facility, which was to start in 2018.

SELECTED FINANCIAL INFORMATION

For the period July 27, 2016 to December 31, 2016 and year ending December 31, 2017

The following table sets forth a summary financial information for the Company for the period July 27, 2016 to December 31, 2017 and the period ending December 31, 2017. The selected financial information set out below may not be indicative of the Company's future performance.

	For the year ended December 31, 2017 $	For the period July 27, 2016 to December 31, 2016 $
Revenues	-	-
General and administrative expenses	18	42
Depreciation and amortization	-	-
Loss from operations	(18)	(42)
Net loss	(18)	(42)
Exchange differences on translating foreign operations	(24)	-
Net comprehensive loss	(42)	-
Weighted average number of common shares	1,000	433
Loss per share	(0.02)	(0.10)

Revenue

There was no revenue earned as of December 31, 2016 or December 31, 2017 as the Company had not commenced any commercial activity.

Expenses

Expenses remained, generally, the same for the year ending December 31, 2017, compared to the same period ending December 31, 2016. The chart below summarizes the general and administrative expenses for these periods.

	For the year ending December 31, 2107		For the period July 27, 2016 to December 31, 2016	
Bank charges and interest	$	18	$	42
	$	**18**	**$**	**42**

To date, the Company has incurred very few expenses, as for both period noted above the Company had not commenced any major commercial activity.

Other Items

The exchange differences upon conversion of foreign operations is the gain recorded from converting the Company's functional currency, being the Colombian Peso, into Canadian Dollars.

REVIEW OF FINANCIAL POSITION AS AT DECEMBER 31, 2017 AND DECEMBER 31, 2016

The following provides a summary of the financial position of the Company as at December 31, 2017 and December 31, 2016.

	December 31, 2017	**December 31, 2016**
	$	**$**
Assets		
Cash	1,263	3,024
Current assets	82,564	60,102
Property and equipment	4,263	-
Total assets	**88,090**	**63,126**
Liabilities and equity		
Trade and other payables	51	-
Due to related parties	87,675	62,720
Total Liabilities	87,726	62,720
Shareholder's (deficit) equity	364	406

Total liabilities and shareholder's equity	**88,090**	**63,126**

Total Assets

Total assets as at December 31, 2017 were $88,090, compared to $63,126 as at December 31, 2016. The increase in total assets between December 31, 2017 and December 31, 2016 was due to the following:

- Property and equipment increased by $4,263 from December 31, 2016 due to the purchase of certain small assets as the Company planned to commence operations in 2018; and

- Prepaid assets increased by $22,462 from December 31, 2016. These represented costs directly attributable to the application for a license to cultivate, extract and sell medicinal cannabis, and prepaid deposits for certain consultants and professionals who were commencing their work in 2018.

Current Liabilities

Current liabilities as at December 31, 2017 were $51 compared to nil as at December 31, 2016. The difference is due to the following:

- There were some minor payables owed related to the purchase of property and equipment as at December 31, 2017; and

- The due to related parties amount of $87,675 related to funds provided by a founding shareholder to commence initial operations.

Shareholder's Equity

While there was a deficit incurred of $(84), the Company received a direct equity investment in 2016 totalling $448.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows for the year ending December 31, 2017 and the period December 23, 2016 to December 31, 2016

Cash from Operating Activities

During the period from December 31, 2016 to December 31, 2017 the Company generated a cash flow deficit from operations of ($22,453). Higher prepayments during this period resulted in the deficit.

Cash used in Investing Activities

For the period ended December 31, 2017 cash flows used in investing activities was ($4,263). These cash flow deficits were the result of purchasing some small pieces of equity in fiscal 2017.

Cash from Financing Activities

Cash generated from financing activities totalled $24,955 for the 12 months ending December 31, 2017. The increase in cash generated from financing activities was the result of the Company being provided an advance from a related party which totalled $24,955 for the period ending December 31, 2017.

