

FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Company

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

2. Date of Material Change

August 18, 2020

3. News Release

A news release with respect to the material change referred to in this report was disseminated on August 18, 2020 through CNW Group and filed on the System for Electronic Document Analysis and Retrieval (SEDAR)

4. Summary of Material Change

On August 18, 2020 the Corporation closed a non-brokered private placement offering (the “**Offering**”) pursuant to which it issued an aggregate of 1,952,410 units (the “**Units**”) at a price of CAD\$1.40 per Unit, for gross proceeds of CAD\$2,733,374.00.

5. Full Description of Material Change

5.1 Full Description of Material Change

The material change is described in the news release attached hereto. In addition to the attached news release, in connection with the Offering, the Corporation paid a finder’s fee of \$29,365.00 in cash and issued 20,975 common share purchase warrants to the finder for certain subscribers introduced to the Corporation by the finder. Each warrant entitles the holder to acquire one common share in the capital of the Corporation until August 18, 2022 at a price of \$2.00 per common share, subject to the Corporation’s right to accelerate the expiry date of the warrants on not less than 30 days’ notice in the event that the volume weighted average trading price of the Corporation’s common shares exceeds \$3.00 for any 10 consecutive trading days on the Toronto Stock Exchange.

5.2 Disclosure for Restructuring Transactions

Not applicable

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

Not applicable

7. Omitted Information

Not applicable

8. Executive Officer

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

9. Date of Report

August 28, 2020



AVICANNA CLOSES NON-BROKERED PRIVATE PLACEMENT RAISING \$2.7 MILLION.

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

Toronto, Ontario – Aug 18, 2020 – Avicanna Inc. ("**Avicanna**" or the "**Company**") (TSX: AVCN) (OTCQX: AVCNF) (FSE: 0NN), a biopharmaceutical company focused on the development, manufacturing and commercialization of organic and sustainable plant-derived cannabinoid-based products, is pleased to announce that it has closed a non-brokered private placement (the "**Offering**"). Under the Offering, the Company has issued an aggregate of 1,952,410 units (the "**Units**") at a price of CAD\$1.40 per Unit for aggregate gross proceeds of approximately CAD\$2.7 million.

Setu Purohit, President of Avicanna commented "We are very grateful for the continued support from our long-term and strategic investors who continue to demonstrate confidence in our business model and management team, especially in this challenging socio-economic environment. With this financing, we are able to strengthen our balance sheet, which coupled with our efforts to lower costs and see increase revenues gives us the bandwidth to continue to execute our business model."

Each Unit is comprised of one (1) common share in the capital of the Company (each, a "**Common Share**") and one-half of one (1/2) common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant is exercisable into one common share in the capital of the Company (each, a "**Warrant Share**") at a price of CAD\$2.00 per Warrant Share until August 18, 2022, subject to the Company's right to accelerate the expiry date of the Warrants on not less than thirty (30) days' notice in the event that the volume weighted average trading price of the Common Shares exceeds CAD\$3.00 for any ten (10) consecutive trading days on the Toronto Stock Exchange.

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

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

The issuance and sale of 48,970 Units pursuant to the Offering to certain directors and officers of the Company constituted related party transactions within the meaning of Multilateral Instrument 61-101-*Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Company is relying on the exemptions from the valuation and minority shareholder approval requirements of MI 61-101 contained in sections 5.5(a) and 5.7(1) (a) of MI 61-101, on the basis that the fair market value of the participation in the Offering by the insiders does not exceed 25% of the market capitalization of the Company, as determined in accordance with MI 61-101. The Company did not file a material change report in respect of the related party transaction at least 21 days before the closing of the Offering, which the Company deems reasonable in the circumstances so as to be able to avail itself of the proceeds of the Offering in an expeditious manner.



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.

SOURCE Avicanna Inc.

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

Cautionary Note Regarding Forward-Looking Information and Statements

This news release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information contained in this press release may be identified by the use of words such as,



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"may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "outlook" and other similar expressions, and includes statements with respect to the use of proceeds of the Offering. Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors relevant in the circumstances, including assumptions in respect of current and future market conditions, the current and future regulatory environment; and the availability of licenses, approvals and permits.

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

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.