



PharmaCielo

PharmaCielo Announces Financial Results for the Third Quarter Ended September 30, 2020

- *Effective December 1, Henning von Koss has been named CEO of PharmaCielo, replacing departing CEO David Attard.*
- *Successful achievement of Q3 operational milestones: Processing and Extraction Centre ("PEC") construction completed – one of largest current extraction footprints¹ globally; expanded product portfolio launched.*
- *Plan to initiate GMP² certification process during Q4 with expected completion during Q1-2021.*
- *Refreshed go-to-market strategy initiated during Q3 driving early traction in Q4 – recently entered the U.K. market.*

All figures are in Canadian dollars (\$) unless otherwise specified

TORONTO and RIONEGRO, Colombia (November 30, 2020) – **PharmaCielo Ltd.** ("**PharmaCielo**" or the "**Company**") (TSXV: PCLO) (OTCQX: PCLOF), the Canadian parent of Colombia's premier cultivator and producer of medicinal-grade cannabis extracts, PharmaCielo Colombia Holdings S.A.S., today announced financial results for the third quarter ended September 30, 2020.

Management Commentary

"While Q3 revenue is not reflective of what I want to see us generate moving forward, we maintained good cost control during the quarter and completed several key initiatives that will enable us to better leverage the Company's well-developed upstream and downstream capabilities to broaden our customer base and grow revenue," said **Henning von Koss, incoming Chief Executive Officer of PharmaCielo Ltd.** "I accepted the President role six months ago and since that time, I have worked with the team to bring a systematic approach to internal processes and priorities, ensuring that all the effort and resources of the Company go towards supporting commercialization and sales. As I step into the CEO role, we still have work to do, but we are on already performing better both from an operational perspective as well as on sales and business development. Our work began to pay off during Q3 with the completion of construction on the PEC and the introduction of a broader product portfolio, and began to pay off on the revenue front during Q4, as our new go-to-market strategy translated into U.K. market

entry and initial sales to a well-established player in that market. The sales cycle doesn't always move quickly, particularly in a COVID-impacted environment, however we have made trial and pre-commercial shipments to several global markets and are on track to translate the strength of the organization into additional markets, more customer wins, and ultimately an expanding revenue line."

Mr. von Koss added, "I would like to thank David Attard for his contributions in bringing the Company to where it is today as a global company with a highly developed operating infrastructure, ready for the future."

Summary Financials

	Q3 2020	Q2 2020	Q3 2019
Revenue	\$25,913	\$1,232,541	\$130,130
Gross profit before fair value adj.	\$24,660	\$560,773	\$59,788
Gross profit	(\$682,821)	\$152,469	\$2,133,002
SG&A	\$6,086,342	\$7,775,734	\$6,124,820
Adjusted EBITDA (loss)	(\$3,790,903)	(\$4,811,858)	(\$1,271,030)
Net income (loss)	(\$6,111,912)	(\$7,719,863)	(\$3,819,957)
Wt. avg. shares outstanding – basic & diluted	118,082,282	104,856,355	96,666,354
Basic and diluted (loss) per common share	(\$0.05)	(\$0.07)	(\$0.04)

- "All-in" operating cost to produce dried cannabis of \$0.05 per gram during Q3-2020 compared to \$0.05 per gram during Q2-2020.
- The Company had cash and cash equivalents of \$3.2 million at September 30, 2020 compared to \$13.7 million at December 31, 2019. As disclosed on November 23, 2020, the Company recently closed a private placement financing for gross proceeds of \$10.0 million.

Summary of Recent Operational Developments

- **Achieves GACP designation – one step closer to EU-GMP compliance:** On November 25, 2020, PharmaCielo announced that it had received the Good Agricultural and Collection Practices (GACP) designation, which is based on World Health Organization guidelines for quality assurance and control of herbal medicines. The receipt of GACP certification brings PharmaCielo one step closer to EU-GMP compliance and supports the expansion of medicinal-grade extract exports.

