AVICANNA

ANNUAL INFORMATION FORM

FOR THE PERIOD ENDED DECEMBER 31, 2019

Dated: April 15, 2020

TABLE OF CONTENTS

GLOSSARY OF CERTAIN TERMS

"$2.00 Financing" has the meaning ascribed to it under *"General Development of the Business – Three Year History – Fiscal Year 2017 (January 1, 2017 to December 31, 2017)"*;

"Agents" means Sprott Capital Partners LP and Paradigm Capital Inc.

"**Agency Agreement**" means the agency agreement dated December 13, 2018, and amended March 13, 2019 and April 15, 2019, among the Corporation and the Agents.

"**Agent's Fee**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2018 (January 1, 2018 to December 31, 2018*".

"**AIF**" means this annual information form.

"**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 has the meaning ascribed under "*General Development of the Business – Three Year History – Fiscal Year 2018 (January 1, 2018 to December 31, 2018)*".

"**APIs**" has the meaning ascribed to it under *"Description of the Business – Products – Raw Materials and Bulk Formulaitons".*

"**Astral**" means Astral Health Ltd. a company incorporated in the United Kingdom specialized on the distribution of CBPMs.

"**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.

"**Cannabis Act**" means the *Cannabis Act, S.C. 2018, c. 16*

"**Cannabis Regulations**" means the *Cannabis Regulations, SOR/2018-144*

"**Cannabis Research Licence**" or "**CRL**" has the meaning ascribed under "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

"**Cannvalate**" means Cannavalate Pty Ltd.

"**CARG**" has the meaning ascribed thereto under *General Development of the Business – Three Year History – Fiscal Year 2017 (January 1, 2017 to December 31, 2017).*

"**CARG Agreement"** has the meaning ascribed thereto under *General Development of the Business – Three Year History – Fiscal Year 2017 (January 1, 2017 to December 31, 2017).*

"**CBD**" means cannabidiol.

"**CBG**" means cannabigerol.

"**CBPMs**" means cannabis based cannabis based products for medicinal use.

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

"**Compensation Options**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2018 (January 1, 2018 to December 31, 2018*".

"**Compensation Unit**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2018 (January 1, 2018 to December 31, 2018*".

"**Compensation Warrant**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2018 (January 1, 2018 to December 31, 2018*".

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

"**Credit Facility**" shall have the meaning ascribed there to under "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

"**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.

"**DTC**" means the Depository Trust Company.

"**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 Overview – Colombia".*

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

"**FSE**" means the Frankfurt Stock Exchange.

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

"**Good Production Practices**" or "**GPP**" has the meaning ascribed thereto under "*Regulatory Overview - Canada – Federal Regulatory Framework – Good Production Practices*".

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

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

"**IHR**" means the *Industrial Hemp Regulations,* SOR/2018-145.

"**IMA**" has the meaning ascribed under "*General Development of the Business – Three Year History – Fiscal Year 2018 (January 1, 2018 to December 31, 2018*".

"**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*".

"**LC2019**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

"**Legacy Plan**" means the Corporation's stock option plan adopted April 1, 2017 and replaced by the LTIP.

"**License Agreement**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

"Listing Date" means July 18, 2019**.**

"**LTIP**" means the Corporation's omnibus long term incentive plan adopted June 3, 2019.

"**LYPHE Group**" or "**LYPHE**" means LYPHE Group Ltd.

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

"**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.

"**NOP**" means National Organic Program.

"**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.

"**Option**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

"**Option Agreement**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

"**Order**" has the meaning ascribed thereto under "*Cease Trade Orders, Bankruptcies, Penalties, or Sanctions – Cease Trade Orders"*.

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

"**Percos**" means Percos S.A. a Colombian based company that specializes in the distribution of cosmetic products in Colombia.

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

"Prospectus" means the Company's final long-form non-offering prospectus filed on SEDAR on July 9, 2019 in connection with the Offering that qualified the distribution of the securities under the Offering;

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

"**Regulations**" means both the Cannabis Regulations and the IHR.

"**Second Closing**" means the first closing of the Offering which occurred on December 13, 2018 and pursuant to which 2,228,328 Special Warrants were issued.

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

*"***SDM Agreement***"* has the meaning ascribed thereto under *"General Development of the Business – Three Year history – Recent Developments (January 1, 2020 to March 30, 2020)".*

"**SickKids**" means Toronto's Hospital for Sick Children.

"**Sigma Analytical**" means Sigma Analytical Services Inc.

"**Sigma Canada**" means Sigma Magdalena Canada Inc.

"**Sigma Expansion**" means Sigma Expansion One Inc.

"**Sigma Joint Venture**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

"**Sigma Magdalena**" means Sigma Magdalena S.A.S.

"**Sigma Shareholders' Agreement**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

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

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

"**SN Share**" means the voting common shares in the capital of SN.

"**RWET**" has the meaning ascribed thereto under *"Business Description – Products – Medical Cannabis Products – Real Word Evidence Trials".*

"**Special Warrants**" means the special warrants, issued in the First Closing and the Second Closing of the Offering, which automatically converted into one Common Share and one half of one Warrant, with each full Warrant entitling the holder to acquire one Common Sharee in the capital of the Corporation for a period of 24 months, subject to the Corporation's right to accelerate the expiry date of the Warrants upon thirty (30) days notices in the event that 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 the TSX.

"**Starting Material**" shall have the meaning ascribed thereto under *"Regulatory Overview – Colombia – Genetic Registration Process in Colombia*".

"**Stock Options**" means the option to purchase Common Shares in the capital of the Corporation granted pursuant to the Legacy Plan and/or the LTIP.

"**THC**" means tetrahydrocannabinol.

"**Triggering Event**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

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

"**U de A**" has the meaning ascribed thereto under *General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

"**U of Guelph**" means the University of Guelph.

"**U of Guelph Agricultural Agreement**" has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

"**U of Guelph Psychiatry Agreement**") has the meaning ascribed thereto under "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

"**U of T Dentistry Service Agreement**" has the meaning ascribed thereto under *General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

"**U of T Faculty of Pharmacy**" means the Leslie Dan Faculty of Pharmacy at the University of Toronto located at 144 College Street, Toronto Ontario.

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

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

"**USDA**" means the United States Department of Agriculture.

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

"**UWI Services Agreement**" has the meaning ascribed thereto under *General Development of the Business – Three Year History – Fiscal Year 2018 (January 1, 2018 to December 31, 2018.*

"**Valens**" means Valens Agritech Ltd.

"**Valens Agreement**" has the meaning ascribed thereto under *"General Development of the Business – Three Year history – Recent Developments (January 1, 2020 to March 30, 2020)".*

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

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

MEANINGS OF CERTAIN REFERENCES

In this annual information form (“Annual Information Form” or “AIF”), references to the “Company”, “Corporation”, “Avicanna”, “we”, “us”, or “its” are references to Avicanna Inc. References to “management” in this AIF mean the persons acting in the capacity of Avicanna’s Chief Executive Officer, President, Chief Financial Officer, Chief Medical Officer, and Chief Agricultural Officer. Any statement in this AIF mead by or on behalf of management are made in such person’s capacities as officers of Avicanna and not in their personal capacities.

All references in this AIF to the Corporation also include references to all subsidiaries of the Corporation as applicable, unless the context requires otherwise.

FORWARD-LOOKING INFORMATION

This AIF 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;
- 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;
- future intellectual property, R&D, product formulations, and business lines;
- the intentions of the Board with respect to the executive compensation plans and corporate governance plans described herein; and

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 AIF including, without limitation, the following:

- the impacts of COVID-19 to our business;
- 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 exists 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 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 AIF 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.

DATE OF INFORMATION

The information in this AIF is presented as of December 31, 2019, unless otherwise indicated.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all references to "$" or "dollars" are to Canadian dollars, which is Avicanna's functional currency. The fiscal year end of all entities within the corporate structure of Avicanna is December 31. Avicanna's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

EXCHANGE RATE INFORMATION

This Annual Information Form contains reference to Canadian dollars, referred to herein as "$", United States dollars, referred to herein as "US$".

The following table sets forth, for each period indicated, the high and low exchange rates, the average exchange rate, and the exchange rate at the end of the period, based on the rate of exchange of one U.S. dollar in exchange for Canadian dollars published by the Bank of Canada.

	2019	2018
High	0.7699	0.8138
Low	0.7353	0.7330
Average	0.7537	0.7721
Closing	0.7699	0.7330

On April 15, 2020, the average daily exchange rate as reported by the Bank of Canada was US$1.00 = $1.4086 or $1.00 = US$0.7099.

THIRD-PARTY INFORMATION

Unless otherwise indicated, information contained in this AIF concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications surveys, and forecasts), and management studies and estimates.

Unless otherwise indicated, our estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and

include assumptions made by us which we believe to be reasonable based on our knowledge of our industry and markets. Although Avicanna believes these sources to be generally reliable, market and industry data are subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process, and other limitations and uncertainties inherent in any statistical survey. Our internal research and assumptions have not been verified by any independent source, and we have not independently verified any third-party information. While we believe the market position, market opportunity, and market share information included in this AIF are generally reliable, such information is inherently imprecise. In addition, projections, assumptions, and estimates of our future performance and the future performance of the industry and markets in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "Forward-Looking Statements" and "Risk Factors".

CORPORATE STRUCTURE

We incorporated under our current name, Avicanna Inc., on November 25, 2016, under the OBCA. Our registered office is located at 480 University Avenue, Suite 1502, Toronto Ontario M5G 1V2.

On July 8, 2019, the Articles of the Corporation were amended to remove the private company restrictions.

Intercorporate Relationships

The following chart illustrates, as at the date of this AIF, the Corporation's material subsidiaries, the percentage of voting securities of each that are held by Avicanna, and their respective jurisdiction of incorporation, continuance, formation, or organization.

Subsidiary Name	Ownership Interest by Avicanna	Jurisdiction
2516167 Ontario Inc. d.b.a. My Cannabis	100%	Ontario, Canada
Avicanna LATAM S.A.S.	100%	Republic of Colombia
Sativa Nativa S.A.S.	63%(1)	Republic of Colombia
Santa Marta Golden Hemp S.A.S.	60%(2)	Republic of Colombia
Sigma Magdalena Canada Inc.	45%(3)	Ontario, Canada
Avicanna (UK) Limited	100%	United Kingdom
Avicanna USA Inc.	100%	Delaware, USA

Notes:

(1) The remaining 37% of SN is owned by Mountain Valley, Jose Raphael Vergara Lopez, 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.

(3) The remaining 55% is owned by Sigma Expansion One Inc.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Fiscal Year 2017 (January 1, 2017 to December 31, 2017)

On April 10, 2017, we became 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. As a JLABS @ Toronto resident company, Avicanna signed a 1-year license agreement for office space. The license agreement has since been amended to renew the license to remain a resident company of JLABS @ Toronto through to April 10, 2021 as well as increases in the space exclusively used by Avicanna to include 2 labs for which it now has the authorization by Health Canada to perform research under a Cannabis Research Licence.

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. Each whole Warrant was exercisable into one Common Share at an exercise price of $1.00 per Common Share. All such Warrants have been exercised or otherwise expired on April 21, 2019.

On June 1, 2017, we acquired My Cannabis from Setu Purohit and Kyle Langstaff, 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.

On August 18, 2017, we acquired an initial 35% interest in SN, a Colombian company that intended to apply for medical cannabis licenses in Colombia.

On November 20, 2017, we entered into a sponsored research and collaboration agreement with the University of Toronto for a research to be performed by Dr. Christine Allen of the U of T Faculty of Pharmacy as the Principal Investigator (the "**CARG Agreement**"). Pursuant to this agreement, Dr. Allen, through her role as a professor at the University of Toronto, committed to doing research using cannabis, hemp, or their extracts or derivatives for drug delivery exclusively 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 a Cannabis Research License issued by Health Canada. 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. All intellectual property and rights developed under the services portion of the project belong solely to Avicanna. The collaborative portion of the project provides for all newly developed intellectual property rights to be shared between Avicanna and the University of Toronto.

On December 22, 2017, we closed the first tranche of a private placement (the **"$2.00 Financing"**), 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 was exercisable into one Common Share at an exercise price of $2.50 per Common Share. These Warrants have been exercised or otherwise expired on June 23, 2019.

On December 27, 2017, we closed a second tranche of the $2.00 Financing, 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 was exercisable into one Common Share at an exercise price of $2.50 per Common Share. These Warrants have been exercised or otherwise expired on June 28, 2019.

Fiscal Year 2018 (January 1, 2018 to December 31, 2018)

On January 29, 2018, we closed a third tranche of the $2.00 Financing, 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 was 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. These Warrants have been exercised or otherwise expired on July 30, 2019.

