

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**1. Name and Address of Company**

Avicanna Inc. (the "**Corporation**")  
480 University Avenue, Suite 1502  
Toronto, Ontario, M5G 1V2

**2. Date of Material Change**

November 26, 2019.

**3. News Release**

A news release dated November 26, 2019 was disseminated through the facilities of CNW Group and subsequently filed on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

**4. Summary of Material Change**

On August 16, 2019, the Corporation entered into a license agreement (the "**License Agreement**") with LC2019, Inc. ("**LC2019**") pursuant to which the Corporation agreed to license certain proprietary formulations and brand elements to LC2019 for commercialization in the United States. As consideration for entering into the License Agreement, LC2019 and its shareholders entered into a definitive option agreement to grant the Corporation the option (the "**Option**") to acquire 100 percent of the issued and outstanding shares of LC2019, with such Option to be exercisable in the event that cannabis cultivation, processing, distribution and possession becomes federally legal in the United States (the "**Triggering Event**"). The Corporation may elect to waive the Triggering Event and exercise the Option at any time.

Additionally, the Corporation announced that Arash Moghani stepped down as the Corporation's Chief Technology Officer to join the executive leadership team at LC2019.

**5. Full Description of Material Change**

**5.1 Full Description of Material Change**

The material change is fully described in the news release attached hereto as Schedule "A", which news release is incorporated by reference herein.

**5.2 Disclosure for Restructuring Transaction**

Not applicable

**6. Disclosure for Restructuring Transaction**

Not applicable.

**7. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

Not applicable.

**8. Omitted Information**

Not applicable.

**9. Executive Officer**

For additional information please contact Setu Purohit, President of the Corporation at 1-647-243-5283 or [info@avicanna.com](mailto:info@avicanna.com)..

**10. Date of Report**

November 28, 2019

## Schedule "A"

### Avicanna Announces Option to Purchase Newly Formed US Cannabis Operator

NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF UNITED STATES SECURITIES LAWS.

**Toronto, Ontario – November 26, 2019** – Avicanna Inc. ("**Avicanna**" or the "**Company**") (TSX: AVCN) (OTCQX: AVCNF) (FSE: ONN), a biopharmaceutical company focused on the development, manufacturing and commercialization of organic and sustainable plant-derived cannabinoid-based products, is pleased to announce that it has entered into a license agreement (the "**License Agreement**") with LC2019, Inc. ("**LC2019**") pursuant to which the Company has agreed to license certain proprietary formulations and brand elements to LC2019 for commercialization in the United States. As consideration for entering into the License Agreement, LC2019 and its shareholders have entered into a definitive option agreement (the "**Option Agreement**") that grants Avicanna the option (the "**Option**") to acquire 100 percent of the issued and outstanding shares of LC2019, with such Option to be exercisable in the event that cannabis cultivation, processing, distribution and possession becomes federally legal in the United States (the "**Triggering Event**"). Avicanna may elect to waive the Triggering Event and exercise the Option at any time.

Additionally, Avicanna announces that Arash Moghani has stepped down as the Company's Chief Technology Officer and has advised Avicanna that he will be joining the executive leadership team at LC2019.

#### Transaction Highlights:

- The License Agreement will enable LC2019 to commercialize Avicanna's Rho™ products and proprietary research-backed formulations in the US marketplace;
- LC2019 has advised Avicanna that it expects to establish a strong U.S. presence through the establishment of manufacturing and/or licensing arrangements on a state-by-state basis in states that permit the use of cannabis for recreational or medical purposes; and
- LC2019 has an experienced management team (which will now include Mr. Moghani) and Avicanna believes that LC2019 will be well positioned to create potential value for Avicanna shareholders should the Option be exercised or monetized in the future.

"We are thrilled to secure a strategy that will allow us to enter the United States as soon as federally permissible and, in the interim, provide an opportunity for our brands and science-driven product formulations to establish themselves in one of the largest and most exciting global markets for cannabis products," stated Setu Purohit, President of Avicanna.

#### License Agreement

Under the terms of the License Agreement, Avicanna has granted LC2019 non-exclusive rights to use certain of Avicanna's intellectual property, including, but not limited to, copyrights and trademarks associated with certain brands and proprietary product formulations. The License Agreement may be sub-licensed by LC2019 on similar terms and conditions. The License Agreement has a 10 year term

and is subject to standard termination rights. The License Agreement contains standard representations, warranties and covenants of the parties.