- **Closes \$10 million private placement; adds experienced board member:** On November 23, 2020 PharmaCielo announced that it had closed a private placement of units of the Company for gross proceeds of \$10 million. Concurrent with the closing of the private placement, Marc Lustig, an experienced capital markets and global cannabis executive, was added to the board of directors of the Company.
- **Mexican market moves cannabis legislation forward – PharmaCielo Mexico ready to supply:** On November 19, 2020, the Mexican Senate advanced cannabis legislation and reform by voting to move forward the pending legalization bill, which includes the provision for import of medicinal extracts and products. Through its joint venture with MINO Labs S.A. de C.V. – PharmaCielo S.A. de C.V. ("PharmaCielo Mexico") – PharmaCielo is positioned to become a primary supplier of high-quality medicinal grade oils and isolates in the Mexican market.
- **PharmaCielo enters the U.K. market:** On November 18, 2020, PharmaCielo announced that it had delivered its first commercial shipment of medicinal grade CBD isolate to a well-established, bulk distributor and white label manufacturer based in the U.K., with sales and distribution operations in the U.K., and the E.U. (the "Customer"). In addition, the Company has reached an interim sales agreement with the Customer, lasting until the end of Q1-2021. The interim, renewable agreement enables continued shipments for the remainder of 2020 and calls for the shipment of up to 1,000 kg of CBD Isolate and Broad-Spectrum CBD based on the Customer's specifications,
- **Taking steps to expand sales opportunities in the U.K. and E.U.:** On November 18, 2020, the Company also announced that it was in the process of submitting for Novel Foods authorization for its range of CBD extracts. With submission of the Novel Foods authorization application prior to March 31, 2021, the Company expects to be in a position to subsequently expand both volume and exported consumable product types during fiscal 2021 in accordance with regulatory requirements.
- **Begins to harvest THC cultivars:** On November 5, 2020, PharmaCielo announced the first harvest cycle of six high-THC cultivars. The harvest from 5.5 hectares of open-air greenhouse at the company's Rionegro complex is expected to yield more than 10 tonnes of dry flower, which will be processed at PharmaCielo's PEC.
- **PharmaCielo identified as a 'Project of National Strategic Interest':** On September 22, 2020, the Company announced that the Colombian Intersectoral Commission for Strategic Projects (Comisión Intersectorial de Proyectos Estratégicos – CIPE) led by the Minister for Medical Cannabis, Ernesto Lucena Barrero, has identified PharmaCielo as a 'Project of National Strategic Interest' (Proyectos de Interés Nacional Estratégicos – PINE). PINE projects receive immediate support from the Colombian government in recognition of their economic contribution and importance to the nation.
- **Introduces expanded portfolio of extract products:** On September 21, 2020, PharmaCielo announced that it had begun sales and distribution of an expanded range of medicinal-grade cannabis extracts cultivated and produced at its Rionegro facilities. The significantly expanded range of extract products that began with CBD Isolate now includes Broad Spectrum Oil, CBD Broad Spectrum Distillate, Water Soluble CBD, CBD Tincture, CBD Distillate Tincture, Full Spectrum Oil Tincture, THC:CBD Formulations and THC Distillate.

- **Expanding cultivation to support future sales:** On August 13, 2020, the Company announced that it had activated its first external cultivation contract with a local grower. At the time, the enactment of the first medical cannabis farming contract saw PharmaCielo's cultivation immediately expand by 32 percent to more than 1.6 million square feet (15 ha) with continued enlargement growing cultivated land to a total of 2.6 million square feet (24 ha), pending receipt by the contracted grower of their technical licensing for the additional area. This represented a doubling of PharmaCielo's active 1.2 million square feet (12 h) cultivation, making it Colombia's largest combined medical cannabis grower and processor.
- **Authorization for THC production and export:** On July 8, 2020, PharmaCielo announced that the Colombian government granted the Company authorization for the 2020 commercial cultivation, production and export of high-THC medicinal cannabis extracts.

¹ Based on a 360 tonnes per year of biomass input capacity and the Company's internal analysis

² Good Manufacturing Practices

Q3 Financial Results Conference Call and Webcast

PharmaCielo will host a conference call on Monday, November 30th, 2020, at 8:00 a.m. ET to discuss its third quarter financial results and provide investors with key business highlights. The call will be chaired by Henning von Koss, incoming CEO, and Scott Laitinen, CFO.