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 March 28, 2018, we incorporated Avicanna LATAM in Colombia as our wholly-owned subsidiary.

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.

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", pursuant to which CAIMED would provide exclusive clinical research services to Avicanna for the study of medical cannabis products.

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).

On November 2, 2018, Avicanna LATAM S.A.S. entered into a cooperation agreement with the University of Buenos Aires to negotiate projects that the parties would participate in for the study of cannabinoid based products.

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. All data and analyses of data resulting from this agreement will belong to Avicanna.

On 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. 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 will manufacture, analyze, package, label, store, and release our phyto-therapeutic and derma-cosmetic products for distribution or export.

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 – to study the prevalence of neuropathic pain in a random sample of 500 to 600 patients suffering from Sickle Cell disease, from which identified patients will enter 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. All data and analyses of data resulting from this agreement belongs to Avicanna.

On December 13, 2018, the Corporation entered into the Agency Agreement, which was amended on March 13, 2019 and April 15, 2015, and 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. 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 "**Agent's Fee**"). Each Compensation Unit includes one Common Shares and one-half of one Warrant with an exercise price of $10.00 subject to the same acceleration provisions as Warrants issued upon conversion of the Special Warrants ("**Compensation Warrant**").

Fiscal Year 2019 (January 1, 2019 to December 31, 2019)

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. 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. The Debenture Warrants have since expired.

On March 29, 2019, the Corporation 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.

On April 1, 2019, the Corporation entered into a framework agreement (the "U de A Framework Agreement") with the Universidad de Antioquia ("**U de A**"), a public university major academic and research institution

in Colombia. Project terms are currently being defined for dose escalation safety and tolerability studies for oral formulations.

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. Following this transaction, our ownership interest decreased to 63%.

On April 12, 2019, 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 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 Mr. Davila Char, who indirectly acquired 254,156 of the Special Warrants issued on the First Closing, no insiders participated in the Offering. On the Second Closing, we 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.

On April 30, 2019, the Corporation entered into an agreement with Percos S.A. pursuant to which we 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.

On May 15, 2019, the Corporation entered into a research contract with the University of Guelph for a project to be performed by Dr. Max Jones, Associate Professor, Department of Agriculture, as principal investigator (the "**U of Guelph Agriculture Agreement**"). The program is focussed on the stabilization of unique commercial strains, long term selective breeding programs to develop genetics with increased efficiency and also increased expression and characterization of rare cannabinoids.

On July 10, 2019, the Corporation received a receipt for its final Prospectus from the Ontario Securities Commission and, in accordance with the terms of the Special Warrants, the Special Warrants issued on the Second Closing converted into 2,228,328 common shares and 1,114,164 warrants on July 15, 2019.

On July 18, 2019, the Corporation's common shares commenced trading on the TSX under the symbol "AVCN".

On July 24, 2019, the Corporation announced the commencement of human trials for its cosmetic consumer retail products. CAIMED commenced clinical studies on the products in order to demonstrate their effectiveness with specific cosmetic endpoints, such as reduction of fine lines associated with aging, efficacy as a moisturizer for eczema prone skin, and reduction of sebum and redness attributed to acne.

On August 7, 2019 we entered into an agreement with Sigma Analytical Services Inc. ("**Sigma Analytical**") and Sigma Expansion One Inc. ("**Sigma Expansion**") to establish a joint venture to form Sigma Magdalena Canada Inc. ("**Sigma Canada**") to develop a laboratory facility at SMGH for the testing of cannabis and cannabis-based products in Colombia, through the incorporation of a wholly owned Colombian subsidiary of Sigma Canada, Sigma Magdalena S.A.S. ("**Sigma Magdalena**") (the "**Sigma Joint Venture**"). Avicanna acquired 45% of the issued and outstanding shares of Sigma Canada and Sigma Expansion acquired 55%

of the issued and outstanding shares of Sigma Canada. Pursuant to the Sigma Joint Venture, Avicanna, Sigma Analytical, Sigma Expansion One Inc., and Sigma Magdalena Canada Inc. entered into a unanimous shareholders agreement (the "**Sigma Shareholders' Agreement**"). The Sigma Shareholders' Agreement requires that all major decisions of Sigma Canada and Sigma Magdalena (such as any capitalization in either Sigma Canada or Sigma Magdalena, or any material change in the business like changing the location of the laboratory) must be made with an affirmative vote of at least 85% of the issued and outstanding shares of Sigma Canada.

On August 19, 2019, the Corporation announced that it received a cannabis research licence ("**Cannabis Research Licence**" or "**CRL**") from Health Canada allowing its R&D team to perform research and development activities with cannabis-derived formulations at its lab located in JLABS @ Toronto.

On August 23, 2019, the Corporation announced that its subsidiary, SMGH, has completed its first export of purified CBD from Colombia to Canada for research and development purposes.

On August 30, 2019, the Corporation announced that it has expanded the scope and duration of its research and collaboration agreement with Dr. Christine Allen's research group at the University of Toronto to include projects involving the characterization and pre-clinical analysis of the Corporation's pipeline of phyto-therapeutic and pharmaceutical products; development of new pharmaceutical dosage forms, including sustained release formulations; and analysis of the safety, efficacy, and potential synergies of cannabinoids and other therapeutic agents.

On September 13, 2019, the Corporation announced that it entered into an exclusive research agreement with the University of Guelph to further the research and development and pre-clinical analysis of its proprietary prescription and OTC cannabinoid products and formulations (the "**U of Guelph Psychiatric Agreement**"). The collaboration focuses on evaluating a variety of dosage forms on preclinical models of several human psychiatric conditions, including depression, anxiety, schizophrenia, PTSD and substance abuse.

On September 30, 2019, the Corporation announced that it entered into a commercial lease agreement for space to house a new industrial scale 11,000 sq. ft (>1,000 square meter) cannabinoid extraction and final product manufacturing facility in a Colombian free trade zone near Santa Marta, for an initial term of five years, located in one of Colombia's free trade zones, which provides for significant tax advantages for activities that are conducted on the property.

On October 15, 2019, the Corporation's common shares commenced trading on the OTCQX® Best Market in the United States under the symbol "AVCNF".

On October 18, 2019, the Corporation announced that SMGH obtained a United States Department of Agriculture ("**USDA**") National Organic Program ("**NOP**") certification from Control Union Certifications, for its hemp cultivar and obtained registration for an additional 11 strains of psychoactive cannabis and 4 strains of non-psychoactive cannabis, resulting in SMGH having a total of 14 registered strains of psychoactive cannabis and 5 registered strains of non-psychoactive cannabis.

On October 21, 2019, the Corporation announced the retail launch of its Pura Earth™ derma-cosmetics line of CBD products in approximately 59 high-end retail locations throughout Colombia, including Blind prestige beauty shops and Cromantic professional beauty markets.

On October 24, 2019, the Corporation announced that SMGH, its majority owned subsidiary, completed commercial exports of its Aureus™ brand of CBD-based products to South Africa and the United Kingdom.

On November 12, 2019, the Corporation's common shares commenced trading on the FSE trading under the ticker symbol "0NN".

On November 26, 2019, Avicanna entered into a license agreement (the **"License Agreement**") whereby Avicanna licensed certain the use of certain intellectual property including its proprietary product formulations, Rho Phyto trademarks, to LC2019 Inc. ("**LC2019**") for commercialization in the U.S. As consideration for entering into the License Agreement, LC2019 and its shareholders entered in to an option agreement with LC2019 (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. The License Agreement will enable LC2019 to commercialize Avicanna's Rho Phyto products and proprietary research-backed formulations in the U.S. marketplace.

On December 3, 2019, the Corporation announced that it entered into an importation and distribution agreement with Astral Health Ltd. ("**Astral**"), the operating subsidiary of the LYPHE Group Ltd ("**LYPHE Group**" or "**LYPHE**"), to supply its CBPMs to patients in the United Kingdom under the MHRA 'specials' programme.

On December 5, 2019, the Corporation announced that it obtained eligibility with the Depository Trust Company ("DTC") for its common shares listed in the United States on the OTCQX® Best Market, allowing its securities to be electronically cleared and settled through DTC.

On December 27, 2019, the Corporation announced that it entered into a credit facility (the "**Credit Facility**") with Bondue pursuant to which Avicanna will be entitled to borrow up to USD$5,000,000. Advances made under the Credit Facility will bear interest at a rate of 8.0% per annum. The Credit Facility is unsecured and is repayable upon a default by Avicanna or the demand of Bondue. The Credit Facility is intended to be used for general working capital purposes.

Recent Developments (January 1, 2020 to March 30, 2020)

On January 7, 2020, the Corporation entered into an exclusive distribution agreement with Medical Cannabis by Shoppers™, a subsidiary of Shoppers Drug Mart Inc., to distribute the Corporation's Rho Phyto™ medical cannabis and Pura Earth™ derma-cosmetic (consumer retail) product lines in Canada, which include sublingual sprays, oil drops, gels, creams, tablets and capsules (the "**SDM Agreement**").

On January 13, 2020, the Corporation announced the results from its first of three cosmetic clinical studies conducted by CAIMED, an open-label, randomized, passive-control study examining the impact of its Pura Earth™ topical cream containing 0.5% cannabidiol and 1% hemp oil on skin hydration. This study achieved its primary endpoint of enhanced hydration.

On January 24, 2020, the Corporation closed a private placement under which we issued 822,721 units at a price of $2.50 per unit for aggregate gross proceeds of $2,056,802.50. Each unit issued under 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 $3.00 per Common Share for a period expiring on January 24, 2023 subject to acceleration.

On February 6, 2020, the Corporation announced that it had been rated the highest amongst the global cannabis companies participating in the SAM Corporate Sustainability Assessment, a sustainability index that has become the basis for numerous S&P Global ESG indices.

On February 7, 2020, the Corporation entered into an agreement with Valens Agritech Ltd. ("**Valens**") whereby Valens agreed to license the Corporation's intellectual property for the manufacture of Avicanna's medical cannabis products for distribution in Canada (the "**Valens Agreement**").

On February 21, 2020, the Corporation received results from the remaining two of three cosmetic clinical studies conducted by CAIMED in Colombia. The second study evaluated Avicanna's Pura Earth™ facial cream containing 0.5% cannabidiol and 0.1% hemp oil on skin hydration and characteristics associated with acne-prone skin. The primary endpoint of enhanced hydration was met. Furthermore, a significant decrease in oily skin was evident in a subset of individuals with higher sebum production. The third study evaluated the effect of Avicanna's Pura Earth™ topical serum containing 1% cannabidiol and apple stem cells on skin characteristics associated with aging. The results indicate an enhanced skin hydration effect following application of the cream and after 2 months of use. There were no reports of adverse events requiring discontinuation or medical intervention in any of the three studies conducted.

On February 24, 2020, the Corporation announced that it entered into an importation and distribution agreement with Cannvalate Pty Ltd. ("**Cannvalate**") to supply its Rho Phyto™ medical cannabis products to provide to patients under the Australian Therapeutic Goods Administration Special Access Scheme, as well as to supply cannabis active APIs. The Corporation also agreed to supply Cannvalate with a line of advanced cannabinoid phyto-therapeutic products on a white-labelled basis. Under the agreement, the Corporation appointed Cannvalate as an exclusive distributor for the Rho Products in Australia, subject to Cannvalate meeting minimum purchase requirements.

On March 17, 2020, the Corporation exported 10 mg of CBD isolate to the University of Buenos Aires in Argentina for research purposes.

On March 22, 2020, the Corporation's sublingual, oil drops, and capsules products were approved for commercial sale in Canada by Health Canada.

On March 28, 2020, the Corporation's gel and cream products were approved for commercial sale in Canada by Health Canada.

On April 2, 2020, the Corporation received an amendment to the Cannabis Research Licence, received on August 19, 2019, to include the ability to conduct research under the Cannabis Research Licence in another lab controlled by Avicanna within JLABS @ Toronto.

DESCRIPTION OF THE BUSINESS

Summary

Avicanna is a biopharmaceutical company that researches, develops, manufactures, and commercializes various plant-derived cannabinoid-based products for the global marketplace including cannabis raw material and bulk formulations, derma-cosmetic products, medical cannabis products, and pharmaceutical products. The Company is leading the development of its product platforms through an evidence-based, biopharmaceutical approach that ensures the quality standards of its products through it's global vertically integrated business model, including organic and sustainable cultivation, extraction, manufacturing, commercialization, R&D, and clinical infrastructure.