Liquidity and Capital Resources

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations and capital expenditures. As at December 31, 2017 the Company had a working capital deficit of approximately $(3,899), with current assets of $83,827 and current liabilities of $87,726. However, a large portion of the liabilities represented a due to related party balance of $87,675. The Company will require further funding in order to develop the current land into facilities that will cultivate, extract and sell medicinal cannabis. Funding will be provided by the current shareholders of the Company in order to complete the initial phases of construction. However, there is a risk that the shareholders decide to abandon the project all together due to higher than expected costs, or internal liquidity issues of their own. In addition, the Company will consider selling an equity stake in the Company in order to meet future funding needs.

COMMITMENTS AND CONTINGENCIES

Commitments

The Company had no commitments as at the period ending December 31, 2017.

Contingencies

In the ordinary course of business and from time to time, SMGH is involved in various claims related to operations, rights, commercial, employment or other matters. Although such matters cannot be predicted with certainty, management does not consider SMGH's exposure to these claims to be material to these financial statements. As at December 31, 2016 and December 31, 2017 to the Company's knowledge, there were no claims against SMGH.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than those described under the commitments and contingencies above.

RELATED PARTY BALANCES AND TRANSACTIONS

The Company was provided funds by a related party in 2016 and 2017 by the founding shareholders of the Company As at December 31, 2016 $62,720 was advanced to the Company, and an additional $24,955 was advanced for the period ending December 31, 2017.

CRITICAL ACCOUNTING ESTIMATES

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

[i] Useful lives and impairment of property and equipment

Depreciation of property, plant and equipment is dependent upon management's estimate of the assets' useful lives. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

[ii] Share-based compensation

In calculating the share-based compensation expense, key estimates such as the value of the common shares, the rate of forfeiture of options granted, the expected life of the option, the volatility of the value of the Company's common shares and the risk free interest rate are used.

NEW ACCOUNTING PRONOUNCEMENTS

New standards, amendments and interpretations adopted by the Company

The following new accounting standards applied or adopted during the period ended December 31, 2017 had no material impact on the financial statements:

[i] IFRS 9 - Financial Instruments ["IFRS 9"]
In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company is in the process of evaluating the impact of IFRS 9 on the Company's financial statements.

[ii] IFRS 15 - Revenue from Contracts with Customers ["IFRS 15"]
In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company does not have any contracts with customers and therefore, there is no impact from adoption of IFRS 15 on the consolidated financial statements of the Company.

New standards, amendments and interpretations not yet adopted by the Company
The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

[i] IFRS 16 - Leases ["IFRS 16"]
In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

[ii] IFRIC 23 – Uncertainty over Income Tax Treatment [“IFRIC 23”]

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual period beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The Company is in the process of evaluating the impact of IFRIC 23 on the Company’s financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company’s exposure to liquidity risk is dependent on the Company’s ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
Trade and other payables	$ 51	$ 51	$ 51	-	-
	$ 51	$ 51	$ 51	-	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company’s earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company’s transactions are in Colombian Pesos, which is also the Company’s functional currency.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices [other than those arising from interest rate risk or currency risk], whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at December 31, 2017.

Fair values

The carrying values of cash and cash equivalents, marketable securities, trade and other receivables, trade and other payables and funds held for investment approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs which are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents and marketable securities are classified as Level 1 financial instruments. Trade and other receivables, trade and other payables and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

SUBSEQUENT EVENTS

On October 2018, the Avicanna Inc. was involved in a restructuring whereby Santa Marta Golden Hemp S.A.S. acquired 60% of the issued and outstanding shares from Bondue S.A.S.

On October 22, 2018, Avicanna Inc. acquired a controlling interest in the Company through the acquisition of 60% of the issued and outstanding common shares of the Company.

SCHEDULE "C" – PRO FORMA FINANCIAL STATEMENTS

The following pro forma financial statements have been prepared in accordance with IFRS and are attached hereto:

- Pro forma consolidated statement of income (loss) and comprehensive income (loss) of the Corporation that gives effect to the acquisition of SMGH, as if the acquisition had taken place at January 1, 2018 for the year ended December 31, 2018.