### **Option Agreement**

Pursuant to the terms of the Option Agreement, upon the occurrence of the Triggering Event, Avicanna will exercise the Option and purchase all of the issued and outstanding shares of LC2019, as follows: (i) all of the issued and outstanding Class A shares at a nominal amount; (ii) all of the issued and outstanding Class B shares at the applicable subscription price; and (iii) all of the issued and outstanding Class C shares for up to 10% of the increase in the fair market value of LC2019 between the date of the Option Agreement and the date that Avicanna provides notice of exercise to LC2019, up to a maximum aggregate amount of CDN\$10,000,000. Avicanna is entitled to elect to satisfy the purchase price in cash or through the issuance of common shares of Avicanna, in its sole discretion, subject to the approval of the Toronto Stock Exchange and in accordance with the policies of the Toronto Stock Exchange at such time. Additionally, Avicanna may elect to exercise the Option prior to the occurrence of the Triggering Event in its sole discretion or to assign the Option at any time.

The Option is exercisable for 10 years from the date of grant. The Option Agreement contains standard negative covenants, representations and warranties.

To the knowledge of the Company, it carries out its operations in compliance with all applicable laws in the jurisdictions in which it operates.

### **About LC2019, Inc.**

LC2019 was established to carry on cannabis related operations in the United States in accordance with State sanctioned cannabis programs. LC2019 is expected to produce Rho™ products and/or sub-license the rights to manufacture and sell such products pursuant to such State programs. As of the date hereof, the principal asset of LC2019 is the License Agreement.

### **About Avicanna**

Avicanna is an Ontario corporation focused on the development, manufacturing and commercialization of plant-derived cannabinoid-based products through its two main business segments, cultivation and research and development.

Avicanna's two majority-owned subsidiaries, Sativa Nativa S.A.S. and Santa Marta Golden Hemp S.A.S., both located in Santa Marta, Colombia are the base for Avicanna's cultivation activities. These two companies are licensed to cultivate and process cannabis for the production of cannabis extracts and purified cannabinoids including cannabidiol (CBD) and tetrahydrocannabinol (THC).

Avicanna's research and development business is primarily conducted out of Canada at its headquarters in the Johnson & Johnson Innovation Centre, JLABS @ Toronto. Avicanna's scientific team develops products, and Avicanna has also engaged the services of researchers at the Leslie Dan Faculty of Pharmacy at the University of Toronto for the purpose of optimizing and improving upon its products.

Avicanna's research and development and cultivation activities are focused on the development of its key products, including plant-derived cannabinoid pharmaceuticals, phyto-therapeutics, derma-cosmetics and Extracts (defined as plant-derived cannabinoid extracts and purified cannabinoids, including distillates

and isolates), with a goal of eventually having these products manufactured and distributed through various markets.

SOURCE Avicanna Inc.

### **Stay Connected**

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

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

*This news release contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian securities legislation. Often, but not always, forward-looking statements and information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements or information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, LC2019 or their respective subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements or information contained in this news release. These forward-looking statements include, but are not limited to, statements relating to our expectations with respect to: the timing and outcome of the transaction; the anticipated benefits of the transaction to the parties and their respective security holders; impact of the transaction, the ability of LC2019 to develop the brands and commercialize the products, the states in which LC2019 will operate and the consideration to be paid upon exercise of the Option.*

*Risks, uncertainties and other factors involved with forward-looking information could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information, the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary regulatory approvals; the ability of the parties to satisfy, in a timely manner, the other conditions; the likelihood of the triggering event being satisfied or waived by the outside date; other expectations and assumptions concerning the transaction; and such risks contained in the Company's long-form prospectus dated July 8, 2019 available on SEDAR at [www.sedar.com](http://www.sedar.com). Readers are cautioned that the foregoing list of factors is not exhaustive.*

*In respect of the forward-looking statements and information concerning the anticipated benefits and completion of the transaction and the anticipated timing for completion of the transaction, the Company has provided such statements and information in reliance on certain assumptions that they believe are reasonable at this time. Although the Company believes that the assumptions and factors used in preparing the forward-looking information or forward-looking statements in this news release are reasonable, undue reliance should not be placed on such information and no assurance can be given that such events will occur in the disclosed time frames or at all. The forward-looking information and forward-looking statements included in this news release are made as of the date of this news release and the Company does not undertake an obligation to publicly update such forward-looking information or forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities laws.*

*There can be no assurance that the transaction, including the triggering event, will occur, or that it will occur on the terms and conditions contemplated in this news release. The transaction could be modified, restructured or terminated. Actual results could differ materially from those currently anticipated due to a number of factors and risks.*