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## PharmaCielo Provides Corporate Update

- Expects to close its [previously announced overnight marketed equity financing](#) on or about April 7, 2021, for gross proceeds of approximately \$12 million.

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

**TORONTO, Canada and RIONEGRO, Colombia** (March 31, 2021) – 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 provided shareholders with an update on several ongoing initiatives. As part of its customary review of the Company’s preliminary prospectus related to its best efforts overnight marketed equity offering, Staff of the Ontario Securities Commission (the “OSC Staff”) requested the Company provide updates to previous disclosure included by the Company in its June 29, 2020 prospectus (the “Bought Deal Prospectus”), including projections under certain current agreements including those with XPhyto Therapeutics Corp. (“XPhyto”) and CBD Export Global (“CBD Export”). See the sections of this press release titled “Update to Business Outlook” and “Update – Downstream Operations” for more information. The Company has also restated its Q3 2020 financial statements and MD&A after reviewing with its auditors the net realizable valuation of its inventories and as a result of fluctuations in global CBD isolate pricing and at the request of OSC Staff to provide additional information relating to its revenue for the period. See the section of this press release titled “Restating and Refiling Q3 2020 Financial Statements” for more information. Since the end of Q4 2020, the Company has begun to ship a broader and higher value-added suite of CBD products, to commercial customers.

“Over the past several months, with new leadership in place, PharmaCielo has focused on solidifying its commercialization strategy, while completing the necessary operational foundation to support growth in sales volume,” said **Henning von Koss, CEO of PharmaCielo Ltd.** “The completion of the Processing and Extraction Centre late last year, and our ability to offer products produced in compliance with EU-GMP guidelines, were the key missing ingredients to the sales equation for PharmaCielo, and we have seen our sales pipeline begin to grow as a result of the achievement of these milestones. We know where we are headed, we have the necessary ingredients for success and we are positioning the Company to both generate results in the near-term, and to build significant long-term shareholder value.”

## **Restating and Refiling Q3 2020 Financial Statements**

Following a review by its auditors, the Company has amended and refiled its previously issued unaudited condensed consolidated interim financial statements ("Q3 Financial Statements") and management discussion and analysis ("Q3 MD&A") for the three and nine months ended September 30, 2020 specifically on the net realisable value of the Q3 inventories, as further described in note 16 and note 25 of the Q3 Financial Statements. In addition, the previously filed Q3 Financial Statements inadvertently omitted that an auditor did not perform a review of the Q3 Financial Statements. The amended Q3 Financial Statements have been reviewed by the Company's auditor.

The Company also amended the Q3 Financial Statements at the request of OSC Staff to provide additional information about revenue for the period, including identifying the percentage of revenue received by the Company from one customer and an overview of management's judgement.

The amended Q3 Financial Statements and Q3 MD&A are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and supersede the respectively previously filed original Q3 Financial Statements and Q3 MD&A. Such previously filed original Q3 Financial Statements and Q3 MD&A should be disregarded.

## **Overnight Marketed Equity Financing**

As previously announced, the Company is in the process of an overnight marketed offering (the "Offering") of common shares (the "Common Shares") from the treasury of the Company, priced at \$2.15 per Common Share for gross proceeds of \$12,000,010. The Offering is being conducted through a syndicate of agents led by Cormark Securities Inc. and including Stifel GMP (collectively the "Agents"). The Company has granted the Agents an option to purchase up to an additional 15% of the Common Shares sold in the Offering on the same terms exercisable at any time up to 30 days following the closing of the Offering, for market stabilization purposes and to cover over-allotments, if any.

The Offering is now scheduled to close on April 7, 2021 and remains subject to regulatory approvals including the approval of the OSC and the TSX Venture Exchange (the "TSXV").

This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This press release does not constitute an offer of securities for sale in the United States. The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States absent registration under U.S. federal and state securities laws or an applicable exemption from such U.S. registration requirements.

## **Update to Business Outlook**

In the Bought Deal Prospectus, PharmaCielo outlined expectations for \$37.9 million in revenue for the 12 months ended June 30, 2021 inclusive of anticipated sales under supply agreements with XPhyto and CBD Export as set out below. Additionally, the Company indicated it expected to be able to continue operations for an indefinite period of time once it became consistently cash flow positive. Since this time, previously announced delays in completing the Company's Rionegro Processing and Extraction Centre and the related delay in the Company's production of EU-GMP compliant product postponed the initiation of any meaningful commercial activity related to sales from the sales agreements referenced in the assumption of these revenue expectations. In addition, market pricing for CBD isolate declined, which had a direct impact on potential revenue and timing related to the sales agreements underlying these revenue expectations. Financial results have also been impacted by the previously disclosed issues related to the collection of accounts receivable with a specific customer. As a result of these factors the Company withdraws the expectation of \$37.9 million of revenue for the 12 months ended June 30, 2021. The Company believes that based on the revenue expected from existing client contracts and anticipated from additional clients in advanced contract negotiations, the Company will be able to continue operations for at least the next 12 months and, once attaining positive cash flow, it will be able to continue operations indefinitely.