Avicanna has built a reputation for its rigorous product and clinical research that support the development of its products. Avicanna's research and development is primarily conducted out of Canada in the Johnson & Johnson Innovation Centre, JLABS @ Toronto, located in the well-known MaRS Centre and leverages relationships with research labs in the University of Toronto and the University of Guelph as well as clinical research organizations including The Hospital for Sick Children in Toronto, The University of West Indies, and CAIMED and U de A in Colombia.

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 and related R&D activities. These two companies are licensed to cultivate and process cannabis for the production of cannabis seeds, raw materials, bulk formulations and purified cannabinoids including non-psychoactive compounds, such as CBD and CBG, and psychoactive compounds such as tetrahydrocannabinol ("**THC**"), and other cannabinoids present in the cannabis plant. We have distributed from Colombia cannabis raw materials and bulk formulations to importers in the UK, South Africa, and Argentina to date, and are preparing for distribution of these products to other countries in Europe and Latin America.

Avicanna currently has the relationships in place to manufacture its finished products using contract manufacturers located in Colombia and Canada for intended distribution in those countries and for export and distribution to other countries that permit the distribution and sale of plant-derived cannabinoid-based products.

Avicanna's leverages its intellectual property related to the finished product categories – derma-cosmetics, medical cannabis products, and pharmaceuticals – to use contract manufacturers for the manufacture of its products. Avicanna uses its own cannabis raw materials and bulk formulations in the manufacture of the finished products, where it is economically advantageous to the Company to do so and where regulation permits; for example, Canadian laws do not currently permit the import of cannabis products that are intended to be sold in Canada.

As a company with a robust and growing intellectual property estate, Avicanna also explores relationships to license its intellectual property to others for the manufacture and commercialization of its products under Avicanna's Pura Earth or Rho Phyto brands or on a white-label or private label basis for royalties.

Currently, our derma-cosmetic products are being manufactured, marketed and sold in Colombia; these products use raw materials that we produce at our cultivation facilities. We are preparing for the launch of our derma-cosmetics and medical cannabis products in Canada using Canadian-sourced cannabis raw materials and Canadian-based manufacturers for distribution through Medical Cannabis by Shoppers™. We are also preparing for the export of our products from Colombia to the UK and Australia. We anticipate being able to commercialize our products in the USA and several countries in Europe and Latin America in 2020.

Avicanna will continue to explore opportunities for distribution of all of its product categories in additional countries as a means of expanding its business.

Research & Development

Our R&D is primarily conducted out of Canada in the Johnson & Johnson Innovation centre, JLABS @ Toronto. Our scientific team develops products and researchers at the CARG laboratory optimize and improve upon our products pursuant to our sponsored research and collaboration agreement with the University of Toronto. See "General Development of the Business – Three Year Summary – Fiscal Year

2017 (January 1, 2017 to December 31, 2017)" and "General Development of the Business – Three Year Summary – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)" for additional details.

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 developed through our R&D activities and further realized and optimized through our strategic relationships with universities and medical establishments.

Our R&D activities include the conception, development, pre-clinical analysis and clinical trials of pharmaceutical, medical cannabis, and consumer products, where applicable, geared towards certain indications. We are currently working on indications for pain, neurology and dermatology for pharmaceutical products or drugs. Through our R&D efforts we have also developed formulations for various phyto-therapeutics (medical cannabis products) and derma-cosmetic 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.

Our R&D capacity includes: (i) our labs in JLABS @ Toronto, for which we have a Cannabis Research Licence; the CARG laboratory, which also holds a Cannabis Research Licence and through which R&D services and collaboration projects are performed pursuant to the CARG Agreement (see "General Development of the Business – Three Year Summary – Fiscal Year 2017 (January 1, 2017 to December 31, 2017)" and "General Development of the Business – Three Year Summary – Fiscal Year 2019 (January 1, 2019 to December 31, 2019"); and, (iii) our internal lab in SMGH, which holds research licenses under Colombian Regulations (see "*Description of Business – Cultivation Operations").*

Additionally, through the CARG Agreement with the University of Toronto, Avicanna has been able to and continues to conduct several animal pharmacokinetics studies and various disease models to study specific characteristics of the formulations, further optimize such formulations and also provide comparison analysis against already marketed drugs and medical cannabis products. These studies are conducted by the CARG Lab pursuant to Health Canada rules.

We have also expanded our R&D efforts to include projects on cannabis genetics optimization through our cultivation teams as well as through our agreement with the University of Guelph. These projects are focused on genetic stabilization, development of genetics with increased efficiency and increased expression and characterization of rare cannabinoids, as well as the development and stabilization of seed production for commercial sales.

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 medical cannabis products and to commence manufacturing and distributing our consumer retail products. Additionally, our R&D efforts include further development and optimization of cannabinoid deliveries including solid lipid nano particles, transdermal and sustained release formats in addition to pre-clinical analysis of ideal cannabinoid ratios and deliveries within a range of pathologies.

Summary of R&D Agreements

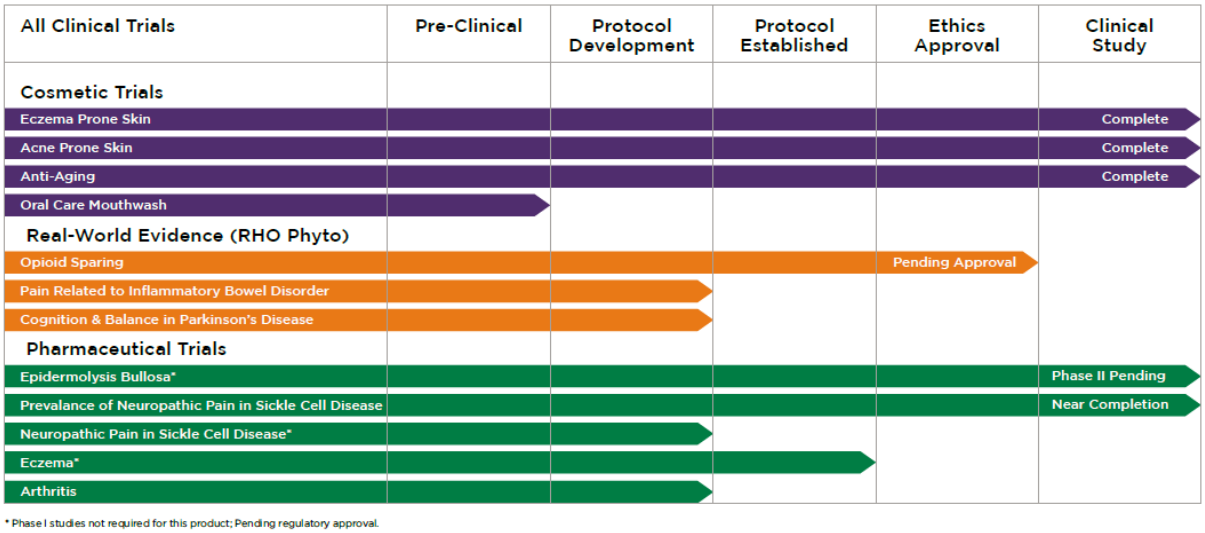
Our research and product development activities are ongoing and will continue to include the development of new cannabinoid-based products and formulations, commencement of clinical trials for select pharmaceuticals, continued testing our medical cannabis products and the establishment of other partnerships 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.

Agreement	Services Provided	Current Status
U of T Sponsored Research and Collaboration Agreement	Physico-chemical characterization 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 Rho Phyto	Ongoing analysis and optimization of several new pharmaceutical formulations under development. *In vitro* and *in vivo* analysis of final products including animal pharmacokinetics and bio-equivalence studies. Animal models on specific disease areas such as osteoarthritis. Pipeline products and various cannabinoid synergistic ratios.
CAIMED Framework Agreement	Study protocol and ethics approval application for phase I study to establish safe dosage limits of CBD in our dermatological preparations.	Completed 3 Pura Earth cosmetic trials. We have paused phase I studies at CAIMED, as we can proceed to phase II in Canada for these preparations.
Hospital for Sick Children	Clinical studies to explore safety, tolerability and efficacy of CBD on patients with dermatological indication. Received ethics approval and several revisions to the clinical protocol and clinical trial application	Pre-CTA completed and Clinical Trial Application is now re-submitted to the Hospital for Sick Children for Phase II – III trial on Epidermolysis Bullosa
UWI Services Agreement	Prevalence study of neuropathic pain. Ethics approval obtained and prevalence study has commenced.	The prevalence study is approximately 50% complete and the UWI is working on the Phase II interventional trial protocol.
	Intervention study (phase II).	Trial protocol is being drafted.
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.	Studies are completed and results utilized for development of finished oral health products.
U de A Framework Agreement	Clinical studies for various products.	Plans for any studies initially contemplated have been shifted to Canada as Real World Evidence trials instead. We plan to review potential studies with U de A in the future.
U of Guelph Agricultural Agreement	Breeding and genetics support. Development of cannabis seed polyploids.	DNA analysis of all Avicanna's genetics have been completed and utilized for breeding. Polyploids project is pending import and export approvals of seeds.
U of Guelph Psychiatry Agreement	Pre-clinical models including animal studies related to PTSD, anxiety and addiction through analysis of various cannabinoid rations	Cannabinoid research license attained, protocols developed and studies are expected to commence post COVID-19 lock down

Clinical development

The following table provides a summary of the current stage of clinical development for each indication that the company is targeting across its platform:



* Phase I studies not required for this product; Pending regulatory approval.

Products

Our products are grouped into four main categories:

(i) Cannabis raw materials and bulk formulations, including
- Feminized seeds
- Resins or whole plant crude oils
- Cannabinoid distillates
- Isolated and purified cannabinoids;

(ii) Derma-cosmetic products;
(iii) Medical cannabis products; and,
(iv) Pharmaceutical products.

The products that are in commercial stages are cannabis raw materials and bulk formulations, derma-cosmetics, and medical cannabis products. Our pharmaceutical products are still in various stages of pre-clinical and clinical development and are not expected to be commercial ready for at least one year.

The commercial ready products are offered under our own brands and are also available for private label or white label, along with any supporting quality, analytical, pre-clinical or other scientific data relating to those products.

Our current commercial brands include:

AUREUS SANTA MARTA	Aureus™ Used for cannabis raw materials and bulk formulations
PURA EARTH	Pura Earth™ Used for derma-cosmetic products
RHO PHYTO	Rho Phyto™ Used for medical cannabis products

Raw Materials and Bulk Formulations

Under the Aureus brand, Avicanna offers feminized seeds, resins or whole plant crude oils, cannabinoid distillates, and isolated cannabinoids, and bulk formulations. Avicanna generally refers resins, distillates, and isolates as "**APIs**". While API is an acronym for active pharmaceutical ingredients, Avicanna's customers use the APIs for a number of manufacturing applications other than pharmaceuticals.

- *Feminized seeds* – seeds for growing cannabis or hemp. "Hemp" is a legal definition of cannabis relating to the amount of THC the particular genetic expresses as a percentage of dry weight. This THC threshold varies from country to country.

- *API* – offered as THC, CBD, and CBG dominant products (as the target compounds, note below). The CBD and CBG APIs are sourced from USDA National Organic Program organic certified hemp cultivar of cannabis.

    - *Resins or plant crude oils* – typically, 30-60% purity of the target compounds.

    - *Cannabinoid distillates* – typically, 60-90% purity of the target compounds.

- *Isolated cannabinoids* – typically, above 95% purity of the target compounds.

- *Bulk formulations* – these are rudimentary formulations offered to manufacturers or distributors for use in oral, sublingual, and topical formulations. Customized bulk formulations, including combining APIs, are also available part of the product portfolio.

To date, through SMGH, we have distributed raw materials (resins) and bulk formulations to Canada, to the Company for research purposes, and to entities in Colombia, the UK, South Africa, and Argentina. We are preparing for distribution of these products to other countries in Europe and Latin America. These products are distributed to importers in other countries for scientific purposes, to be used in the manufacture of other products, or for medical purposes.

We intend to manufacture our derma-cosmetics, medical cannabis, and pharmaceutical products using our raw materials whenever possible as they would be low-cost and guaranteed quality inputs. We are currently producing a higher quantity of raw materials than our anticipated needs for our finished products for additional sources of revenue.

Derma-cosmetics

Our derma-cosmetics are CBD-based products with a 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.

Derma-cosmetics									
Product	**Clarifying Cream (aka Dark Spots)**	**Anti-Aging Cream**	**Eye Contour Cream**	**Intensive Emollient Cream**	**Cream for Skin with Blemishes**	**Body Lotion**	**Facial Lotion (AM)**	**Facial Lotion (PM)**	**Anti-Aging Serum**

We market the derma-cosmetic products using our Pura Earth™ brand. All derma-cosmetic products are also available under a private label or white-label arrangement.

