

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1. Name and Address of Company

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

Item 2. Date of Material Change

October 18, 2021.

Item 3. News Release

A news release disseminated on October 19, 2021 via GlobeNewswire and filed on SEDAR.

Item 4. Summary of Material Change

The Company closed a non-brokered private placement offering of 4,587,022 units (the “**Units**”) of the Company at a price of \$0.85 per Unit, for gross proceeds of approximately \$3.9 million (the “**Offering**”). Each Unit is comprised of one common share of the Company (each a “**Common Share**”) and one-half of one common share purchase warrant (each full warrant, a “**Warrant**” and collectively the “**Warrants**”). Each Warrant is exercisable for one Common Share at a price of \$1.10 per share at any time for a period of three years following closing of the Offering.

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

The material change is described in the news release attached hereto.

5.2 Disclosure for Restructuring Transactions

Not applicable.

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

Not applicable.

Item 7. Omitted Information

Not applicable.

Item 8. Senior Officer

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

Item 9. Date of Report

October 27, 2021



Avicanna Closes Non-Brokered Private Placement Raising \$3.9 Million and Announces Warrant Repricing

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Toronto, Ontario – October 19, 2021 – Avicanna Inc. ("**Avicanna**" or the "**Company**") (TSX: AVCN) (OTCQX: AVCNF) (FSE: ONN), 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 4,587,022 units (the "**Units**") at a price of CAD\$0.85 per Unit for aggregate gross proceeds of approximately CAD\$3.9 million.

Each Unit is comprised of one (1) common share in the capital of the Company (each, a "**Common Share**") and one-half of one (0.5) common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant is exercisable into one common share in the capital of the Company (each, a "**Warrant Share**") at a price of CAD\$1.10 per Warrant Share for a period of three years from the closing of the Offering.

The Company intends to use the proceeds from the Offering for general working capital purposes, general and administrative expenses, expenditures related to production and manufacturing, and research and clinical development.

In connection with the closing of the Offering, the Company paid aggregate finder's fees of approximately \$65,000 to eligible finders.

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.

In addition, the Company announces the proposed repricing of 1,589,098 common share purchase warrants (the "**Term Loan Warrants**"), expiring September 20, 2024, issued to the lender that advanced the secured term loan in the principal amount of \$2,118,000 to the Company in August 2021. The exercise price of the Term Loan Warrants will be repriced from \$1.13 to \$1.10 (the "**Warrant Amendment**"), being the same exercise price of the Warrants issued in connection with the Offering.

The Offering and the Warrant Amendment are each subject to certain conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the Toronto Stock Exchange.

About Avicanna

Avicanna is a commercial stage Canadian biopharmaceutical company and an established leader in cannabinoid research, development, and evidence-based products for the global consumer, medical, and pharmaceutical market segments. Avicanna conducts its research in Canada including its R&D headquarters in the Johnson & Johnson Innovation Centre, JLABS @ Toronto, Canada, located in the MaRS Discovery District, and in collaboration with leading Canadian academic and medical institutions. Avicanna has established an industry leading scientific platform including advanced R&D and clinical development which has led to the commercialization of over twenty products across four main market segments:



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- **RHO Phyto™**: these medical and wellness products are an advanced line of pharmaceutical-grade cannabis products containing varying ratios of CBD and THC. The product portfolio contains a full formulary of products including oral, sublingual, topical, and transdermal deliveries that have controlled dosing, enhanced absorption and stability studies supported by pre-clinical data. These products are developed using pharmaceutical drug development processes and are supported with pre-clinical data. The advanced formulary is marketed with consumer, patient and medical community education and training.
- **Pura H&W™**: these registered, clinically tested, cosmetic products include a portfolio of functional CBD consumer derma-cosmetic and topical products.
- **Aureus™**: as a part of Avicanna's vertical integration based out of Santa Marta, Colombia its supply chain business units are primarily dedicated to providing consistent source of cannabinoid raw materials for Avicanna and its global partner's food, cosmetic, medical and pharmaceutical needs. Aureus branded products are cultivated, extracted, and manufactured by Avicanna's subsidiaries in Colombia where they benefit from optimal environmental conditions to produce cannabinoid active pharmaceutical ingredients economically, organically, and sustainably and include a range of CBD, THC and rare cannabinoids such as CBG extracts and standardized seeds. Company is well positioned to be a global supplier of cannabinoid raw materials demand and has already successfully exported its products to over 10 countries in 4 continents.
- **Pharmaceutical pipeline**: leveraging from the company's scientific platform, vertical integration, and real-world evidence, Avicanna has established a pipeline of indication specific cannabinoid-based drug candidates that are in various stages of clinical development and commercialization. Avicanna's drug candidates are in pre-clinical stage and are dedicated to providing solutions for unmet medical needs in the areas of dermatology, chronic pain and various neurological disorders.

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For more information about Avicanna, visit www.avicanna.com, call 1-647-243-5283, or contact IR representative Iryna Zheliasko by email at iryna@chfir.com or by phone at 416-868-1079 x 229.

The Company posts updates through videos from the official company YouTube channel https://www.youtube.com/channel/UCFXPBGDkSxOUOf_VZoSFSUA.

Cautionary Note Regarding Forward-Looking Information and Statements

This news release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information contained in this press release may be identified by the use of words such as, "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "outlook" and other similar expressions, and includes statements with respect to the use of proceeds of the Offering. 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



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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 September 3, 2021 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.