Pro Forma Consolidated Financial Statements of

Avicanna Inc.

(Expressed in Canadian dollars, unaudited)
December 31, 2018

INDEX TO
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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1. BACKGROUND AND BASIS OF PRESENTATION

Background

Avicanna Inc. ("Avicanna" or the "Company") was incorporated in Ontario. The Company is focused on innovative product development and advanced clinical research in the medical cannabis industry. To date, the Company has not generated significant revenues from its operations and is considered to be in development stage.

On February 28, 2018, the Company acquired control of Sativa Nativa SAS ("Sativa Nativa") by acquiring an additional 35% of the issued and outstanding shares of Sativa Nativa, bringing the Company's total holdings to 70% of the issued and outstanding shares. Sativa Nativa holds land in Santa Marta, Colombia and has obtained licenses to harvest and extract medical cannabis in Colombia.

On October 22, 2018 the Company acquired a 60% interest in Santa Marta Golden Hemp S.A.S. ("SMGH"). For its 60% interest, the Company issued 1,477,818 common shares to SMGH's largest shareholder at a share price of $7.30. SMGH is a federally licensed cannabis company based in Santa Marta, Colombia.

Basis of Presentation

These unaudited pro forma condensed consolidated financial statements of Avicanna have been prepared to give effect to the purchase of Sativa Nativa and SMGH as if they had been purchased on January 1, 2018.

The unaudited pro forma condensed consolidated financial statements are derived from and should be read in conjunction with the following:

- the audited condensed financial statements of Avicanna for the year ended December 31, 2018.

These unaudited pro forma condensed consolidated financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the operating results or financial position that would have been achieved if the acquisitions had been completed on the dates or for the periods presented, nor do they purport to project the results of operations or financial position of the combined entities for any future period or as of any future date. These unaudited pro forma condensed consolidated financial statements may not be useful in predicting the future financial position and results of operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts presented herein.

The accounting policies used in the preparation of these unaudited pro forma condensed consolidated financial statements are consistent with those described in the audited consolidated financial statements of Avicanna for the year ended December 31, 2018.

The Pro Forma adjustments contained in these unaudited pro forma condensed consolidated financial statements reflect estimates and assumptions by the management of Avicanna based on currently available information. Avicanna's management believes that such assumptions provide a reasonable basis for presenting all of the significant effects of the acquisitions and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed consolidated financial statements.

Actual amounts recorded upon the purchase of Sativa Nativa and SMGHs will differ from such pro forma condensed consolidated financial statements as the purchases were completed on February 28, 2018 and October 22, 2018, respectively.

2. Description of Transaction

As the majority purchase of Sativa Nativa occurred on February 28, 2018 expenses for the period January 1, 2018 to February 28, 2018 have been excluded from the year end operating results. In addition, as the majority purchase of SMGH was completed on October 22, 2018, expenses for the period January 1, 2018 to October 22, 2018 have been excluded from the year end operating results.

3. Pro Forma Adjustments and Assumptions

The unaudited pro-forma condensed consolidated financial statements incorporate the following pro-forma assumptions:

a) The Company obtained control of Sativa Nativa on February 28, 2018 and the results of Sativa Nativa were consolidated with Avicanna on that date. This represents the results of Sativa Nativa from January 1, 2018 to the date of acquisition of control. These results are based on internal management prepared financial statements of Sativa Nativa. In addition, the Company obtained control of SMGH on October 22, 2018. This represents the results of SMGH from January 1, 2018 to the date of acquisition of control. These results are based on internal management prepared financial statements of SMGH

Avicanna Inc.