Demand for differentiated products beyond CBD isolate, with higher price levels, has been growing in the market and the Company's broadened product portfolio has been well received, including by current customers. Please see further detail regarding the Company's existing sales agreements and sales pipeline, under "Update – Downstream Operations" in this press release.

## **Update – Downstream Operations**

### *Supply agreement with UK Customer*

In November 2020, the Company entered into a renewable, interim sales agreement with a well-established bulk distributor and white label manufacturer based in the United Kingdom, with sales and distribution operations in the United Kingdom and the European Union. Since the signing of the agreement, the Company has been regularly shipping CBD isolate and Broad Spectrum on a monthly basis, which is expected to continue throughout the year.

### *Supply agreements with XPhyto and CBD Export entered in January 2020*

PharmaCielo entered into supply agreements with Xphyto and CBD Export and in the Bought Deal Prospectus, the Company stated it expected revenues under these agreements to represent approximately 46.5% of the \$21.5 million the Company stated it needed to enable continuous operations for the following 12 months (July 2020 to June 2021).

The agreements with XPhyto and CBD Export remain in place but measures by global governments to curb the spread of COVID-19 and the resulting impact on global supply chains may interfere with the pace of sales growth and the Company is not able to provide

specific volume, product mix and thus revenue projections for the next 12 months for these agreements, as a result. PharmaCielo anticipates it will start selling CBD product to XPhyto in the second half of 2021, provided that XPhyto obtains requisite import and related EU-GMP certification approvals in Germany to accept the products. PharmaCielo initiated first sales to CBD Export in December 2020 and anticipates it will continue to sell to CBD Export on a monthly basis beginning in March 2021.

### *Sales pipeline*

In addition to the ongoing dialogue the Company is having with customers under existing sales agreements, the Company is in active dialogue with over 17 potential new customers at various stages in several jurisdictions as follows:

1. Commercialization stage: 3 clients where the Company is in the final stages of negotiation of product pricing, payment terms and sales projections and commencing initial shipments of products with concurrent negotiation of long-term client engagement;
2. Sampling stage: 5 clients where the Company has provided samples of its products to the clients for technical evaluation and is undergoing negotiations with respect to commercial terms including volume of products, type of products and pricing, with the goal of entering into sales contracts; and
3. Business Development stage: 9 clients where a potential client has been identified and the Company is engaged in exploratory conversations understanding the clients' commercial needs and expectations.

As the Company has refined and solidified its sales strategy and approach, and the global cannabis market continues to evolve, it has observed an increase in the average size and sophistication of potential customers. By way of example, the Company has recently sold trial product quantities to two well-established pharmaceutical companies in South America aiming to assume and consolidate a preferred supplier position in this pharmaceutical sector. PharmaCielo recently exported high-THC extract samples to potential customers in Switzerland and is preparing to do the same in Poland.

### *Build-out of sales team, focused on key markets*

Having recently completed its operational foundation and with production now aligned with EU-GMP guidelines, the Company is currently in the process of building-out its direct B2B sales team to drive trialing activity and to translate that activity into increased commercial sales volume and accelerating revenue. Soon after the Offering closes, PharmaCielo will be working to add an experienced European-focused technical business development resource, as well as a proven global sales leader, to its team, with further build-out of the organization under that individual through 2021. The Company has identified suitable candidates and is currently in the final stages of filling these positions.

## **Update – Upstream Operations**

### *Good Agricultural and Collection Practices (GACP) Designation<sup>1</sup>*

On November 25, 2020, PharmaCielo [announced that it had achieved the GACP designation](#), and recently the designation was renewed until 2023 under an expanded regulatory regime, by SGS, one of the world's leading inspection, verification, testing and certification companies.

The GACP designation, which assures high standards of cultivation and collection processes with regards to the flower, becomes more important with the expected changes to the Colombian cannabis legislation that may expand from medicinal-only extracts to also include the export of dry flower for medical purposes. PharmaCielo has invested in developing and registering a unique and propriety portfolio of strains and is able to produce high-quality, high value cultivars that yield consistent flower for final product consumption.

