



## AVICANNA REPORTS SECOND QUARTER 2020 FINANCIAL RESULTS AND PROVIDES CORPORATE UPDATE

- *Successfully launched advanced “medical cannabis 2.0” products under RHO Phyto™ brand nation-wide in Canada through Medical Cannabis by Shoppers™, a subsidiary of Shoppers Drug Mart*
- *Revenue increase of 172% from \$260,903 in Q1 2020 to \$709,468 in Q2 2020, and a substantial increase from \$16,571 in Q2 2019, coupled with 8% cost reduction from Q1 2020, and 31% cost reduction from Q2 2019*
- *Continued to fortify cannabinoid research and clinical leadership position in Canada with advancements with several collaborations with world class institutions including the MC-RWE by UHN*

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**Toronto, Ontario – August 17, 2020** – Avicanna Inc. ("**Avicanna**" or the "**Company**") (TSX: AVCN) (OTCQX: AVCNF) (FSE: ONN) a biopharmaceutical company focused on the development, manufacturing and commercialization of plant-derived cannabinoid-based products announces results for the three and six months ended June 30, 2020.

Aras Azadian, Chief Executive Officer of Avicanna, commented “We continued to make strategic, scientific and commercial progress during the quarter while optimizing our global operations, which is demonstrated through quarter to quarter revenue increases and cost reductions. We are at an inflection point where our differentiated and advanced product lines are commencing sales in major markets and we are demonstrating evidence of our diversified business model which is comprised of seeds, API, advanced finished products, and royalties from intellectual property. Furthermore, we continue to fortify our thought leadership position within the medical community in Canada with various world class research collaborations, which now include the strategically significant real-world evidence trials on our RHO Phyto products available in the Canadian market.”

### **First Quarter Financial and Operational Highlights**

- The Company continued to make strides in its strategic commercial initiatives, leading to an increase in revenues of 172% from \$260,903 in the first quarter of 2020 to \$709,468 in the second quarter of 2020, and an increase of 4,181% from \$16,571 in the second quarter of 2019. In addition, the Company was able to reduce general and administrative costs by approximately 8% from \$3,185,943 in the first quarter of 2020 to \$2,924,462 in the second quarter of 2020 and a decrease of 31% from \$4,243,276 in the second quarter of 2019. The Company has approximately \$3.9M of inventory available for sale.

**Three Month**



	Q2 2020	Q1 2020	Q2 2019
<b>Revenue</b>	\$709,486	\$260,903	\$16,571
<b>G&amp;A</b>	\$2,924,462	\$3,185,943	\$4,243,276

- The Company announced the co-development of a cannabinoid-based product for treatment of COVID-19 related lung inflammation in partnership with the University of Toronto, with additional support and funding from the Mitacs Accelerate Program grant (the “**Mitacs Grant**”). Dr. Christine Allen is a global leader in the research and development of pharmaceutical formulations and for the past three years, Avicanna and Dr. Christine Allen’s research group (“**CARG**”) have developed novel cannabinoid-based products for commercialization. The combined expertise of Avicanna and CARG will fast-track the development of advanced pharmaceutical formulations of cannabinoids and their route to market.
- The Company announced the successful registration of the Company’s initial line of products for its CBD-based derma-cosmetic product line, Pura H&W, in the European Union. The Company is anticipating the commercial launch of its Pura H&W line in the United Kingdom in the third quarter of 2020. Avicanna successfully met all regulatory requirements of the European Commission’s Cosmetic Product Notification Portal (the “**CPNP**”). In addition to the clinical studies conducted on two of the registered products, Avicanna has provided the CPNP with long-term stability studies on these initial SKUs along with primary skin irritation evaluations for the entire portfolio in order to certify the safety and stability of the Pura H&W formulations.
- Through its genetics and seed division, Avesta Genetica, Avicanna completed its first industrial-scale seed harvest in Colombia. Approximately 80 million premium and feminized cannabigerol (“**CBG**”) dominant seeds were successfully harvested. The seeds have been tested for germination and attained feminization rates of 99%, which are considered premium within the global seed market. The seeds will be utilized for sales, exports, and local production. Additionally, the Company’s first ever export of hemp seeds (genetics) was approved by the Colombian government, which was also the first export of cannabis or hemp seeds in Colombian history.
- The Company entered a strategic manufacturing and intellectual property (“**IP**”) licensing agreement with MediPharm Labs Inc. (“**MediPharm**”). Under the terms of the agreement, MediPharm will use its manufacturing capabilities under its Good Manufacturing Practice (“**GMP**”) certification in Canada to produce Avicanna’s advanced RHO Phyto medical cannabis products, and Pura H&W topicals for sale by Medical Cannabis by Shoppers. The partnership provides Avicanna with a route to market for Canadian and international sales, as well as pharmaceutical manufacturing for clinical trials with its Canadian research hospital collaborators. Additionally, Avicanna will grant MediPharm a license to use proprietary Avicanna formulations to develop additional white label branded products for the domestic and international market. MediPharm’s pharmaceutical and GMP-certified manufacturing capabilities and its international supply chain capabilities will be leveraged to produce and deliver the proprietary finished products to partners worldwide.



