



## **AVICANNA REPORTS FOURTH QUARTER 2019 FINANCIAL RESULTS AND PROVIDES CORPORATE UPDATE**

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**Toronto, Ontario – April 15, 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 announces results for the fourth quarter ended December 31, 2019.

Aras Azadian, Chief Executive Officer of Avicanna, commented "This was a transformational quarter for Avicanna as we evolved from years of R&D and build-out of our infrastructure into a revenue generating company. During this period we launched two separate business units into the global market, raised efficiencies across all platforms, completed our agricultural infrastructure, fortified our leadership position on cannabinoid R&D and clinical development and have validated our vision of being a vertically integrated and data driven biopharmaceutical enterprise positioned to set the standards in the medical cannabis industry."

### **Fourth Quarter Operational Highlights**

- Executed strategy of becoming vertically integrated and executing on commercial initiatives. This included the completion of approximately 480,000 square feet of cultivation space, achieving full extraction and analytical capabilities, manufacturing finished products for commercial distribution, and continued advancements in research and development initiatives.
- Increase of capacity to approximately 31,000 kilograms of dried flower annually, which increased from the third quarter estimates that by year end our capacity would be approximately 29,000 kilograms of dried flower annually. Extraction capacity is 300kg of biomass per day.
- Commenced revenue generation for two major business lines including CBD-based derma-cosmetic product line, Pura Earth™, through 59 retail locations across Colombia and the launch of Aureus B-B brand of raw material cannabinoids (API) with sales in Colombia, South Africa and the United Kingdom and, subsequent to December 31, 2019, Argentina.
- Advanced discussions with Health Canada with respect to the pharmaceutical Phase II clinical trial to test Avicanna's dermatological product on the effect on a severe and rare genetic dermatological condition, Epidermolysis Bullosa, in partnership with Toronto's Hospital for Sick Children, with an expectation of receiving approval to commence the trial in Q3 2020.
- Further solidified its global leadership position as an organic and sustainable source of cannabinoids with the receipt by Santa Marta Golden Hemp S.A.S. ("SMGH") of the first Colombian USDA National Organic Program certification of the cultivation processes of its hemp (CBD dominant) genetic strain, and ranked highest amongst global cannabis companies on the SAM



Corporate Sustainability Assessment by S&P Global, results of which were received subsequent to December 31, 2019.

- The launch of Avicanna's Rho Phyto™ brand in the State of California through a licensing agreement with LC2019 Inc. ("LC2019"). In keeping with its obligations as a TSX issuer, Avicanna does not receive any compensation from the agreement with LC2019; however, Avicanna has an option to acquire LC2019 upon certain events occurring, such as cannabis becoming federally legal in the US. The launch of products manufactured using Avicanna IP and sold under Avicanna's brand is a further validation of Avicanna's R&D and commercialization strength and serves as a model for global expansion.
- As at December 31, 2019, the Company had approximately 1.075 kilograms of dried flower on hand, and 117 kilograms of active pharmaceutical ingredients ("API") on hand and available for sale. The build up of inventory is expected to support anticipated global sales in future periods.
- Commenced trading on the OTCQX Best Market in the United States under the symbol "AVCNF" and on the Frankfurt Stock Exchange under the symbol "0NN".

### **Financial Highlights**

- The Company recognized revenue of \$168,252 and an additional \$3.3 million in deferred revenue from the licensing of certain intellectual property to LC 2019. There were no write-downs or impairments for 2019.
- Subsequent to year-end, closed a financing round, at a premium to the then market price of the Company's stock, which added approximately CAD\$2.06 million of cash to the Company's balance sheet.
- Avicanna has completed all major capital expenditures in the quarter to build out its infrastructure. The Company is now in a position to commence full scale commercial activities to generate revenue and does not anticipate further significant infrastructure expenditures in the near future to meet its commercial milestones.
- Costs increased for the twelve months ending December 31, 2019 as a result of scaling up operations, build out of its cultivation infrastructure and significant costs associated with its go public transaction resulted in a successful listing on the Toronto Stock Exchange. As these costs are non-recurring in nature along with the Company's ability to increase efficiencies in its operations, management is anticipating operational expenditures to decrease in the first quarter of 2020.
- Initiated a strategy to increase efficiencies, scale back on non-essential capital expenditures and reduce head count. Management believes the initiative will lead to substantial cost reductions in the first quarter of 2020, which are estimated to be 30% reduction in operational costs and a 70% reduction in capital expenditures.



## Recent Developments

- Entered into an exclusive supply agreement with Medical Cannabis by Shoppers Drug Mart Inc. (“Shoppers”), Canada’s largest and most trusted pharmacy chain. Under the terms of the agreement the Company’s proprietary brands, Rho Phyto and Pura Earth will be distributed by Shoppers in Canada. Rho Phyto products to be distributed under this agreement have been approved for commercial sale by Health Canada.
- Entered into an exclusive import and distribution agreement with Cannvalate Pty. Ltd (“Cannvalate”), an Australian based cannabis company. Under the terms of the agreement Cannvalate will distribute the Rho Phyto line of products in Australia. The Company is expecting initial orders in the final quarter of 2020.
- Completed all 3 clinical trials for Pura Earth products that were commenced during the third quarter of 2019. The products involved were Avicanna’s formulations targeted at cosmetic factors associated with aging, acne prone skin, and eczema prone skin. The successfully completed trials involved 156 patients that were tested for both safety and certain derma-cosmetics endpoints. The results of all three studies were positive with no adverse effects, making Pura Earth one of the only cannabinoid consumer product lines with human safety and efficacy data.
- Received amendment to the Cannabis Research Licence to include an additional lab within JLABS @ Toronto, Avicanna’s R&D headquarters.