Pro forma condensed consolidated statement of financial position

As of December 31, 2018
[expressed in Canadian dollars]
[Unaudited]

	Avicanna Inc.	Pro-forma adjustments	Pro-forma consolidated
	$	$	$
ASSETS			
Current assets			
Cash and cash equivalents	69,295	-	69,295
Trade and other receivables	258,608	-	258,608
Prepaid assets	863,624	-	863,624
	1,191,527	-	1,191,527
Property and equipment, net	16,256,136	-	16,256,136
Intangible assets	10,733,266	(306,313)	10,426,953
Investments	72	-	72
	28,181,001	(306,313)	27,874,688
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	1,455,565	-	1,455,565
Due to related parties	331,320	-	331,320
	1,786,885	-	1,786,885
Term loan	14,441	-	14,441
	1,801,326	-	1,801,326
Shareholders' equity (deficiency)			
Share capital	21,492,039	-	21,492,039
Warrants	5,218,984	-	5,218,984
Accumulated other comprehensive income	(188,771)		
Non-controlling interest	8,070,778	-	8,070,778
Share-based payment reserve	1,515,107	-	1,515,107
Deficit	(9,728,462)	(306,313)	(10,034,775)
	26,379,675	(306,313)	26,073,362
	28,181,001	(306,313)	27,874,688

The accompanying notes are an integral part of these pro forma condensed consolidated financial statements.

Avicanna Inc.

Pro forma condensed consolidated statement of operations and comprehensive loss

For the year ended December 31, 2018
[expressed in Canadian dollars, except share amounts]
[Unaudited]

	Avicanna Inc.	Pro-forma adjustments	Pro-forma consolidated
	$	$	$
Revenue	117,971	-	117,971.00
Operating Expenses			
General and administrative	1,504,499	220,078	1,724,577
Consulting fees	1,198,855	36,859	1,235,714
Professional fees	1,915,725	45,853	1,961,578
Salaries and wages	1,543,325	2,446	1,545,771
Research and development	456,622	-	456,622
Selling, marketing and promotion	248,731		248,731
Share-based compensation	1,401,320		1,401,320
Write off of biological assets	122,284	-	122,284
Amortization	172,705	1,506	174,211
	8,564,066	306,743	8,870,809
Other income			
Foreign exchange loss	(136,501)	-	(136,501)
Gain on acquisition of previously equity accounted investee	1,129,976		1,129,976
Loss attributed from equity accounted investee	(27,607)		(27,607)
Interest income	180,475	430	180,905
Loss from equity accounted investee	10,355	-	10,355
	1,156,698	430	1,157,128
Net Loss	(7,289,397)	(306,313)	(7,595,710)
Other comprehensive loss			
Items that may be reclassified subsequently to loss:			
Exchange differences on translation to presentation currency	(188,771)	-	(188,771)
	(188,771)	-	(188,771)
Net loss and comprehensive loss	(7,478,168)	(306,313)	(7,784,481)
Net loss and comprehensive loss attributable to:			
Owners of the parent	(7,287,832)	(306,313)	(7,594,145)
Non-controlling interest	(190,336)	-	(190,336)
	(7,478,168)	(306,313)	(7,784,481)
Weighted average number of common shares - basic and diluted	13,587,925		13,587,925
Loss per share - basic and dilutive	(0.54)		(0.56)

The accompanying notes are an integral part of these pro forma condensed consolidated financial statements.

SCHEDULE "D" - AUDIT COMMITTEE CHARTER

AVICANNA INC.

AUDIT COMMITTEE CHARTER

I. GENERAL

1. Mandate and Purpose of the Committee

The purpose of the Audit Committee (the "**Committee**") is to assist the board of directors (the "**Board**") of Avicanna Inc. (the "**Company**") in fulfilling its oversight responsibilities relating to:

(a) the integrity of the Company's financial statements;

(b) the Company's compliance with legal and regulatory requirements, as they relate to the Company's financial statements;

(c) the qualifications, independence and performance of the external auditor;

(d) internal controls and disclosure controls;

(e) the performance of the Company's internal audit function; and

(f) performing the additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

2. Authority of the Committee

(a) The Committee has the authority to:

  (i) engage independent counsel and other advisors as it determines necessary to carry out its duties;

  (ii) set and pay the compensation for any advisors employed by the Committee; and

  (iii) communicate directly with the internal and external auditors.