Pura Earth products have been manufactured and sold in Colombia since November 2019; Altea is our manufacturing partner, and Percos is our distribution partner, in Colombia.

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-cosmetic products have finalized formulations and the ingredients and the way that they are made are trade secrets to Avicanna. See "*Description of the Business - Intellectual Property*" for additional details.

We have completed three human trials each evaluating a different derma-cosmetic product, all conducted by CAIMED.

The first trial studied the effects of the Intensive Emollient Cream, a topical cream containing 0.5% CBD and 1% hemp oil, on 49 healthy adults. This study achieved its primary endpoint of enhanced skin hydration. No adverse effects that required medical intervention or discontinuation were reported during the period of the study.

The second study evaluated the Cream for Skin with Blemishes, a facial cream containing 0.5% CBD and 0.1% hemp oil, for its effects on skin hydration and characteristics associated with acne-prone skin. In total, 49 self-assessed oily or acne-prone healthy adults completed the study and no adverse effects requiring discontinuation or medical intervention were reported. The primary endpoint of enhanced hydration was met. Furthermore, a significant decrease in oily skin was evident in a subset of individuals with higher sebum production.

The third study evaluated the effect of the Anti-Aging Serum, a topical serum containing 1% CBD and apple stem cells, for its effects on skin characteristics associated with aging. A total of 48 participants were evaluated over a two-month period. The results indicate an enhanced skin hydration effect following application of the cream and after 2 months of use. Additional measures of wrinkle area and volume are currently being analyzed and will be reported at future medical conferences and journal publications. There were no reports of adverse events requiring discontinuation or medical intervention.

We believe the market potential for CBD-based derma-cosmetic products is promising, especially as the regulations relating to CBD in various countries become clearer. We intend to use our Colombian operations as a hub for export to countries that regulate cosmetics containing cannabinoids. See "*Description of the Business – Colombian Operations*".

In cases where we cannot export from Colombia, we explore ways to find and use a strategic local partner to manufacture and distribute our products in the relevant market.

In Canada, we have entered into an agreement with Medical Cannabis by Shoppers™ for the exclusive distribution of Pura Earth branded products, which are expected to be launched in Canada in the second half of 2020. Avicanna expects to sign agreements with contract manufacturers of its derma-cosmetic products in Canada prior to their launch. Avicanna is also exploring opportunities for the distribution of Pura Earth branded products and its derma-cosmetic products under private label or white label brands in other countries.

Medical Cannabis Products

Our medical cannabis (or as we sometimes refer to them as “phyto-therapeutic”) products are 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 sale of certain medical cannabis products in various ratios of THC and CBD. In these jurisdictions, patients must get approval from healthcare professionals to use cannabis for medical purposes.

Avicanna’s medical cannabis products include oral and topical product categories that are developed and designed to be accurate in dosing. The R&D work by Avicanna and through its research partnerships have resulted in oral formulations with both rapid and delayed onset release profiles and topical preparations with localized applications.

Product	Sub-lingual spray	Soft Gel Capsules	Oil tinctures	Topical cream	Topical gel	Tablets	Patches

Description	CBD only High CBD, Low THC High CBD, High THC	CBD only High CBD, Low THC High CBD, High THC	CBD only High CBD, Low THC High CBD, High THC	CBD only High CBD, Low THC	CBD only High CBD, Low THC	CBD only High CBD, Low THC High CBD, High THC	CBD only High CBD, Low THC High CBD, High THC

We market the medical cannabis products using our Rho Phyto™ brand. All medical cannabis products are also available under a private label or white-label arrangement.

Altea is our contract manufacturer in Colombia of our medical cannabis products. We expect to distribute the Rho Phyto products in Colombia through Colombia's newly regulated compound pharmacy model by Q3 2020.

We expect to distribute Rho Phyto products to the UK and Australia in the second half of 2020 through our agreements with Astral and Cannvalate, respectively.

As with our derma-cosmetics products, in cases where we cannot export our medical cannabis products from Colombia, we explore ways to find and use a strategic local partner to manufacture and distribute our products in the relevant market.

In Canada, we have entered into an agreement with Medical Cannabis by Shoppers™ for the exclusive distribution of Rho Phyto branded products, which are expected to be launched in Canada in the first half of 2020. Avicanna has contracted Valens to be a non-exclusive manufacturer of the products and Avicanna expects to sign agreements with other manufacturers of its medical cannabis products prior. Avicanna is also exploring opportunities for the distribution of Rho Phyto branded products and its derma-cosmetic products under private label or white label brands in other countries.

Real World Evidence Trials

Avicanna is partnering with academic institutions and hospitals to conduct real world evidence trials ("**RWET**") on its Rho Phyto product line to be exclusively available on Medical Cannabis by Shoppers Drug Mart. The RWET will evaluate the safety and efficacy of Rho Phyto Products on specific therapeutic indications. Data derived from Real-world Evidence is a component of an overarching imperative of minimizing risk and maximizing efficacy from industry-leading research and development. The RHO Phyto products including capsules, sublingual sprays, topical creams and oral drops are designed for inflammatory dermatological conditions, several neurological conditions, chronic pain and palliative oncological care. Patients with these conditions are often widely different demographically and the clinical trials that bring these products to market often cannot adequately represent many demographics. Carefully performed ongoing RWET will permit deep yet broad-based insights and continued evaluation and iterative improvement of our indication-specific products.

The first RWET study to be completed with the RHO phyto products will be in collaboration with Dr. Hance Clarke at Toronto General Hospital (University Health Network). Two varying concentrations of RHO Phyto soft-gel products will be used in a pilot randomized controlled trial evaluating the feasibility of conducting a double-blind, randomized, placebo-controlled clinical trial for the use of oral cannabinoids for opioid-sparing and pain reduction in patients using opioids for chronic pain management. Additionally, the study will evaluate whether oral cannabinoids can reduce daily opioid dose and decrease pain interference compared to placebo in patients using opioids for chronic pain.

We are currently in protocol development phase with two other real world RWET studies. The first study in collaboration with the Toronto Western Hospital and will focus on evaluating safety, cognition and balance of Parkinson's disease patients receiving two varying doses of RHO phyto soft-gel capsules. The second study is in collaboration with Mount Sinai hospital and will evaluate a various range of RHO Phyto products on pain relief in patients with inflammatory bowel disorder. After study protocols have been completed they will be submitted for approval by the respective research ethics boards.

Pharmaceuticals

Our pharmaceutical products follow the traditional drug discovery and development process for 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 whole plant extracts and isolated cannabinoids and our intention is to use the Extracts produced by our subsidiaries in Colombia in the pharmaceutical products we offer.

Our initial pipeline of pharmaceutical products will address skin disorders including epidermolysis bullosa, eczema and general skin problems including acne, erythema and dryness; neurological disorders including neuropathic pain, epilepsy, Parkinson's disease and multiple sclerosis, and nociceptive pain resulting from inflammatory and joint disorders. Furthermore, we are conducting pre-clinical research at the University of Toronto in animal models of arthritis. This model is being used to identify an ideal dose and ratios of cannabinoids to alleviate pain and inflammation.

The current focus of our pharmaceutical product development is more particularly outlined in the following table.

Product Type	Neurology	Dermatology
Product	AVCN319301	AVCN583601
Description	Multi-dose cannabinoid oral formulations for neuropathic pain and intended to be a prescription drug	Topical product containing CBD for dermatological indications intended to be a prescription drug
Applicable R&D Agreements	Optimization: U of T Sponsored Research and Collaboration Agreement	Optimization: U of T Sponsored Research and Collaboration Agreement
	Clinical Testing: UWI for phase II (Intervention study) depending on results.	Clinical Testing: SickKids
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.	Completed animal pharmacokinetics and toxicology studies and expect to enter into a clinical trial at SickKids in Q4 of 2019 [(2)].

Cultivation Operations

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.

SN and SMGH focus on cultivating high yielding THC, CBD, and CBG plants, as well as those expressing rarer cannabinoids, and the production of cannabis raw materials to be made available for manufacturing of our products as well as for wholesale distribution.

Cultivation, Processing and Extraction Facilities

Currently, the SN facilities include 50,000 square feet of shadehouse space, 50,000 square feet of outdoor space and 20,000 square feet of customized greenhouse space. The Company anticipated that it would increase its shadehouse space from 50,000 to 100,000 square feet. However, the Company was able to add outdoor space at a lower cost. The total cultivation space is 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 375 kilograms of dried flower each month.

The Company's subsidiary, SMGH, continued its outdoor cultivation efforts. SMGH currently operates cultivation facilities that include 190,000 square feet of shadehouse space, 150,000 square feet of outdoor space and 20,000 square feet of customized greenhouse space. Initially, the Company anticipated that it would expand its shadehouse space to 270,000 square feet. However, the Company was able to add 150,000 square feet of outdoor space at a lower cost. Currently, the production capacity is 2,200 kilograms of dried flower each month.

SMGH was granted its USDA organic certifications for the cultivation of hemp in the current quarter, which the Company considers a key competitive advantage moving forward.

We have increased the size of the analytical laboratory in SMGH to 1,883 square feet and extraction capacity to process up to 300 kg of biomass per day and continue to provide analytical services to both SN and SMGH. 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.

Sigma Joint Venture

The Sigma Joint Venture is important for Avicanna and its subsidiaries as it will provide the level of testing required for EU-pharmacopeia and therefore EU-GMP certification towards the end of 2020 and early 2021 which we deem critical for potential exports to the EU.

Construction of the laboratory is complete and pending the internal furnishing, installation of equipment and final tech transfer. The process to complete the set up of the facility has been delayed due to (i) delays in the implementation of appropriate regulations in Colombia for sales within the country and for export, upon which Sigma Magdalena relies to service other Colombian companies, and (ii) the stay-at-home measures to address the COVID-19 pandemic. As a result, the Company has re-allocated resources to wait for the socio-economic environment to improve. The Company anticipates spending approximately CAD$1,000,000 more towards the end of 2020 to complete the Sigma Joint Venture facility.

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

- *Cultivation of Psychoactive Cannabis Licence and Cultivation Quotas*

  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.

The Cultivation of Psychoactive Cannabis licences grants SN the right to cultivate psychoactive cannabis plants for: (i) production of seeds for sowing; (ii) grain production; and (iii) manufacturing cannabis derivatives.

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 licenses 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 has granted SMGH the following psychoactive cultivation quotas:

(a) for the 2018 calendar year,

(i) to cultivate 4.000 plants of 80 different genetic strains (50 plants per strain) -under the modality of production of seeds for sowing- for the purpose of undergoing the characterization process of those 80 genetics, pursuant to resolution number 594 which was issued on June 29, 2018 and,

(ii) to cultivate 171 plants -under the modality of scientific purposes- for pre-evaluation, pursuant to resolution number 713 granted on July 31, 2018;

(b) for the 2019 calendar year,

(i) to cultivate 8 plants of the COMA KUSH-AV030 strain -under the modality of production of seeds for sowing- for the purpose of maintaining mother plants of the AV030 strain, pursuant to resolution number 868 granted on July 29, 2019,

(ii) to cultivate 61 plants -under the modality of scientific purposes- for the purpose of executing one of SMGH´s plant breeding research projects, pursuant to resolution number 1224 granted on October 10, 2019 and,

(iii) pursuant to resolution number 1927 granted on December 19, 2019, 100 plants of the COMA KUSH-AV030 strain -under the modality of manufacturing cannabis derivatives- to produce the dry flower that SMGH´s lab would initially receive under the cannabis derivatives manufacturing quota that was granted with resolution number 2686 of 2019 but now will receive under the cannabis derivatives manufacturing quota granted with resolution number 217 granted on February 19, 2020; and,

(c) for the 2020 calendar year,

(i) on January 30, 2020 we requested a quota to cultivate 441 plants -under the modality of production of seeds for sowing- for the purpose of maintaining mother plants of SMGH´s twenty-one registered psychoactive strains and,

(ii) on January 30, 2020 we requested a quota to cultivate 2,841 plants -under the modality of manufacturing cannabis derivatives- to produce the dry flower that SMGH´s lab would receive under the cannabis derivatives manufacturing quota that was granted on March 5, 2020 pursuant to resolution number 331.

SMGH expects to submit an additional cultivation quota for the 2020 calendar year to produce the dry flower that SMGH´s lab would receive under the cannabis derivatives manufacturing quota -under the exportation modality- that will also be requested for the 2020 calendar year in the following months. SMGH will also submit the ordinary cultivation quota for the 2021 calendar year before April 30, 2020.