On March 21, 2021, the Colombian Ministry of Justice announced that in April 2021 it would approve a decree allowing for the export of dried flower, among other items, with implementation expected in December 2021. PharmaCielo is well positioned to capitalize on this opportunity.

### *Receipt of Government Authorization for 50 tonnes of High-THC Cultivation and Extract Production*

In February, PharmaCielo received its 2021 commercial quota from the Colombian ministries of Justice and Health, enabling the Company to cultivate and process 50 tonnes of THC-dominant product. To the Company's knowledge, it is the only cannabis company in South America with the upstream and downstream capacity to deliver on its full quota without compromising the production of other non-psychoactive products. The company acknowledges that THC based psychoactive product sales, due to the nature of the product, demand even stricter and more time-consuming regulatory approval from both sides (seller and buyer), and this process is being initiated with a select and very specific client base.

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<sup>1</sup> The GACP designation is based on the guidelines of the World Health Organization (the "WHO") related to quality assurance and control of medicinal plants. These guidelines provide technical guidance on obtaining medicinal plant materials of good quality for the sustainable production of herbal products classified as medicines.

## **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.

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## Forward-Looking Statements

*This press release contains forward-looking statements. Forward-looking statements can be identified by the use of words such as, “expects”, “is expected”, “intends”, “believes”, or variations of such words and phrases or state that certain actions, events or results “may” or “will” be taken, occur or be achieved. Forward-looking statements in this news release include, without limitation, statements with respect to: the anticipated timing of the closing of the Company’s overnight marketed equity financing, the Company’s revenues expectations for 2021 from existing client contracts and from additional clients, obtaining EU GMP compliance, the growth of the Company’s sales pipeline, timing of closing the Offering and required regulatory approvals including those of the OSC and the TSXV, expansion of sales and marketing activities, generating results, building long-term shareholder value, anticipated sales and associated revenue from sales to a bulk distributor and white label manufacturer based in the United Kingdom, XPhyto and CBD Export, approvals related to importing Company products into Germany as well as export to these customers, the general sales pipeline of the Company and anticipated new customers, the Company building-out its direct B2B sales team, adding an experienced European-focused technical business development resource to its team, expected changes to Colombian cannabis legislation, potentially delivering product under the Company’s 2021 commercial quota for THC-dominant product. This news release also contains future-oriented financial information (“FOFI”) including with respect to the Company being able to continue operations indefinitely once it is cash flow positive. This FOFI is included in this news release at the instruction of the OSC Staff in order to assist investors with understanding the Company’s expected performance in light of its past performance. Accordingly, readers should be cautioned that this information may not be appropriate for other purposes. The forward-looking statements and FOFI in this news release are necessarily based on assumptions, including assumptions with respect to: PharmaCielo’s ability to execute its business plan as currently contemplated, PharmaCielo’s ability to obtain necessary regulatory approvals for the export of its products from Colombia and import of its products into other countries, sufficient demand for the Company’s products to support its 2021 sales projections, that any changes to Colombian cannabis legislation will not negatively impact the Company’s business, that the Company will be able to locate and retain necessary personnel to achieve its business goals, PharmaCielo’s ability to maintain its distribution contracts in good standing and the accuracy of PharmaCielo’s projections regarding the market for cannabinoid products. Though management believes that its assumptions are reasonable in the circumstances, the actual results, performance or achievements of PharmaCielo’s business may be materially different from any future results, performance or achievements expressed or implied by any forward-looking statements herein. Forward-looking statements can be affected by known and unknown risks, uncertainties and other factors, including changes to PharmaCielo’s development plans, the failure to obtain and maintain all necessary regulatory approvals relating to the export of cannabinoid products and the import of these products into other countries, TSXV approval, the inability to export or distribute commercial products through sales channels as anticipated due to economic or operational circumstances, risks associated with operating in Colombia, fluctuation of the market price for the Company’s products, risks associated with global economic instability relating to COVID-19, risks related to retention of key Company personnel, currency exchange risk, competition in PharmaCielo’s market and other risks discussed or referred to under the heading “Risk Factors” in PharmaCielo’s Annual Information Form for the financial year ended December 31, 2019, which is available at [www.sedar.com](http://www.sedar.com). Accordingly, readers should not place undue reliance on forward-looking statements. Except as required by*

*law, PharmaCielo undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.*

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