- At the height of the COVID-19 pandemic, the Company closed a non-brokered private placement for approximately \$2.56 million, issuing 3,200,000 units at a price of \$0.80 per unit. The financing primarily included strategic partners, including Tasy International Capital Limited, a division of Tasy Holding Group Co., Ltd., a large healthcare and pharmaceutical group in China.
- The Company reduced its operating cash outflows by approximately 40%, for the six months ending June 30, 2020, compared to the six months ending June 30, 2019.

## Recent Developments

- The Company's RHO Phyto medical cannabis products launched on the Medical Cannabis by Shoppers portal, commencing with the "Micro Drop" oil formulations. Micro Drop oil formulations are the first of the RHO Phyto formulary of advanced medical cannabis products available for patients and health care practitioners on the Medical Cannabis by Shoppers platform. This product line includes advanced formulations under the "Cannabis 2.0" regulations that have undergone years of research and development and been manufactured under GMP standards by MediPharm. RHO Phyto sublingual sprays and topical products are expected to be available through the Medical Cannabis by Shoppers platform in the third quarter of 2020, with capsules to follow in the fourth quarter. Medical Cannabis by Shoppers is a subsidiary of Shoppers Drug Mart Inc.
- On August 11, 2020, the Company announced a strategic partnership with Red White & Bloom Brands Inc. ("RWB"), a multi-state operator active in the U.S. cannabis and hemp sectors, for the distribution of and commercialization of Pura H&W Hemp-Derived CBD-Based Topical Products in the United States. RWB will pay Avicanna an upfront fee in the amount of CAD\$250,000 in cash, along with minimum purchase requirements, including the purchase of USD\$250,000 worth of product within the first six months of the term, for the rights to be the exclusive distributor of Avicanna's Pura H&W branded cosmetic products in the US. Under the agreement, RWB also has the right to purchase Avicanna's cosmetic products for distribution into the US and certain other territories under brands of RWB's choosing. The initial product offerings under the agreement will include body and face lotions, cosmetic creams, gels and serums, as well as soaps and bath bombs.
- Avicanna, in collaboration with CARG at the Leslie Dan Faculty of Pharmacy at the University of Toronto, was awarded additional non-dilutive funding in the form of a peer-reviewed grant by the Natural Sciences and Engineering Research Council of Canada ("**NSERC**") to develop a cannabinoid-based formulation for the treatment of COVID-19 related lung inflammation. This peer reviewed grant provides funding support in addition to the recently awarded Mitacs Grant.
- In collaboration with Dr. Jibrán Khokhar, an Assistant Professor at the University of Guelph, Avicanna was also awarded a two-year NSERC Alliance grant to evaluate the neurobiological underpinnings of cannabis toxicosis in a preclinical model, and to test the potential efficacy of Avicanna's naturally-derived cannabinoids and formulations for treatment of tetrahydrocannabinol ("**THC**") overdose.