The MJL has granted SMGH the following psychoactive cultivation quotas:

(d) for the 2019 calendar year,

(i) to cultivate 100 plants under the modality of production of seeds for sowing- for the purpose of maintaining mother plants, pursuant to resolution number 869 granted on July 29, 2019 and,

(ii) to cultivate 1,200 plants -under the modality of production of seeds for sowing- for the purpose of undergoing the characterization process of 20 genetics, pursuant to resolution number 869 granted on July 29, 2018

- *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. This licence grants SN the right to cultivate non-psychoactive cannabis plants for: (i) production of seeds; (ii) manufacturing of cannabis derivatives; (iii) production of grain; and (iv) and industrial purposes.

SMGH was granted a license for the cultivation of non-psychoactive cannabis from the MJL on May 29, 2018 pursuant to resolution 463. This licence grants SMGH the right to cultivate non-psychoactive cannabis plants for: (i) production of seeds; (ii) manufacturing of cannabis derivatives; (iii) production of grain (iv) scientific purposes; and (v) and industrial purposes.

The cultivation of Non-Psychoactive Cannabis Plants does not require a quota.

- *Manufacturing of Cannabis Derivatives Licence*

SN was granted a license for the manufacturing of cannabis derivatives from the Ministry of Health and Social Protection ("**MHSC**") 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". This licence grants SN the right to manufacture cannabis derivatives for: (i) national use; and (ii) exportation purposes. In connection with this license, on December 28, 2017 SN was

registered in the FNE as a manufacturer of cannabis derivatives for national use and exportation purposes pursuant to resolution number 777.

SMGH was granted a license for the manufacturing of cannabis derivatives from the MHSC on October 27, 2017 pursuant to resolution number 4282 which was amended by resolution number 3466 on August 17, 2018 which permits the manufacture of cannabis derivatives for scientific purposes. This licence grants SMGH the right to manufacture cannabis derivatives for: (i) national use; (ii) scientific purposes; and (iii) exportation purposes. In connection with this license, on December 26, 2017 SMGH was registered in the FNE as a manufacturer of cannabis derivatives for national use and exportation purposes pursuant to resolution number 777. This registration was amended on September 14, 2018 to include scientific purposes, pursuant to resolution number 639.

The manufacture of non-psychoactive cannabis derivatives does not require a quota.

SN has not requested any psychoactive cannabis derivatives manufacturing quotas to the MHSC.

The MHSC has granted SMGH the following psychoactive cannabis derivatives manufacturing quotas:

(a) for the 2019 calendar year,

(i) for the SMGH lab to receive 9.9 kilograms (dry weight) of cannabis flower from the psychoactive genetic “COMA KUSH – AV030” under the modality of scientific purposes, pursuant to resolution number 2686 granted on October 8, 2019. However, SMGH was not able to use this quota in the 2019 calendar year since the MJL did not issue the psychoactive cultivation quota from which the 9.9 kilogram of cannabis flower would be obtained until December 19, 2019 making it impossible for the dry flower to be ready before December 31, 2019;

(b) for the 2020 calendar year,

(i) for the SMGH lab to receive 9 kilograms (dry weight) of cannabis flower from the psychoactive genetic “COMA KUSH – AV030” under the modality of scientific purposes to manufacture psychoactive cannabis derivatives and characterize them, pursuant to resolution number 217 granted on February 19, 2020,

(ii) for the SMGH lab to receive 9 kilograms (dry weight) of cannabis flower from each of the following 5 non-psychoactive genetics: "GERMAN BLUE CHEESE-AV071", "PURPLE SEA-AV079", "SUGAR BIT-AV074", "TOMMY HAZE-AV040" and "BITTERSWEET CHEESE-AV073", for a total of 45 kilograms (dry weight) of cannabis flower -under the modality of scientific purposes- to manufacture psychoactive cannabis derivatives and characterize them, pursuant to resolution number 332 granted on March 5, 2020 and,

(iii) for the SMGH lab to receive 9 kilograms (dry weight) of cannabis flower from each of SMGH´s 20 registered psychoactive genetics (not including “COMA KUSH – AV030”),

for a total of 180 kilograms (dry weigh) of cannabis flower -under the modality of scientific purposes- to manufacture psychoactive cannabis derivatives and characterize them, pursuant to resolution number 331 granted on March 5, 2020.

On January 24, 2020 we requested a psychoactive cannabis derivatives manufacturing quota -under the modality of scientific purposes- for the SMGH lab to receive 165 kilograms (dry weight) of cannabis flower from the non-psychoactive genetic "NN-AV011" to manufacture approximately 14 kilograms of psychoactive cannabis derivatives which will be used to under go the lab scale trials of 9 Rho products in SMGH´s facilities and then produce the pilot batches of 4 Rho products in Altea's GMP facilities. We expect to receive this quota in April 2020.

SMGH expects to submit two additional psychoactive cannabis derivatives manufacturing quotas for the 2020 calendar. The first will be to produce psychoactive cannabis derivatives which will be exported. The second will be to produce psychoactive cannabis derivatives which will be used to produce commercial batches of Rho products in Altea's GMP facilities which will then be exported. SMGH will also submit the ordinary psychoactive cannabis derivatives manufacturing quota for the 2021 calendar year before April 30, 2020.

- *Registration of Psychoactive and Non-Psychoactive Cannabis Strains*

  During 2019, SMGH successfully characterized and received registration for twenty-one psychoactive cannabis strains and eight non-psychoactive cannabis strains.

  SN has received the corresponding authorizations and is currently in the process of characterizing twenty-nine strains. We expect the characterization process to be completed in Q2 of 2020 and the registration process of those strains that obtained favorable results in the characterization to be obtained in Q3 of 2020.

Cultivation Operations – Summary

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

SMGH Site	Status and Activities
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.
Equipment	High performance liquid chromatography equipment is in place on site to allow for cannabinoid profiling.
Shadehouse and Greenhouse Capacity	We currently have 340,000 square feet of shadehouse and outdoor space plus 20,000 customized greenhouse.
Genetic Registration / Quota Status	Achieved genetic registration of 8 non-psychoactive strain and 21 psychoactive strains.

SMGH Site	Status and Activities
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
Shadehouse and Greenhouse Capacity	We currently have 100,000 square feet of shadehouse plus 20,000 customized greenhouse.
Other Space	Construction is underway for an "agro-facility" that will contain administrative offices and drying rooms.
Genetic Registration / Quota Status	Plants for genetic registration are currently in the characterization phase for genetic registration purposes. (1) Expect to receive registration by Q3 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) See "*Regulatory Framework – Colombia – Genetic Registration Process in Colombia*".

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.

Our intellectual property portfolio covers patents on cannabinoid compositions and methods of treatments for dermatological and neuropathic pain indications and on our Cannabis cultivation practices. We do not currently own or in-licence any patent related to our products. As of December 31, 2019, our patent portfolio includes five (5) pending applications.

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* test results. Our second lead candidate AVCN319301, an oral cannabinoid composition specifically formulated using advanced drug delivery systems to achieve better therapeutic efficacy and bioavailability of lipophilic cannabinoid compounds is under development for neuropathic pain. In pre-clinical studies, AVCN319301 upon administration to a mammal showed strong bioavailability profile as compared to controlled compositions. On September 5, 2019, we filed a U.S. provisional patent application on its formulation, delivery system and bioavailability profile.

For our derma-cosmetic "PURA EARTH™" product line, we filed a U.S. provisional patent application on October 21, 2019 and a U.S. non-provisional patent application on December 10, 2019. These patent applications have been filed for two topical compositions containing 0.5% cannabidiol and 1% hemp seed oil with altogether different excipients. Both these products are intended to be used for promoting hydration and improving appearance of the skin.

In addition to pharma and cosmetic formulation developments, our Colombian division is employing improved technical and agricultural methods to make cannabis cultivation more suitable for tropical and inter-tropical climatic regions. These unique methods are expected to improve the overall yield potential of cannabis plant species and quality of end-product itself. On August 15, 2019, we filed a U.S. provisional patent application on these improved practices.

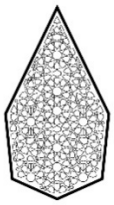
Our provisional patent applications are not eligible to become issued patents until we file non-provisional patent applications after generating more data to support our patent claims within 12 months of filing thereof. If we do not timely file any non-provisional patent applications, we may lose our priority dates with respect to our provisional patent applications and any patent protection on the invention disclosed in our provisional patent applications.

In parallel to the development of novel 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 31 December 2019, we have a total of 55 trademark filings covering our company logos; word marks and design marks. 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 table show our pending and registered trademarks in various jurisdictions:

Trademark	Type	Pending	Registered
AVICANNA	Word Mark	European Union, Argentina	Canada, Colombia, Mexico
	Design Mark	European Union, Argentina	Canada, Colombia, Mexico

			
PURA EARTH	Word Mark	Canada, European Union, USA, Argentina	Colombia, Mexico
	Design Mark	Canada, European Union, USA, Argentina, South Africa	Colombia, Mexico
RHO PHYTO	Word Mark	Canada, Colombia, European Union, Mexico, Argentina, Australia, Japan, South Africa	
	Design Mark	Colombia, European Union, USA, Argentina, Australia, Japan, South Africa	Canada, Mexico
AUREUS	Word Mark	Colombia, European Union	

	Design Mark	Colombia, European Union, South Africa

Employees, Specialized Skill and Knowledge

As at the date of this AIF, Avicanna has 19 employees located in Canada and 11 independent contractors. Of this total, one independent contractor is located in Germany, one independent contractor is located in Spain, one independent contractor is located in Argentina, one independent contractor is located in the United Kingdom and 8 independent contractors are located in Canada.

In addition, as at the date of this AIF: (i) Avicanna LATAM has 55 employees and 1 independent contractor, all of which are located in Colombia; (ii) SMGH has 55 employees, all of which are located in Colombia; and (iii) SN has 10 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.

Competitive Conditions

See description below under "*Risk Factors – Risks Related to the Corporation's Business and 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.

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.

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.

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.

Components

See description above under *"Description of our Business – Research and Development", "Description of our Business – Products", "Description of our Business – Cultivate Operations", "Description of our Business – Intellectual Property".*

Avicanna cultivates and uses its own raw materials and proprietary formulations for the manufacture of its finished products. The raw materials are produced at Avicanna's subsidiary SMGH's facilities for distribution in Colombia and internationally.

In preparation for the launch of the CBD-based derma-cosmetic and medical cannabis products in Canada, Avicanna intends on using Canadian-sourced raw materials.

Intangible Properties

We recognize the importance of our intangible assets such as brand names, copyrights, licences, patents and trademarks. See "Description of Business - *Intellectual Property*". The Corporation relies on non-disclosure and confidentiality agreements to protect its intellectual property rights. We have submitted four 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.

Economic Dependence

Avicanna currently has the relationships in place to manufacture its finished products using contract manufacturers located in Colombia and Canada. Disruption of the Corporation's manufacturing and distribution contracts may have a material adverse effect on the Corporation's revenue.

Changes to Contracts

There is no aspect of the Company's business that Avicanna reasonably expects to be affected in the current financial year by renegotiation or termination of contract that will materially effect the business of the Company.

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

Avicanna is dependent on its foreign operations in Colombia and the success thereof, as well as the legislative developments in each of those countries. See "*Description of our Business – Cultivation Operations"* and "*Regulatory Framework*" for additional details.

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*" for additional details.

Bankruptcies and Similar Procedures

The Corporation has not undergone any bankruptcy, receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings within the last three completed financial years.

Reorganizations

The Corporation has not completed any material reorganization within the last three completed financial years 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.

REGULATORY OVERVIEW

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 the new IHR, were released by the federal government, along with proposed amendments to the *Narcotic Control Regulations* C.R.C., c. 1041 and certain regulations under the *Food and Drugs Act* RSC 1985, c F-27. 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* S.C. 1996, c. 19. 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 final regulations setting out the regulations governing the legal production and sale of edible cannabis, cannabis extracts and cannabis topicals. These regulations prescribe restrictions on packaging, labeling and marketing activities with respect to a broad range of cannabis products. The new regulations came into force on October 17, 2019 as part of the Cannabis Regulations.

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 added vitamins or minerals • No nicotine	• No added vitamins or minerals • No nicotine	• No nicotine or alcohol

Type of Regulation	Edible Cannabis	Cannabis Extract (ingesting)	Cannabis Extract (inhaling)	Cannabis Topical (applying to skin, hair, nails)
	• No nicotine or alcohol • Limits on caffeine	• No caffeine • No sugars, sweeteners or colours	• No caffeine • No sugars, sweeteners or colours	• 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
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:

(i) Cultivation licences;

(ii) Processing licences;

(iii) Analytical testing licences;

(iv) Sales for medical purposes licences;

(v) Research licences; and

(vi) 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 and were expanded on October 17, 2019 to include edibles, extracts and topicals (see table above). The IHR defines industrial hemp as cannabis plants whose leaves and flowering heads do not contain more than 0.3% THC.