## Response to COVID-19

- With the health and safety of our team and the societies in which we operate in as a key focus, Avicanna has taken appropriate measures to reduce exposure to the possible risks associated to the COVID-19 pandemic. Our offices have been temporarily closed as team members work from home in Santa Marta, Bogota, Toronto, London and Berlin.
- While our manufacturing efforts through third party contract manufacturing organizations are deemed essential and continue to operate, our R&D efforts have been reduced as our licensed research laboratories in Toronto including JLABS @ Toronto and the University of Toronto both maintain minimal activity.
- SMGH and Sativa Nativa S.A.S. (“SN”) cultivation and processing are deemed as essential services in Colombia and continue to operate with specific sanitizing and distancing measures in place to protect team members.
- We have adjusted our commercial, educational and marketing efforts to leverage virtual media and have prioritized commercial efforts to medical and pharmacy related channels.



## Summary of Operations (\$CDN)

	Three Months Ended		Twelve Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	\$	\$	\$	\$
<b>Revenues</b>	<b>122,715</b>	<b>24,142</b>	<b>168,252</b>	<b>117,971</b>
Cost of Sales	103,734	-	103,734	-
Fair value changes in biological assets	568,861	-	(27,623)	-
General and administrative	7,102,556	2,798,997	19,706,578	6,990,041
Share-based compensation	703,563	729,819	2,685,629	1,401,320
Depreciation and amortization	411,414	55,942	923,514	172,705
<b>Total Expenses</b>	<b>(8,217,533)</b>	<b>(3,584,758)</b>	<b>(23,315,721)</b>	<b>(8,564,066)</b>
<b>Other income (loss)</b>	99,988	220,299	(22,850)	1,156,698
<b>Net loss before taxes</b>	<b>(8,667,425)</b>	<b>(3,340,317)</b>	<b>(23,246,430)</b>	<b>(7,289,397)</b>
<b>Future income tax recovery</b>	1,033,393	-	1,033,393	-
<b>Net loss after taxes</b>	<b>7,634,032</b>	<b>(3,340,317)</b>	<b>22,213,037</b>	<b>(7,289,397)</b>
Weighted average number of Common Shares outstanding – basic and diluted	22,334,723	13,892,382	20,054,013	13,587,925
Loss per share – basic and diluted	\$ (0.32)	\$ (0.25)	\$ (1.06)	\$ (0.55)

## Summary of Balance Sheet (\$CDN)

	As at December 31, 2019	As at December 31, 2018
<b>Assets</b>	\$	\$
Cash	441,757	69,295
Amounts receivable	1,202,924	258,608
Prepaid assets	704,632	863,624
Biological assets	117,367	-
Inventory	1,484,371	-
Right to use asset	539,710	-
Property and equipment	22,622,322	16,256,136
Intangible assets	11,063,900	10,733,266
Derivative asset	3,780,000	-



Investments	72	72
Goodwill	3,207,227	3,207,227
<b>Total Assets</b>	<b>45,164,282</b>	<b>31,388,228</b>
<b>Liabilities and Equity</b>		
Amounts payable	5,177,634	1,455,565
Due to related party	3,319,116	331,320
Convertible debentures	715,626	-
Derivative liability	23,434	-
Lease liability	555,339	-
Term loan	-	14,441
Deferred revenue	3,323,518	-
Deferred tax liability	2,173,834	3,207,227
<b>Total Liabilities</b>	<b>15,288,501</b>	<b>5,008,553</b>
<b>Shareholder's equity</b>	<b>29,875,781</b>	<b>26,379,675</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>45,164,282</b>	<b>31,388,228</b>

## About Avicanna

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.

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

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

*This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only Avicanna's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Avicanna's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information and forward-looking statements contained herein may include, but is not limited to, the expected inventory available to the Company in 2020, the annual production capacity of the Company's Colombian subsidiaries Santa Marta Golden Help S.A.S. and Sativa Nativa S.A.S., the timing of the commencement of sales for the Company's Rho Phyto and Pura Earth line of products in Canada, the timing of the commencement of sales for the Company's Rho Phyto line of products in Australia, and Health Canada's approval of the Company's CTA.*

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

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

*Although Avicanna believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. Key assumptions used herein are that the Company will not need to expand current infrastructure to meet its commercial milestones, the Company will be able to increase efficiencies in its operations, the Company will be able to continue to harvest inventory at a rate consistent with historical capabilities, the Company will realize expected yields on the expanded facilities, the Company will not encounter any delays in the launch of its phyto-*



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*therapeutic and derma-cosmetic product lines, the Company will not encounter any delays with the CTA for Epidermolysis Bullosa and the Company will not be subject to any unforeseen delays or regulatory or contractual actions that will prevent it from completing research on cannabinoids in the MaRS Discovery District.*