(b) The Committee has the authority to delegate to individual members or subcommittees of the Committee.

II. PROCEDURAL MATTERS

1. Composition

The Committee will be composed of a minimum of three members.

2. Member Qualifications

Members of the Committee must state whether or not they are (i) "**independent**" as defined in National Instrument 52-110 – Audit Committees and (ii) "**financially literate**" as defined in National Instrument 52-110 – Audit Committees.

3. Member Appointment and Removal

Members of the Committee will hold office until the next annual meeting of the shareholders.

4. Committee Structure and Operations

(a) Chair

Each year, the Board will appoint one member of the Committee to act as Chair of the Committee. The Chair of the Committee may be removed at any time at the discretion of the Board. If, in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed.

If the Chair of the Committee is absent from any meeting, the Committee will select one of the other members of the Committee to preside at that meeting.

(b) Meetings

The Chair of the Committee will be responsible for developing and setting the agenda for Committee meetings. The Chair, in consultation with the Committee members, will determine the schedule and frequency of the Committee meetings. However, the Committee will meet at least four times per year.

(c) Notice

(i) Notice of the time and place of every meeting will be given by email or by phone to each member of the Committee at least 24 hours before the time fixed for that meeting.

(ii) The external auditor of the Company will be given notice of every meeting of the Committee and, at the expense of the Company, will be entitled to attend and be heard at that meeting.

(iii) If requested by a member of the Committee, the external auditor will attend every meeting of the Committee held during the term of office of the external auditor.

(d) Quorum

A majority of the Committee will constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present in person or by means of such telephonic, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.

(e) **Attendees**

The Committee may invite any of the directors, officers and employees of the Company and any advisors as it sees fit to attend meetings of the Committee.

During each meeting of the Committee, the Committee will meet with only Committee members present in person or by other permitted means.

(f) **Secretary**

Unless otherwise determined by resolution of the Board, the corporate secretary of the Company, or his or her nominee, will act as the Secretary to the Committee.

(g) **Records**

Minutes of meetings of the Committee will be recorded and maintained by the Secretary to the Committee and will be subsequently presented to the Committee for review and approval.

(h) **Liaison**

The Chief Financial Officer will act as management liaison with the Committee.

5. Committee and Charter Review

The Committee will conduct an annual review and assessment of its performance, effectiveness and contribution, including a review of its compliance with this Charter, in accordance with the process developed by the Board. The Committee will conduct that review and assessment in such manner as it deems appropriate and report the results to the Board.

The Committee will also review and assess the adequacy of this Charter on an annual basis, taking into account all legislative and regulatory requirements applicable to the Committee, as well as any best practice guidelines recommended by regulators or an applicable stock exchange, and will recommend any required or desirable changes to the Board.

6. Reporting to the Board

The Committee will report to the Board in a timely manner with respect to each of its meetings held. This report may take the form of circulating copies of the minutes of each meeting held.

III. RESPONSIBILITIES

1. Financial Reporting

(a) The Committee is responsible for reviewing and recommending approval to the Board of:

(i) the Company's financial statements, MD&A and annual and interim profit or loss news releases; and

(ii) prospectus type documents.

(b) The Committee is also responsible for:

(i) discussing with management and the external auditor the quality of generally accepted accounting principles ("**GAAP**"), not just the acceptability of GAAP;

(ii) discussing with management any significant variances between comparative reporting periods and across comparable business units;

(iii) in the course of discussion with management and the external auditor, identifying problems or areas of concern and ensuring those matters are satisfactorily resolved;

(iv) engaging the external auditor to perform a review of the interim financial reports and reviewing their findings, however, no formal report from the external auditor will be required;

(v) reviewing the financial statements of the Company's subsidiaries, as well as the consolidated financial statements and financial statements for the Company pension plans, joint ventures and the like;

(vi) requiring a representation letter from management similar to that provided by the external auditor; and

(vii) reviewing all financial information and earnings guidance provided to analysts and rating agencies.