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

Previously, the Cannabis Regulations did 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). As of October 17, 2019, the Cannabis Regulations permitted a broader diversity of product forms and ingredients for human use.

The composition and ingredient requirements imposed by the Cannabis 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).

- 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 October 17, 2019 amendments to the Cannabis Regulations imposed additional packaging and labelling requirements for all cannabis products and specific to the three new classes of cannabis as outlined in 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 amendments to the Cannabis Regulations, patients with medical authorizations 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.

Province/Territory	Regulating Body	Legal Age	Retail and Distribution Plan
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.
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.

Province/Territory	Regulating Body	Legal Age	Retail and Distribution Plan
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 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 "*Regulatory Framework – Colombia – 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.

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:

- Production of derivatives from cannabis: 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.

- Use of seeds for sowing: 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.

- Cultivation of psychoactive cannabis plants: 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 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

Category	Specific Measures
	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.

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 a 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.

South Africa

The legislative framework which regulates cannabis and cannabis related products in South Africa primarily comprises the Drugs and Drug Trafficking Act 140 of 1992 and the Medicines and Related Substances Act 101 of 1965 ("**South Africa Medicines Act**").

The South Africa Medicines Act regulates medicines and scheduled substances. The South Africa Medicines Act defines a "medicine" as follows:

> "*(a) any substance or mixture of substances used or purporting to be suitable for use or manufactured or sold for use in -*
>
> *(i) the diagnosis, treatment, mitigation, modification or prevention of disease, abnormal physical or mental state or the symptoms thereof in humans; or*
>
> *(ii) restoring, correcting or modifying any somatic or psychic or organic function in humans, and*
>
> *(b) includes any veterinary medicine*".

A "scheduled substance" is defined as "*any medicine or other substance prescribed by the Minister (of Health) under section 22A*" and therefore includes both medicines and non-medicines listed in the schedules to the South Africa Medicines Act.

CBD is listed as a Schedule 4 substance to the South Africa Medicines Act (subject to certain exceptions). Generally, Schedule 4 substances may only be sold on prescription and by certain persons, such as pharmacists, medical practitioners and dentists and manufacturers of or wholesale dealers in pharmaceutical products.

Any scheduled substance may only be manufactured, imported or exported and a person may only act as a wholesaler of or distribute a scheduled substance if that person has obtained a licence from the South African Health Products Regulatory Authority ("**SAHPRA**") in terms of section 22C of the South Africa Medicines Act. This section provides that the manufacturers, wholesalers and distributors may apply for such a licence.

Schedule 4 substances may only be sold by certain persons, including (i) pharmacists, who may only sell Schedule 4 substances on prescription; (ii) manufacturers of or wholesale dealers in pharmaceutical products, which may only sell Schedule 4 substances to a person who may lawfully possess such

substances; (iii) medical practitioners and dentists and certain other practitioners, nurses and persons who are registered under the Health Professions Act, 1974; and (iv) veterinarians. A Schedule 4 substance may be possessed by a person who is in possession of a prescription issued by an authorised prescriber and by medical practitioners, dentists, veterinarians, practitioners, nurses or other persons registered under the Health Professions Act, 1974 and pharmacists.

If a Schedule 4 substance is sold for analytical purposes, manufacture of foods, cosmetics, educational or scientific purposes, it may only be sold by a pharmacist if a permit has been obtained from the Director-General for such purpose. See section 22A(7)(a) of the South Africa Medicines Act.

The classification of CBD and preparations and mixtures of CBD as Schedule 4 substances is subject to two exceptions.

The first exception is in terms of a notice (the "Exemption Notice") published by the Minister of Health ("Minister") on the recommendation of SAHPRA, in terms of section 36(1) of the South Africa Medicines Act, which excludes from Schedule 4 all preparations containing CBD that:

> contain a maximum daily dose of 20 mg CBD and make only an accepted low risk claim or health claim which only refers to:
>
> > general health enhancement without any reference to specific diseases;
> >
> > health maintenance; or
> >
> > relief of minor symptoms (not related to a disease or disorder); or
>
> consist of processed products made from cannabis raw plant material and processed products, where only the naturally occurring cannabinoids found in the source material are contained in the product, and which contain not more than 0,001% THC and not more than 0,0075% total CBD. [Government Notice No. R756, Government Gazette No. 42477.]

The second exception is in terms of the following provision in Schedule 4 ("**Schedule 4 exceptions**"):

> "*All substances referred to in this Schedule are excluded when specifically packed, labelled, sold and used for -*
>
> > *industrial purposes including the manufacture or compounding of consumer items or products which have no pharmacological action or medicinal purpose; and*
> >
> > *analytical laboratory purposes*."

"Medicinal purpose" is defined for purposes of section 22A of the South Africa Medicines Act as:

> "*for the purposes of the treatment or prevention of a disease or some other definite curative or therapeutic purpose, but does not include the satisfaction or relief of a habit or craving for the substance used or for any other such substance, except where the substance is administered or used in a hospital or similar institution maintained wholly or partly by the Government or a provincial government or approved for such purpose by the Minister*".

A product containing CBD, which would otherwise be a Schedule 4 substance, is therefore excluded from the requirements in the Medicines Act if it:

contains less than a maximum daily dose of 20 mg of CBD and only makes the permitted low risk claims or health claims as set out above;

consists of processed products that contain only the naturally occurring quantity of cannabinoids found in the source material and contain THC and/or CBD that does not exceed the prescribed thresholds as set out above; or

is specifically packed, labelled, sold and used for (i) industrial purposes, including the manufacture or compounding of consumer items or products which have no pharmacological action or medicinal purpose; and (ii) analytical laboratory purposes.

United Kingdom

Pure CBD is not considered a controlled drug in the UK.

The Misuse of Drugs Act 1971 (the "**MDA**") defines the following as controlled drugs in relation to cannabis:

(i) "Cannabinol" ("**CBN**");

(ii) "Cannabinol derivatives" (tetrahydro derivatives of cannabinol (such as THC) and 3-alkyl homologues of cannabinol or of its tetrahydro derivatives);

(iii) "Cannabis" (defined as meaning any plant of the genus Cannabis but excluding the mature stalk of any such plant, fibre produced from mature stalk of any such plant, or the seed of any such plant after separation from the rest of the plant);

(iv) "Cannabis resin";

(v) any "esther or ether or cannabinol or of a cannabinol derivative";

(vi) any salt of any of these substances; and

(vii) any "preparation or product" containing these substances (unless it falls within a narrow exception).

The UK Home Office has determined that CBD as an isolated substance, in its pure form, is not a controlled drug for the purposes of the MDA. Pure CBD is not a controlled drug under the MDA. Consequently, the sale, possession and import of products containing CBD are not restricted as a result of their CBD content. However, the Home Office has issued caution against CBD products which may unintentionally include other cannabinoids such as CBN or THC, being substances which remain controlled drugs under the MDA. Products containing CBD or other non-controlled cannabinoids may however be regulated from a food or cosmetics regulations perspective (see further below).

There is an exception for products that contain less than 1 milligram of a controlled drug, where the controlled drug element is not readily recoverable and where the product is not designed for the administration of the controlled drug to a person. We are aware of CBD products containing trace amounts of controlled drugs being sold by reputable retailers in the UK, presumably pursuant to this exception (although it is not clear).

An exempt product is not subject to the restrictions on the import, production, sale or possession imposed on controlled drugs by the MDA. An exempt product is defined in accordance with a three-step test under the Misuse of Drugs Regulations 2001 (the "**MDR**") where:

(i) the product is not designed for administration of the controlled drug to a human being or animal (it is understood that the primary object or purpose of the product is not intended to be the administration of a controlled drug, such that the controlled drug is incidental to the product);

(ii) the controlled drug in any component part is packaged in such a form, or in combination with other active or inert substances in such a manner, that it cannot be recovered by readily applicable means or in a yield which constitutes a risk to health; and

(iii) no one component part of the product or preparation contains more than one milligram of the controlled drug.

The EU cosmetic products regulation prohibits the use of narcotics, both in natural and synthetic forms: all substances listed in Tables I and II of the Single Convention on Narcotic Drugs signed in New York on 30 March 1961 (the "1961 Convention") are prohibited from use in cosmetics. However, the 1961 Convention does not specifically list CBD as a separately prohibited controlled substance and it uses a narrow definition of cannabis which is limited to mean "the flowering or fruiting tops of the cannabis plant (excluding the seeds and leaves when not accompanied by the tops) from which the resin has not been extracted, by whatever name they may be designated". Therefore, CBD extracted from cannabis, cannabis resin, cannabis extracts and cannabis tinctures originating from the seeds and leaves that are not accompanied with the fruiting tops of the cannabis plant CBD may be used in cosmetics.

For the import and distribution in the UK of any product that contains THC, requires the importer to obtain a controlled drug import licence from the UK Home Office (as well as the corresponding export licence from the country of export) and a domestic licence to supply and possess any product that contains THC.

To supply CBPMs, these products will need to be prescribed as an unlicensed medicine under the “specials” medicines route. There are two other routes through which CBPMs can be used in the UK: (i) investigational medicinal product route (authorisation required from the MHRA or EMA for use in clinical trials); or (ii) the Marketing Authorisation route ("MA") (where the MA is issued based on quality, efficacy and safety criteria to a product), which do not apply to Avicanna.

Any prescriptions for unlicensed CBPMs to patients in England would need to be made by doctors who are on the GMC Specialist Register. The unlicensed CBPMs will only be supplied if:

(i) there is an unsolicited order from a Specialist doctor;

(ii) the Importer must have a Home Office import and Domestic licence. The wholesaler / manufacturer must have a Home Office Domestic Licence and MHRA Wholesaler Dealer’s Licence or Manufacturer’s (Specials) Licence for possession and supply of unlicensed CBPMs;

(iii) the product is manufactured and assembled in accordance with the specification of a person who is a doctor on the GMC Specialist Register, responsible for the patient’s care;

(iv) the product is for use by a patient for whose treatment that person is directly responsible in order to fulfil the special needs of that patient that cannot be met by existing licensed medicines; and

(v) the product is manufactured and supplied under specific conditions.

The sale of unlicensed medicines is subject to a general prohibition which provides that a person may not sell or supply, or offer to sell or supply, an unauthorised medicinal product in the UK unless that person has a marketing authorisation, under Regulation 46 of the Human Medicines Regulations. One of the exemptions to this prohibition is where the clinical needs of a patient cannot be met by products with a

marketing authorisation available in the UK, and where an unlicensed medicine is prescribed on a "named patient" or "individual patient" basis.

Pursuant to Regulation 167 of the Human Medicines Regulations, the requirement for a marketing authorisation under Regulation 46 above does not apply if:

(i) the medicinal product is supplied in response to an unsolicited order;

(ii) the medicinal product is manufactured and assembled in accordance with the specification of a person who is a doctor, dentist, nurse independent prescriber, pharmacist independent prescriber or supplementary prescriber;

(iii) the medicinal product is for use by a patient for whose treatment that person is directly responsible in order to fulfil the special needs of that patient; and

(iv) a number of conditions (set out as conditions A to G in Regulation 167 are met).

The conditions under Regulations under A to G cover a number of requirements such as ensuring that the unlicensed medicines are supplied to suitable health care professionals ("HCPs") or that the manufacture of the medicines is carried to the specification of the HCPs amongst others.

Condition B of regulation 167 of the Human Medicines Regulations 2012, specifically prohibits a specials manufacturer, importer or wholesaler from publishing any advertisement relating to the unlicensed medicinal products. This means that the advertising of unlicensed CBPMs, to the members of the public, is prohibited. A specials manufacturer, importer or wholesaler may advertise the services they provide, but the particulars of specials medicines must not be advertised. However, they may provide factual responses upon requests for specific specials or the range of products they are able to supply.

Australia

(i) Importation of medicinal cannabis products

Pursuant to regulation 5 of the Customs (Prohibited Imports) Regulations 1956 (Cth) (the **PI Regulations**), cannabis (including extracts and tinctures of cannabis), cannabis resin, and cannabinoids, and products containing such ingredients, that are not Approved Products, cannot be imported into Australia unless they are for medicinal or scientific research (i.e. clinical trial) purposes.

In light of this, apart from the Approved Products, generally the only cannabis-based products that are currently permitted to be imported into Australia, subject to the licensing requirements discussed below, are medicinal cannabis products (which include cannabis ingredients used to manufacture medicinal cannabis products).