- In anticipation of the launch of the RHO Phyto product line in Canada, Avicanna hosted its third annual symposium, “Medical Cannabis 2.0”, on July 21<sup>st</sup>, 2020 through a virtual format. The presentations focused on the evolution of medical cannabis including the Avicanna led advancements in R&D for novel cannabinoid delivery forms and formulations. Presenters including Dr. Ruth Ross (Professor and Chair, Department of Pharmacology & Toxicology, Faculty of Medicine, University of Toronto, Senior Scientist, Campbell Family Mental Health Research Institute, Centre for Addiction and Mental Health) and Dr. Hance Clarke (Staff Anesthesiologist, Director Pain Services, Director Good Hope Ehlers Danlos Clinic, Medical Director of The Pain Research Unit, Department of Anesthesia and Pain Management, Toronto General Hospital, University Health Network, Associate Professor, Department of Anesthesia, University of Toronto). Over 1,000 participants attended the symposium.
- Avicanna announced that its RHO Phyto line of products will be participating in a Medical Cannabis Real-World Evidence (“**MC-RWE**”) clinical study at the University Health Network (“**UHN**”) in partnership with Medical Cannabis by Shoppers. The study will be led by Dr. Hance Clarke, Director of Pain Services at Toronto General Hospital, and will examine the efficacy of a select group of medical cannabis products including Avicanna’s RHO Phyto line of products on patient reported outcomes of pain, sleep and anxiety. All products used in MC-RWE must complete analytical testing through select testing laboratories and entered through the TruTrace StrainSecure™ platform. This provides Avicanna with a second commercial channel to the Medical Cannabis by Shoppers portal for its medical products to UHN, which is Canada’s largest network of research hospitals and doctors.

### Summary of Operations (\$CDN)

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	\$	\$	\$	\$
<b>Revenues</b>	<b>709,468</b>	<b>16,571</b>	<b>970,371</b>	<b>40,594</b>
Inventory Production Costs expensed to Cost of Sales	(133,481)	-	(234,288)	-
Fair value changes in biological assets included in inventory sold	(540,884)	-	(569,552)	-
Unrealized gain on changes in fair value of biological assets	(88,849)	-	1,827,271	-
General and administrative	2,924,462	4,243,276	6,110,405	6,930,482
Share-based compensation	1,277,770	674,929	1,615,962	1,719,568
Depreciation and amortization	330,685	128,822	839,828	185,117



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Impairment of goodwill	686,845	-	686,845	-
<b>Total Expenses</b>	<b>(5,219,762)</b>	<b>(5,047,027)</b>	<b>(9,253,040)</b>	<b>(8,835,167)</b>
<b>Other income (loss)</b>	<b>(2,372,674)</b>	<b>522,257</b>	<b>(2,496,480)</b>	<b>400,898</b>
<b>Net loss before taxes</b>	<b>(7,646,182)</b>	<b>(4,508,199)</b>	<b>(9,755,718)</b>	<b>(8,393,675)</b>
<b>Future income tax recovery</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net loss after taxes</b>	<b>(7,646,182)</b>	<b>(4,508,199)</b>	<b>(9,755,718)</b>	<b>(8,393,675)</b>
Weighted average number of Common Shares outstanding – basic and diluted	24,889,167	18,139,300	24,345,387	16,825,405
Loss per share – basic and diluted	(0.36)	(0.25)	<b>(0.48)</b>	<b>(0.49)</b>