2. External Auditor

(a) The Company's external auditor is required to report directly to the Committee.

(b) The Committee is responsible for recommending to the Board:

(i) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and

(ii) the compensation of the external auditor.

(c) The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.

3. Relationship with the External Auditor

(a) The Committee is responsible for reviewing the proposed audit plan and the proposed audit fees (to ensure fee containment).

(b) The Committee is also responsible for:

(i) establishing effective communication processes with management and the external auditor so that it can objectively monitor the quality and effectiveness of the external auditor's relationship with management and the Committee;

(ii) receiving and reviewing regular reports from the external auditor on the progress against the approved audit plan, important findings, recommendations for improvements and the auditors' final report;

(iii) reviewing, at least annually, a report from the external auditor on all relationships and engagements for non-audit services that may reasonably be thought to bear on the independence of the auditor;

(iv) meeting regularly in private with the external auditor; and

(v) receiving at least annually a report by the external auditor on the audit firm's internal quality control.

4. Accounting Policies

The Committee is responsible for:

(a) reviewing the Company's accounting policy note to ensure completeness and acceptability with GAAP as part of the approval of the financial statements;

(b) proactively discussing and reviewing the impact of proposed changes in accounting standards or securities policies or regulations;

(c) reviewing with management and the external auditor any proposed changes in major accounting policies and key estimates and judgments that may be material to financial reporting;

(d) ensuring by discussion with management and the external auditor that the underlying accounting policies, disclosures and key estimates and judgments are considered to be the most appropriate in the circumstances (within the range of acceptable options and alternatives);

(e) discussing with management and the external auditor the clarity and completeness of the Company's financial disclosures made under continuous disclosure requirements; and

(f) reviewing benchmarks of the Company's accounting policies to those followed in its industry.

5. Risk and Uncertainty

(a) The Committee is responsible for reviewing, as part of its approval of the financial statements, uncertainty notes and disclosures.

(b) The Committee, in consultation with management, will identify the principal business risks and decide on the Company's "appetite" for risk. The Committee is responsible for reviewing related risk management policies and recommending those policies for approval by the Board. The Committee is then responsible for communicating and assigning to the applicable Board committee those policies for implementation and ongoing monitoring.

(c) The Committee is responsible for requesting the external auditor's opinion of management's assessment of significant risks facing the Company and how effectively they are being managed or controlled.

6. Controls and Control Deviations

(a) The Committee is responsible for reviewing:

(i) the plan and scope of the annual audit with respect to planned reliance and testing of controls; and

(ii) major points contained in the auditor's management letter resulting from control evaluation and testing.

(b) The Committee is also responsible for:

(i) receiving reports from management when significant control deviations occur;

(ii) establishing a Company-wide culture that conveys basic values of ethical integrity as well as legal compliance and strong financial reporting and control;

(iii) reviewing plans of the internal and external auditors to ensure the combined evaluation and testing of control is comprehensive, well-coordinated, cost effective and appropriate to risks, business activities and changing circumstances;

(iv) participating in the review and appointment of key people involved in financial reporting (i.e., the Chief Financial Officer, the manager of internal audit, etc.);

(v) reviewing Chief Executive Officer and Chief Financial Officer certification matters including matters relating to disclosure controls and procedures;

(vi) reviewing annually a formal report prepared by management on the effectiveness of the Company's control systems;

(vii) reviewing fraud prevention policies and programs and monitoring their implementation; and

(viii) examining whether extension of its oversight of control systems into non-financial areas (e.g., operations) is appropriate.

7. Compliance with Laws and Regulations

(a) The Committee is responsible for discussing the Company's compliance with tax and financial reporting laws and regulations, if and when issues arise.

(b) The Committee is responsible for reviewing regular reports from management and others (e.g., internal and external auditors) concerning the Company's compliance with financial related laws and regulations, such as:

(i) tax and financial reporting laws and regulations;

(ii) legal withholdings requirements;

(iii) environmental protection laws; and

(iv) other matters for which directors face liability exposure.