Pursuant to section 4 of the *Narcotic Drugs Act 1967* (Cth) (**ND Act**), a medicinal cannabis product means a product, including but not limited to a substance, composition, preparation or mixture, that:

(a) includes, or is from, any part of the cannabis plant; and

(b) is for use for the purposes of curing, or alleviating the symptoms of, a disease, ailment or injury.

Medicinal cannabis products are subject to additional regulation by:

(a) the Office of Drug Control (ODC) of the Australian Department of Health, in relation to the importation and manufacture of medicinal cannabis products, discussed further below; and

(b) the TGA in relation to the supply of medicinal cannabis products, which is also discussed further below.

In order to import medicinal cannabis products into Australia, the importer must hold:

(a) a licence to import to import narcotic, psychotropic and precursor substances (**Licence**); and

(b) a permission to import each consignment of each specific product (**Permit**),

and must comply with any conditions of the Licence and Permit.

In relation to the Licence, an application for the licence must be made in writing to the Secretary of the Australian Department of Health (**Secretary**) by the proposed importer, in the approved form. Licences are issued for a 12 month period.

The Secretary will not grant a Licence unless the applicant has provided all requested information to the Secretary, the applicant, and any agents or employees thereof are fit and proper persons to be granted the licence, and the premises on which the applicant proposes to keep the drugs meet the security requirements for that purpose.

Once a Licence is granted, certain requirements must be complied with including:

(a) keeping in safe custody at all times any drug that is in the possession of the licence holder and if the drug is moved from one place to another, taking adequate precautions to ensure that the removal is safely carried out;

(b) taking reasonable precautions for the purpose of ensuring that there is no danger of loss or theft of any drug in the possession of the licence holder;

(c) not supplying any medicinal cannabis products unless satisfied that the product will be used solely for medical or scientific purposes; and

(d) keeping records including about the name and quantity of each drug in the licence holder's possession, and the quantity of each drug supplied by the licence holder, and information about the person to whom the drug was supplied.

An application for each Permit must be made in writing to the Secretary by the proposed importer, in the approved form.

The Secretary will not grant a Permit unless the applicant has provided all requested information to the Secretary and has made proper arrangements for the safe transportation and custody of the products; and

(a) if the product is required for the manufacture of a drug at certain premises –

(i) the applicant is a holder of a manufacturer's licence in relation to the manufacture of the drug at those premises pursuant to requirements of the ND Act, which is administered by the ODC (ND Manufacturer's Licence); and

(ii) if, under a law of the State or Territory in which those premises are situated, the manufacture of the drug is prohibited unless a licence to manufacture the drug has been granted under that law, the applicant is, for the purposes of that law, the holder of a licence authorising the applicant to manufacture the drug at those premises (State/Territory-based Manufacturer's Licence); or

(b) if the product is required for the purposes of the applicant's business as a seller or supplier –

(i) the applicant is, under a law of the State or Territory in which the premises at or from which the applicant conducts that business are situated, the holder of a licence authorising the applicant to sell or supply the product at or from those premises (State/Territory-based Supplier's Licence); or

(c) otherwise, the product is required by the applicant for medical or scientific purposes.

A Permit will specify the quantity of the product the holder may import as well as any other conditions or requirements, including with respect to possession, safe custody, transportation, use or disposal of the product to be complied with by the holder of the Permission.

Any medicinal cannabis products that are imported into Australia may only be supplied in Australia in accordance with one of the ways discussed in the section below.

(ii) Distribution of medicinal cannabis products

As noted above, the supply of medicinal cannabis products (being therapeutic goods) in Australia is regulated by the TGA.

Pursuant to the *Therapeutic Goods Act 1989* (Cth) (**TG Act**), it is an offence to supply therapeutic goods in Australia unless the goods are included in the Australian Register of Therapeutic Goods (**ARTG**), are exempt from being included in the ARTG, or are otherwise authorised by the TGA.

Therefore, medicinal cannabis products can only be supplied to patients in Australia in one of the following ways:

(a) following inclusion of the particular medicinal cannabis product in the ARTG – this requires a sponsor to submit an application to the TGA which includes data as to the quality, safety, efficacy and performance of the product and its intended use; or

(b) under the TGA's Special Access Scheme (**SAS**) – a medical practitioner may use one of the following two SAS Categories to access an unapproved medicinal cannabis product for an individual patient:

(i) *SAS Category A*: a prescribing medical practitioner (a medical doctor) or a health practitioner on behalf of a prescribing medical practitioner (e.g. a nurse practitioner or pharmacist) may, with notification to the TGA, supply unapproved medicinal cannabis products to a "Category A patient", being a person who is seriously ill with a condition from which death is reasonably likely to occur within a matter of months, or from which premature death is reasonably likely to occur in the absence of early treatment; or

(ii) *SAS Category B*: if a patient is not a "Category A patient", a health practitioner may nevertheless make an application to the TGA for approval to supply unapproved medicinal cannabis products to the patient (which requires a thorough clinical justification for the use of the product, including the seriousness of the condition, details of previous treatment and reasons why a currently approved therapeutic good cannot be used for the treatment of the individual patient in the particular circumstance); or

(c) under the TGA's Authorised Prescriber Scheme – a medical practitioner may apply to the TGA to become an "Authorised Prescriber" of unapproved medicinal cannabis products so that the medical practitioner may prescribe the products to a class (or classes) of recipients with a particular medical condition; or

(d) through a clinical trial involving the medicinal cannabis product.

Depending on the Australian state(s) and/or Territory(ies) in which the importer of medicinal cannabis products (that are prescribed in any of the ways discussed in paragraph 2.18) operates, relevant State or Territory-based Supplier's Licence(s) (to the extent applicable) will also need to be obtained.

In addition, if the laws of the State or Territory where a medical practitioner who prescribes medicinal cannabis products is located require the practitioner to obtain approval or authorisation from that State's or Territory's Department of Health to prescribe and supply medicinal cannabis products, such approval or authorisation is required to be obtained. In this regard, since April 2018, a 'single-in' application process

has been developed through which practitioners can notify or apply to both the TGA and the relevant State's or Territory's Department of Health (where applicable) to prescribe and supply medicinal cannabis products.[1]

United States of America

The 2018 Farm Bill and Legalized "Hemp"

Signed into law on December 20, 2018, the 2018 Farm Bill dramatically changed the legal landscape of hemp-based products throughout the U.S., most notably hemp-based CBD products, by creating a new freestanding category of legalized "hemp" and removing hemp and hemp-based CBD as controlled substances under federal law.

First and foremost, the 2018 Farm Bill created a new legal category of "hemp" under federal law as defined as "the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids [such as CBD] . . . whether growing or not, with a delta-9 tetrahydrocannabinol (THC) concentration of not more than 0.3 percent on a dry basis." [2018 Farm Bill § 297A, available at https://www.congress.gov/bill/115th-congress/house-bill/2/text.] While the 2018 Farm Bill is focused on the production of hemp in the United States, the definition of hemp under the Bill is not limited to nor is tied to the source, whether in the U.S. or not, of the cannabis plant itself.

Second, the 2018 Farm Bill specifically amended the U.S. Controlled Substances Act (21 U.S.C. § 802(16), et. seq.) (the "CSA") to make clear that "hemp", as defined above and including hemp-based CBD, was no longer included under the definition of "marijuana" under the CSA and thus no longer considered an illegal Schedule I controlled substance.

As the Office of General Counsel for the United States Department of Agriculture ("**USDA**") – the agency responsible for the implementation of the 2018 Farm Bill and related regulations -- recognized in a recent Legal Opinion, any product meeting the lawful definition of hemp under the 2018 Farm Bill became federally legal and no longer subject to the CSA as of the enactment of the Bill on December 20, 2018 given that the related provisions of the Farm Bill were "self-executing."[2]

In short, any product, whether sourced within the United States, or from a lawful source outside of the United States, which meets the legal definition of hemp under the 2018 is no longer considered a controlled substance pursuant to the CSA.

Lawful Importation of Hemp-Based CBD

In light of the relatively recent enactment of the 2018 Farm Bill and the lack of implementing regulations to date from the USDA, various federal agencies have yet to provide official guidance related to treatment of hemp-based products under their specific purview. This includes a lack of direct guidance from such important agencies as the U.S. Drug Enforcement Administration ("**DEA**") or the U.S. Customs and Border Patrol ("CBP") as to the exact parameters for the importation of lawfully produced hemp and hemp-based CBD products into the U.S. Despite this lack of direct guidance, however, various DEA and CBP actions and statements regarding hemp and hemp-based CBD products reveal that while questions remain, these

[1] See https://www.tga.gov.au/special-access-scheme-and-authorised-prescriber-online-system

[2] See USDA Office of General Counsel Legal Opinion on Certain Provisions of the Agriculture Improvement Act of 2018 Relating to Hemp, available at https://www.ams.usda.gov/sites/default/files/HempExecSumandLegalOpinion.pdf.

agencies are aligned with the tenets of the 2018 Farm Bill regarding the current legal status of hemp-based CBD.

For example, as a result of the removal of hemp and hemp-based CBD from the CSA, these products are no longer under the jurisdiction of the DEA or the U.S. Controlled Substances Import and Export Act (21 U.S.C. § 951-971). As the DEA has itself recognized, this means that neither the DEA nor the CBP can prevent the importation of hemp-based CBD as a suspected controlled substance. See DEA Internal Directive Regarding the Presence of Cannabinoids in Products and Materials Made from the Cannabis Plant. In fact, this prohibition was recently recognized by a U.S. District Court in California which held in a long-running case regarding the seizure of imported hemp-based CBD that "[u]nder this new exemption, any future shipments of industrial hemp product containing less than 0.3% THC by dry weight . . . will not be subject to seizure" pursuant to 21 U.S.C. § 881(f).

While the Commissioner of the FDA retained its authority under the Federal Food, Drug, and Cosmetic Act (21 U.S.C. § 301, et seq.) (the "FD&C Act") to regulate the marketing of cannabis- based products in the U.S., with regard to the importation of CBD products, the FDA has taken no affirmative action to prevent the importation of these products since the passage of the 2018 Farm Bill.10 For example, the FDA has not explicitly issued any Import Alerts regarding the importation of hemp-based CBD.11 Further, the FDA has not issued any import refusals for a hemp-based CBD product since the 2018 Farm Bill was passed.12

While neither the DEA, the CBP or the FDA has issued affirmative guidance regarding the importation of hemp-based CBD products into the United States, it is clear that these agencies are currently permitting lawful importation in light of the federally legal status of these products pursuant to the 2018 Farm Bill.

Argentina

The import of isolated CBD and cannabis resin for medical and scientific research studies, is legal in Argentina.

The Argentine legislation allows three mechanisms for the importation, distribution and sale of Cannabis (as defined in the 1961 UN Single Convention), its seeds, its resin, other cannabis extracts and products derived from the Cannabis plant (whether or not they contain traces of THC) of such cannabis plant derived products in Argentina. Such mechanisms are as follows:

(i) For the medical treatment of those patients with refractory epilepsy enrolled in the Program created by Law 27,350 ("National Program for the Study and Research of the Medicinal Use of the Cannabis Plant, its Derivatives and Non-Conventional Treatments"). In these cases, the import must be done by ANMAT. It is important to notice that this mechanism has not yet been properly implemented in Argentina, where most of the cannabis derived products are being import by the "Exception Access Regime" (see next point).

(ii) For the medical treatment of those patients with refractory epilepsy not enrolled in the Program created by Law No. 27,350 ("National Program for the Study and Research of the Medicinal Use of the Cannabis Plant, its Derivatives and Non-Conventional Treatments"). In these cases, the import is done by the "Exception Access Regime", stated by Resolution No. 133/2019, for products containing cannabinoids or cannabis plant derivatives intended exclusively for medicinal use, for the treatment of an individual patient with a diagnosis of refractory epilepsy. In order for these products to be imported through this compassionate use mechanism, they must be prescribed for the treatment of individual patients by medical professionals with specialization in Child Neurology or Neurology. The prescription and affidavit signed by the attending physician and the patient (or his legal representatives) will work as an import authorization, that will only contemplate the quantity of

product necessary to cover a treatment of up to 180 calendar days of import. No additional permits or authorizations are required to complete such import in accordance with the laws of Argentina.

(iii) For medical and scientific research (according to Resolution No. 133/2019), for which the importer must have an authorization from ANMAT, issued under the Program created by Law No. 27,350 (when the scientific research does not have registration purposes) or not (when the scientific research has registration purposes). No additional permits or authorizations are required to complete such import in accordance with the laws of Argentina.

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 AIF, and all other information contained in this AIF, 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, could be materially adversely affected.

Risks Related to Our Securities

Forward-Looking Information

The forward-looking information included in this AIF 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 AIF. See "*Forward-Looking Statements*".

