

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

April 20, 2020

3. News Release

A news release with respect to the material change referred to in this report was disseminated on April 21, 2020 through CNW Group and filed on the System for Electronic Document Analysis and Retrieval (SEDAR)

4. Summary of Material Change

On April 20, 2020 the Corporation closed a non-brokered private placement offering pursuant to which it issued an aggregate of 3,200,000 units (the “**Units**”) at a price of CAD\$0.80 per Unit, for gross proceeds of CAD\$2.56 million.

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.

5.2 Disclosure for Restructuring Transactions

Not applicable

6. Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable

7. Omitted Information

Not applicable

8. Executive Officer

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

9. Date of Report

April 29, 2020



AVICANNA CLOSES NON-BROKERED PRIVATE PLACEMENT WITH GROUP OF STRATEGIC INVESTORS AND ANNOUNCES WARRANT RE-PRICING

/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 – April 21, 2020 – Avicanna Inc. ("**Avicanna**" or the "**Company**") (TSX: AVCN) (OTCQX: AVCNF) (FSE: ONN), a biopharmaceutical company focused on the development, manufacturing and commercialization of plant-derived cannabinoid-based products, is pleased to announce that it has closed a non-brokered private placement (the "**Offering**") with a group of strategic investors led by Tasly International Capital Limited, a division of Tasly Holding Group Co., Ltd., a large healthcare and pharmaceutical group in China ("**Tasly**").

Non-brokered Private Placement

Aras Azadian, Chief Executive Officer of Avicanna, commented, "We are very happy to have concluded this financing during such challenging market conditions. When we initiated the financing, our stock price was depressed and the COVID-19 pandemic was making it difficult for all companies to raise money. However, we are fortunate to have reached our target raise and to have done so with strategic investors, including our long-term shareholders and new strategic partner, Tasly. Coupled with our reduced expenditure and re-focused business model, the money raised gives us the runway to execute our business plan. We are excited to announce the strategic investment from Tasly, as we believe this investment from the global pharmaceutical company is validation of Avicanna's pharmaceutical approach and a strategic first step in developing a working relationship which we anticipate will involve their participation in our pharmaceutical pipeline."

Pursuant to the Offering, the Company has issued an aggregate of 3,200,000 units (the "**Units**") at a price of CAD\$0.80 per Unit, for gross proceeds of CAD\$2.56 million. Each Unit is comprised of one (1) common share in the capital of the Company (each, a "**Common Share**") and one-quarter (1/4) of one common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant is exercisable into one common share in the capital of the Company (each, a "**Warrant Share**") at a price of CAD\$1.20 per Warrant Share until April 20, 2022, subject to the Company's right to accelerate the expiry date of the Warrants upon no less than thirty (30) days' notice in the event that the volume weighted average trading price of the Common Shares exceeds CAD\$2.00 for any ten (10) consecutive trading days on the Toronto Stock Exchange.

The Company intends to use the proceeds from the Offering for commercialization, corporate development and general working capital purposes.

All securities issued under the Offering, including securities issuable on exercise thereof, are subject to a hold period expiring four months and one day from the date of issuance. The Offering is subject to certain conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the Toronto Stock Exchange (the "**TSX**").

The issuance and sale of 93,750 Units pursuant to the Offering to certain directors of the Company



constituted related party transactions within the meaning of Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). The Company is relying on the exemptions from the valuation and minority shareholder approval requirements of MI 61-101 contained in sections 5.5(a) and 5.7(1) (a) of MI 61-101, on the basis that the fair market value of the participation in the Offering by the insiders does not exceed 25% of the market capitalization of the Company, as determined in accordance with MI 61-101. The Company did not file a material change report in respect of the related party transaction at least 21 days before the closing of the Offering, which the Company deems reasonable in the circumstances so as to be able to avail itself of the proceeds of the Offering in an expeditious manner.

Warrant Re-Pricing

The Company further announces that it is proposing to amend the exercise price of 411,360 warrants (the “**Outstanding Warrants**”) effective as at the close of business on May 5, 2020.

The Outstanding Warrants were originally issued by the Company pursuant to a CAD\$2.06 million non-brokered private placement financing of units on January 24, 2020. Each Outstanding Warrant entitles the holder thereof to purchase one (1) common share in the capital of the Company on or before January 24, 2023 at an exercise price of CAD\$3.00 per common share. None of the Outstanding Warrants are held by insiders of the Company.

The exercise price of the Outstanding Warrants is proposed to be amended to CAD\$1.40 per common share, which is at a premium to the five (5) day volume weighted average price of the common shares as of the date of this press release (the “**Warrant Amendment**”). Except for the Warrant Amendment, no other amendments to the Outstanding Warrants are proposed to be made by the Company and the Outstanding Warrants shall otherwise remain outstanding on identical terms and conditions. The Warrant Amendment is subject to the approval of the TSX.

About Avicanna Inc.

Avicanna is an Ontario, Canada based 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.

About Tasly International Capital Limited

Tasly International Capital Limited is a division of Tasly Holding Group Co., Ltd. and is the international investment arm of the Tasly Holding Group.

About Tasly Holding Group Co., Ltd.

Tasly Holding Group Co., Ltd. operates biological medicine research and production businesses. Tasly produces traditional Chinese medicines, chemical drugs, biological pharmaceuticals and other healthcare products. Tasly Holding Group also conducts medical service businesses domestically and internationally.

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

Cautionary Note Regarding Forward-Looking Information and Statements

This news release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information contained in this press release may be identified by the use of words such as, "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "outlook" and other similar expressions, and includes statements with respect to the use of proceeds of the Offering and the approval of the Warrant Amendment by the TSX. Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors relevant in the circumstances, including assumptions in respect of current and future market conditions, the current and future regulatory environment; and the availability of licenses, approvals and permits.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because the Company can give no assurance that they will prove to be correct. Actual results and developments may differ materially from those contemplated by these statements. Forward-looking information is subject to a variety of risks and uncertainties that could cause actual events or results to differ materially from those projected in the forward-looking information. Such risks and uncertainties include, but are not limited to-current and future market conditions, including the market price of the common shares of the Company, and the risk factors set out in the Company's annual information form dated April 15, 2020, filed with the Canadian securities regulators and available under the Company's profile on SEDAR at www.sedar.com.



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The statements in this press release are made as of the date of this release. The Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.