(c) The Committee is responsible for providing input to and reviewing the Company's Code of Business Conduct and Ethics.

(d) The Committee is responsible for expanding its review to include a broader set of laws and regulations that must be complied with (e.g., compliance with privacy laws in electronic commerce systems).

(e) The Committee with other Board committees is responsible for annually reviewing reports from other Board committees on management's processes to ensure compliance with the Company's Code of Business Conduct and Ethics.

8. Relationship with the Internal Auditor

(a) The Committee is responsible for reviewing:

(i) the appointment of the internal auditor;

(ii) the internal auditor's terms of reference;

(iii) the overall scope of the internal audit;

(iv) the majority of reports issued by the internal auditor; and

(v) management's response to the internal auditor's reports.

(b) The Committee is responsible for approving the reporting relationship of the internal auditor to ensure appropriate segregation of duties is maintained and the internal auditor has direct access to the Committee.

(c) The Committee is responsible for ensuring that the internal auditor's involvement with financial reporting is coordinated with the activities of the external auditor.

(d) If no internal audit function exists, the Committee is responsible for regularly reviewing the need for such a function.

9. Other Responsibilities and Issues

(a) The Chair of the Committee is responsible for ensuring the information received by the Committee is responsive to important performance measures and to the key risks the Committee oversees.

(b) The Committee is responsible for the investigation of any matters that fall within the Committee's responsibilities and has the explicit authority to do so.

(c) The Committee is responsible for receiving and reviewing reports from the internal and external auditors on their review of the officer and senior executive expense accounts.

(d) The Committee is responsible for approving policies on political donations and commissions paid to suppliers or customers and for receiving reports from the internal and/or external auditors on their review of those donations and commissions.

(e) The Committee is responsible for reviewing and providing management with its views on funding matters, financing strategies, capital structure etc., as well as appropriate accounting and presentation issues related thereto.

10. Pre-Approval of Non-Audit Services

The Committee is responsible for pre-approving all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor.

11. Review of Public Disclosure

The Committee will review the following disclosures in advance of their public release by the Company:

(a) the Company's financial statements, MD&A and annual and interim profit or loss news releases;

(b) earnings guidance; and

(c) financial outlooks and future-oriented financial information;

The Committee is responsible for being satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and must periodically assess the adequacy of those procedures.

12. Submission Systems and Treatment of Complaints

The Committee is responsible for establishing procedures for:

(a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

13. Hiring Policies

The Committee is responsible for reviewing and approving the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

CERTIFICATE OF THE CORPORATION

Dated: July 8, 2019

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of Ontario, Alberta, and British Columbia**.**

(*signed*) "*ARAS AZADIAN*" ARAS AZADIAN Chief Executive Officer	(*signed*) "*DAVENDER SOHI*" DAVENDER SOHI Chief Financial Officer

On behalf of the Board of Directors

(*signed*) "*SETU PUROHIT*" SETU PUROHIT Director	(*signed*) "*DAVID ALLAN WHITE*" DAVID ALLAN WHITE Director

CERTIFICATE OF THE PROMOTERS

Dated: July 8, 2019

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of Ontario, Alberta, and British Columbia**.**

(*signed*) "ARAS AZADIAN"
ARAS AZADIAN
Promoter

(*signed*) "*KYLE LANGSTAFF*"
KYLE LANGSTAFF
Promoter

(*signed*) "*SETU PUROHIT*"
SETU PUROHIT
Promoter

CERTIFICATE OF THE AGENTS

Dated: July 8, 2019

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of Ontario, Alberta, and British Columbia.

SPROTT CAPITAL PARTNERS LP BY ITS GENERAL PARTNER,
SPROTT CAPITAL PARTNERS GP INC.

(*signed*) "*TIM SORENSEN*"
TIM SORENSEN
Director

PARADIGM CAPITAL INC.

(*signed*) "*JASON MATHESON*"
JASON MATHESON
Investment Banker