Date: November 30th, 2020 | Time: 8:00 a.m. ET
Participant Dial-in: 416-764-8650 or 1-888-664-6383
Replay Dial-in: 416-764-8677 or 1-888-390-0541
Conference ID: 60606383
Playback #: 606383 (Expires December 14th, 2020)
Listen to webcast: [click here](#)

About PharmaCielo

PharmaCielo Ltd. (TSXV: PCLO, OTCQX: PCLOF) is a global company, headquartered in Canada, with a focus on ethical and sustainable processing and supplying of all natural, medicinal-grade cannabis oil extracts and related products to large channel distributors. PharmaCielo's principal (and wholly owned) subsidiary is PharmaCielo Colombia Holdings S.A.S., headquartered at its cultivation and processing centre located in Rionegro, Colombia.

The board of directors and executive team of PharmaCielo are comprised of a diversely talented group of international business executives and specialists with relevant and varied expertise. PharmaCielo recognized the significant role that Colombia's ideal location plays in building a sustainable business in the medical cannabis industry, and the Company, together with its

directors and executives, is executing on a business plan focused on supplying the international marketplace.

Forward-Looking Statements:

Certain statements contained in this news release, such as those relating to: the expected timing of the Company's submission for and completion of GMP certification; the impact that the Company's maintenance of cost controls and completion of initiatives during Q3-2020 will have on the Company's future performance, and specifically the Company's ability to broaden its customer base and grow revenue; the timing and ability of the Company to expand into additional markets, expand its customer base, and expand its revenue line; the Company's ability to expand its medicinal-grade extract exports; the timing and effect of future cannabis reforms in Mexico; the future position of the Company and PharmaCielo Mexico in the Mexican cannabis market; the Company's ability to export its products into foreign markets; the expected timing of the Company's application for and receipt of novel food authorization for its range of CBD extracts; the effect of the receipt of novel food authorization on the Company's business, and specifically on the Company's ability to expand the volume and types of exported consumable products; the expected yield from the Company's first harvest of high-THC cultivars; the Company's ability to export high-THC products and the jurisdictions to which high-THC products are expected to be exported; the impact of the CIPE's recognition of the Company as a PINE project on the Company's business; the continued enlargement of the Company's cultivated land; the receipt of the Company's contracted growers of required technical licensing and the effect thereof; the expected effect of the Company's receipt of authorization for the production and export of high-THC medicinal cannabis extracts on the flexibility of the Company's product development and the acceleration of the Company's strategic priorities; expected market demand for the Company's products; and the Company's plans to hold a public conference call regarding its Q3-2020 financial results contain "forward-looking information" as such term is used in applicable Canadian securities laws. Forward-looking information is based on plans, expectations and estimates of management at the date the information is provided and is subject to certain factors and assumptions, including the Company's ability to obtain and maintain all necessary governmental, regulatory and TSXV approvals related to the exportation of the Company's CBD and THC products from Colombia, that there will be demand for the Company's products, that the Company's development plans will not change as a result of unforeseen events, that the Company's business generally and shipping logistics are not disrupted by COVID 19, that the Company will be able to maintain its customer contracts in good standing and that the Company will be able to execute its business plan as currently contemplated. Forward-looking information is subject to a variety of risks and uncertainties and other factors that could cause plans, estimates and actual results to vary materially from those projected in such forward-looking information. Factors that could cause the forward-looking information in this news release to change or to be inaccurate include, but are not limited to, the risk that any of the assumptions referred to above prove not to be valid or reliable, that the Company's financial condition or development plans change, the Company's failure to obtain or maintain necessary TSXV or government regulatory approvals required in connection with the operation of its business, the Company's failure to obtain GMP certification for the PEC, expected legislative changes in the jurisdictions in which the Company operates failing to be passed in accordance with projected timelines or at all, less than anticipated market

demand for the Company's products, risks associated with the Company's supply chain and global economic instability relating to COVID-19, risks associated with operating in Colombia, risks associated with the cannabis industry generally, currency exchange risk and additional risks described in the Company's Annual Information Form for the year ended December 31, 2019 filed with the Canadian securities regulatory authorities under the Company's SEDAR profile at www.sedar.com.

The Company undertakes no obligation to update these forward-looking statements, other than as required by applicable law.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this press release.