### Summary of Balance Sheet (\$CDN)

	As at June 30, 2020	As at December 31, 2019
<b>Assets</b>	<b>\$</b>	<b>\$</b>
Cash	81,697	441,757
Amounts receivable	1,428,490	1,202,924
Prepaid assets	930,962	704,632
Biological assets	31,285	117,367
Inventory	3,926,691	1,484,371
Right to use asset	441,581	539,710
Property and equipment	20,990,033	22,622,322
Intangible assets	10,686,561	11,063,900
Derivative asset	1,500,574	3,780,000
Investments	72	72
Goodwill	2,520,382	3,207,227
<b>Total Assets</b>	<b>42,538,328</b>	<b>45,164,282</b>
<b>Liabilities and Equity</b>		
Amounts payable	6,335,553	5,177,634
Due to related party	2,249,862	3,319,116
Convertible debentures	742,810	715,626
Derivative liability	825	23,434
Lease liability	464,691	555,339
Term loan	-	-
Deferred revenue	3,228,592	3,323,518
Deferred tax liability	2,173,834	2,173,834
<b>Total Liabilities</b>	<b>15,196,167</b>	<b>15,288,501</b>
<b>Shareholder's equity</b>	<b>27,342,161</b>	<b>29,875,781</b>



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**Total Liabilities and Shareholder's Equity****42,538,328****45,164,282**

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## About Avicanna

Avicanna is a diversified and vertically integrated Canadian biopharmaceutical company focused on the research, development and commercialization of plant-derived cannabinoid-based products for the global consumer, medical, and pharmaceutical market segments.

Avicanna is an established leader in cannabinoid research and development, which it primarily conducts at its R&D headquarters in the Johnson & Johnson Innovation Centre, JLABS @ Toronto, Canada and in collaboration with leading Canadian academic and medical institutions. In addition to its developing pharmaceutical pipeline, Avicanna's team of experts have developed and commercialized several industry leading product lines, including:

- Pura H&W: an advanced and clinically tested line of CBD consumer derma-cosmetic products; and,
- RHO Phyto: an advanced line of medical cannabis products containing varying ratios of CBD and THC currently available nation-wide across Canada in partnership with Medical Cannabis by Shoppers™, a subsidiary of Shoppers Drug Mart. RHO Phyto is the first strictly medical formulary of advanced "Cannabis 2.0" products, containing oils, sprays, capsules, creams, and gels, all developed with scientific rigour, manufactured under GMP standards and supported by pre-clinical data.

With ongoing clinical trials on its derma-cosmetic (Pura H&W), medical cannabis (RHO Phyto) and a pipeline of pharmaceutical products, Avicanna's dedication to researching the important role that cannabinoids play in an increasingly wider scope of products has been at the core of the Company's vision since its inception. Furthermore, Avicanna's commitment to education is demonstrated through its annual medical symposium, the Avicanna Academy educational platform, and the My Cannabis Clinic patient program through its subsidiary company.

Avicanna manages its own supply chain including cultivation and extraction through its two majority-owned subsidiaries, Sativa Nativa S.A.S. and Santa Marta Golden Hemp S.A.S., both located in Santa Marta, Colombia. Through these sustainable, economical, and industrial scale subsidiaries, Avicanna cultivates, processes, and commercializes a range of cannabis and hemp cultivars dominant in CBD, CBG, THC, and other cannabinoids for use as active pharmaceutical ingredients. Avicanna's Avesta Genetica program specializes in the development and optimization of rare cultivars for commercial production along with feminized seeds for global export. In June 2020, Avicanna made history with a shipment of hemp seeds to the United States of America by completing the first ever export of hemp seeds from Colombia.

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

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



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*This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only Avicanna's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Avicanna's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information and forward-looking statements contained herein may include, but is not limited to, the ability of the combined expertise of the Company and CARG to fast-track the development of advanced pharmaceutical formulations of cannabinoids and their route to market, the ability of the Company to certify the safety and stability of the Pura H&W formulations not yet registered with the CPNP, the ability of the Company to sell, export and use CBG seeds for local production in Colombia, the ability of the Company to sell the RHO Phyto products in Canada and internationally, the ability of the Company to manufacture pharmaceutical grade products for clinical trials in Canada, and that the RHO Phyto sublingual spray and topical products will be available through Medical Cannabis by Shoppers in Q3 2020 and that capsules will be available for sale through Medical Cannabis by Shoppers in Q4 2020.*

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

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

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