Volatile Market Price for the Common Shares

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

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.

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.

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, which may also cause the market price of our Common Shares to fall.

Risks Related to the Corporation's Business and Industry

Impacts of COVID-19 to the Corporation's Business

In December 2019, a novel strain of coronavirus ("COVID-19") emerged in Wuhan, China. Since then, it has spread to several other countries and infections have been reported around the world. Canada confirmed its first case of COVID-19 on January 25, 2020 and its first death related to COVID-19 on March 9, 2020. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic.

In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally could have an adverse impact on our business, operations and financial results, including through disruptions in our cultivation and processing activities, supply chains and sales channels, as well as a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on our business, operations or financial results; however the impact could be material.

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 AIF 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 expanding 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 42.7% 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 any expansion of the facilities. 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 AIF, 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.

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 hereof, 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.

CAPITAL STRUCTURE

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As of the date of this AIF, there are 23,187,444 Common Shares issued and outstanding. In addition, as of the date of this AIF, there were 1,934,501 Common Shares issuable on the exercise of stock options, 147,380 Common Shares issuable upon the exercise of the Compensation Units, 73,495 Common Shares issuable on the exercise of the Compensation Warrants (if the Compensation Units are exercised), 1,894,701 Common Shares issuable on the exercise of Warrants (including the Debenture Warrants), 97,875

Common Shares issuable upon the conversion of the Debentures and 98,158 Common Shares issuable on the vesting of restricted share units.

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.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX under the symbol "AVCN".

The following table sets forth the reported trading prices and monthly trading volumes of the Common Shares for the Corporation's financial year ended December 31, 2019 as well as the periods up to March 30, 2020 (Source: Stockhouse & the TSX):

Period	High Trading Price	Low Trading Price	Volume
July 2019	$7.40	$4.50	1,389,028
August 2019	$5.16	$3.55	1,143,938
September 2019	$4.80	$1.85	2,666,746
October 2019	$4.17	$1.87	1,829,569
November 2019	$3.94	$1.42	2,383,812
December 2019	$2.85	$1.23	1,188,337
January 2020	$3.00	$1.52	1,264,533
February 2020	$2.21	$1.30	1,151,059
March 2020	$1.52	$0.66	900,755

PRIOR SALES

The following table summarizes the securities of the Corporation that are not listed or quoted for trading on a market place that have been issued during the financial year ended December 31, 2019 as well as the periods up to March 30, 2020.

Date	Type of Security	Issue/Exercise Price ($)	Number of Securities
February 2019	Stock Options [(1)(2)]	8.00	2,000
March 2019	Convertible Debenture[(4)]	1,000	783,000
March 2019	Stock Options [(1)(2)]	8.00	50,000
April 12, 2019	Warrants [(5)]	10.00	270,242
April 15, 2019	Special Warrants [(6)]	8.00	2,228,328

April 15, 2019	Compensation Units [6]	8.00	129,290
April 2019	Stock Options [1][2][3]	8.00	52,000
June 2019	Stock Options [7][8][9]	8.00	18,000 [11]
July 2019	Stock Options [8][10]	8.00	341,440 [12][13]
July 2019	RSUs [14]	8.00	108,658
July 2019	Warrants [15]	10.00	1,114,162
October 2019	Stock Options [8][10]	5.00	5,595
January 2020	Stock Options [8][10]	2.10 – 5.00	611,156 [16][17][18][19]
January 2020	Warrants [20]	3.00	411,360
March 2020	Stock Options [8][10]	1.39	43,000
April 2020	Stock Options [8][10]	1.00	30,000

Notes:

(1) The options grants expire seven (7) years from the date of grant.
(2) Grant of Stock Options pursuant to the Corporation's Legacy Plan.
(3) 12,000 of these Stock Options have been cancelled.
(4) Issued pursuant to the offering of Debentures. Additionally, in connection with the issuance of Debentures, we issued 48,937 Debenture Warrants. "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".
(5) Issued pursuant to the First Closing. On April 12, 2019 the Special Warrants issued pursuant to the [First Closing] automatically converted in to 540,484 Common Shares and 270,242 Warrants.
(6) Issued pursuant to the Second Closing.
(7) The Stock Options grants expire ten (10) years from the date of grant.
(8) Grant of Stock Options pursuant to the Corporation's LTIP.
(9) 14,000 of these Stock Options have been cancelled.
(10) The Stock Options granted expire six (6) years from the date of grant.
(11) 9,000 of the 14,000 Stock Options cancelled have been repriced pursuant to the January 23, 2020 Stock Option grant.
(12) 23,430 of these Stock Options have been cancelled.
(13) 310,260 of these Stock Options have been cancelled and are subject to the January 23, 2020 Stock Option grant repricing.
(14) Grant of RSUs pursuant to the Corporation's LTIP.
(15) Issued pursuant to the Second Closing. On July 10, 2019, the Special Warrants issued pursuant to the [Second Closing] automatically converted in to 2,228,324 Common Shares and 1,114,162 Warrants.
(16) 18,650 of these Stock Options were granted on January 13, 2020 with an exercise price of $5.00
(17) 5,000 of these Stock Options were granted on January 13, 2020 with an exercise price of $5.00.
(18) 191,556 of theses Stock Options were granted on January 23, 2020 with an exercise price of $2.50. These Stock Options were granted pursuant to the cancellation of the 9,000 Stock Options granted on June 28, 2019 and the cancellation of the 310,260 Stock Options granted on July 10, 2019. The grant of these Stock Options is subject to shareholder approval to be voted on at the Company's next Annual General Meeting.
(19) 395,950 of these Stock Options were granted on January 24, 2020. 385,950 of these Stock were granted with an exercise price of $2.75 and 10,000 of these Stock Options were granted with an exercise price of $2.10.
(20) Issued pursuant to the private placement closed on January 13, 2020. See "*General Development of the Business – Three Year History – Recent Developments (January 1, 2020 to March 30, 2020).*

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Voluntary Lock-Ups

Prior to filing a final long-form prospectus, we 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 effective date of these lock-up agreements 10,523,077 Common Shares (on a non-diluted basis) were affected and 373,211 Common Shares remain affected after the directors and officers entered into another voluntary lock-up agreement as discussed in more detail below.

On October 29, 2019 the board of directors Company entered into another voluntary lock-up agreement to extend the term of their lock-up periods, affecting 7,176,850 Common Shares pursuant to which they will not sell, transfer or pledge, or otherwise dispose of or transfer the economic consequences of any securities of the Corporation held by such individual prior to July 1, 2020. On July 1, 2020, the Company will release 10% of such securities to the respective directors, with the remaining securities released in six equal tranches of 15% every six months following the first release, subject to customary exceptions. On the same date, the executive officers of the Company entered into voluntary lock-up agreements pursuant to which they will not sell, transfer or pledge, or otherwise dispose of or transfer the economic consequences of any securities prior to January 1, 2020. On January 1, 2020 the Company released 10% of such securities to the respective executive officers, with the remaining securities released in six equal tranches of 15% every six months following the first release, subject to customary exceptions. These executive officer lock-up agreements affect 540,743 Common Shares of the Company. In addition, each of the directors and officers entering into one of these voluntary lock-up agreements described herein will not sell more than 5,000 Common Shares of the Company in any one week period during the first year following the initial release date under such agreement, without the consent of the Company.

Additionally, on October 29, 2019, Kyle Langstaff, a non-management founder of the Company, resigned as Vice President (Operations). As a demonstration of Mr. Langstaff's confidence in the Company, he entered into a voluntary lock-up agreement pursuant to which he agreed not to sell more than 10,000 Common Shares of the Company in any one week period prior to April 18, 2020, without the consent of the Company. Under Mr. Langstaff's lock-up agreement, 10% of his securities were released on October 18, 2019, and the remaining securities are to be released in six equal tranches of 15% every six months following the first release, subject to customary exceptions. 2,418,333 Common Shares were affected by this voluntary lock-up agreement.

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	373,211	1.61%
Directors & Officers	7,731,533	33.34%
Mr. Langstaff	2,418,333	10.43%

DIRECTORS AND 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 AIF, the Corporation's Board consists of Aras Azadian, David Allan White, Dr. Chandrakant Panchal, Lead Director,

Giancarlo Davila Char, Janet Giesselman, Setu Purohit and Benjamin Leavenworth. 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 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).
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	October 22, 2018	Commercial Manager of Caribbean Eco Soaps U.I.B.S. (2017-Present); and Student (2013-2017).
Janet Giesselman Florida, USA	Director[(1)(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).
Benjamin Leavenworth,	Director	January 21, 2020	Chief Strategy Officer of Afina International LLC (2011 – present); corporate director
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).
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).
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 AIF, the directors or executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 9,898,161 Common Shares, representing approximately 42.69% of the total number of Common Shares outstanding before giving effect to the exercise of Stock Options, and Warrants held by such directors and executive officers. 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

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 AIF, or was within 10 years before the date of this AIF, 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 AIF or has been within 10 years before the date of this AIF, 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 AIF 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.

PROMOTERS

Aras Azadian, a Director and the Chief Executive Officer of the Corporation has been a promoter of the Corporation within the three most recently completed financial years of the Corporation. Mr. Azadian beneficially owns, controls or directs, directly or indirectly, 2,534,107 Common Shares representing approximately 10.93% of the issued and outstanding Common Shares on a non-diluted basis and holds 24,000 RSUs and 53,492 Stock Options.

Setu Purohit, a Director and the President, General Counsel, Chief Legal Officer and Secretary of the Corporation has been a promoter of the Corporation within the two most recently completed financial years of the Corporation. Mr. Purohit beneficially owns, controls or directs, directly or indirectly, 2,570,952 Common Shares representing approximately 11.09% of the issued and outstanding Common Shares on a non-diluted basis, and holds 16,110 RSUs and 42,408 Stock Options. 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 former Vice President (Operations) of the Corporation has been a promoter of the Corporation within in the two most recently completed financial years. Mr. Langstaff beneficially owns, controls or directs, directly or indirectly, 2,356,233 Common Shares representing approximately 10.16% of the issued and outstanding Common Shares on a non-diluted basis. 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 of the Corporation.

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.

AUDIT COMMITTEE DISCLOSURE

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 AIF as Schedule "A". 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, 2017, December 31, 2018 and December 31, 2019, 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, 2019	$120,000	Nil	$90,000	$210,000
Year ended December 31, 2018	$165,000	Nil	$25,000	$190,000
Year ended December 31, 2017	$30,000	Nil	Nil	$30,000

Notes:

(1) "Audit Fees" are the fees necessary to perform the audit of the Corporation's financial statements for the period ended December 31, 2017 and December 31, 2018, and December 31, 2019 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.

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 AIF that has materially affected or is reasonably expected to materially affect the Corporation.

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 the preceding three years from the date of this AIF are:

- 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 [License Agreement], dated as of November 26th, 2019 between the Corporation, and LC 2019, as more particularly described under "*General Development of the Business – Three Year History – Fiscal Year 2019 (January 1, 2019 to December 31, 2019)*".

- the SDM Agreement, dated as of January 7, 2020 between the Corporation and Medical Cannabis by Shoppers Drug Mart Inc. as more particularly described under "*General Development of the Business – Three Year History – Recent Developments (January 1, 2020 to March 30, 2020)*".

- the Valens Agreement dated as February 7, 2020 between the Corporation and Valens Agritech Ltd. as more particularly described under "*General Development of the Business – Three Year History – Recent Developments (January 1, 2020 to March 30, 2020)*".

- the following licences, registrations or quotas granted to SMGH:

    - 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 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 30924 granted by ICA on August 27, 2018 which registers SMGH as a Plant Breeding Unit of psychoactive and non-psychoactive cannabis plants;
- Resolution 31425 granted by ICA on September 3, 2018 which permits SMGH to produce sexual cannabis seeds;
- Resolution 7016 granted by ICA on May 26, 2019 which permits SMGH to produce asexual cannabis seeds;
- 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";

- the following licences, registrations or quotas 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 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.

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 AIF other than DLA Piper (Canada) LLP.

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).

ADDITIONAL INFORMATION

Additional information regarding the Corporation may be found under the Corporation's profile on SEDAR at www.sedar.com and on the Corporation's website at www.avicanna.com.

Additional information, including the remuneration and indebtedness of the directors and executive officers of the Corporation, principal holders of the Corporation's securities and the securities authorized for issuance under equity compensation plans, is contained in the long form prospectus of the Corporation dated July 9, 2019.

Additional financial information relating to the Corporation is provided in the Corporation's financial statements and management's discussion and analysis for the financial year ended December 31, 2019.

SCHEDULE "A"

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.

Approval Date: July 8, 2019