

## Medcolcanna Signs Letters of Intent for Joint Venture and Investment into Extraction Subsidiary

BOGOTÁ, Colombia, Feb. 19, 2020 (GLOBE NEWSWIRE) -- **Medcolcanna Organics Inc.** (TSX-V: MCCN) ("**Medcolcanna**" or the "**Company**"), a Canadian medical cannabis company with operations in Colombia, is pleased to announce that it has signed two (2) separate letters of intent ("**LOIs**") with Dona Blanca Limited ("**Dona Blanca**"), an Australian based cannabis company with operations in Colombia.

Pursuant to the first LOI, Dona Blanca will invest approximately \$1,000,000 USD (\$1,330,000 CAD), to build an additional two (2) hectares of greenhouses on Medcolcanna's fully licensed cultivation property to earn a 70% working interest of economic rights in the output from such greenhouses. Pursuant to the second LOI, Dona Blanca will invest \$1,500,000 USD (\$2,000,000 CAD) for a 15% ownership stake in Extralia Labs S.A.S. ("**Extralia Labs**"), Medcolcanna's wholly-owned subsidiary designed to have annualized extraction capacity of 300,000 kilograms of dried flower in Colombia and its operations include providing services for MCCN, Dona Blanca and third parties.

"The signing of this agreement is recognition of MCCN's operational effectiveness at our Cota, Colombia facility. The experienced management team of a partner such as Dona Blanca, entrusting MCCN to operate their facilities, confirms MCCN's ability to deliver low cost, high-quality cannabinoid oils and extracts. Construction on the additional 2.0 hectares will begin immediately, the licensing process has already been completed, we expect to have our first revenues from the new facilities in the fourth quarter of 2020," commented Felipe de la Vega, CEO of MCCN.

"We are pleased to execute these LOIs with Dona Blanca and look forward to executing the definitive agreements. These agreements are expected to provide Medcolcanna with a non-dilutive source of financing, will boost our treasury and also give us additional capital and assist Medcolcanna in getting to our goal to become a self-sustaining leading cannabis company in 2020," commented Chris Reid, CFO of Medcolcanna. "The additional greenhouse cultivation area that Medcolcanna operates under its partnership with Dona Blanca, will reduce fixed costs per unit of production over its entire cultivation area, as well as generate additional revenue from the extended 2.0 hectares, of which a net 0.6 hectares benefit Medcolcanna based on the 30% interest pursuant to the joint venture," Mr. Reid continued.

"MCCN is pleased to have Dona Blanca as its partner, we believe they will be valuable in assisting in sourcing high impact sales channels, in the European and Asian emerging markets," added Medcolcanna Chief Corporate Development Officer, Daniel Herrera.

"Dona Blanca is pleased to execute these LOIs and move towards finalizing these agreements with Medcolcanna. Following our visits to the Medcolcanna facilities and meeting its professional team, Dona Blanca looks forward to partnering with Medcolcanna and getting access to its world class cultivation facilities in Cota, Colombia. Dona Blanca is also excited about the potential to be involved with a third-party extraction facility that is expected to be a leading facility in Colombia. The fact that the facility will have four different state-of-the-art extraction methods, plus the structure proposed by MCCN allowing low cost service for the partnership and competitive pricing for third parties, will be attractive to many Colombian cultivation companies," commented Rob Dzisiak Managing Director, Dona Blanca.

### HIGHLIGHTS OF THE AGREEMENTS

#### JOINT VENTURE AGREEMENT WITH DONA BLANCA

- | Medcolcanna is to construct an additional 2.0 hectares (215,278 square feet) of greenhouse space at its El Candil farm located in Cota, Colombia.
- | Medcolcanna to provide 2.0 hectares of fully licensed farmland, next to its current three (3) hectare farm at its El Candil location, which will allow Medcolcanna the ability to provide seamless operations and synergies with current operations. This land space is already fully licensed for cultivation and manufacturing streamlining the path to commercialization.
- | Dona Blanca will fund 100% of capital expenditures, start-up operational costs and administration costs, to earn a 70% working interest in the newly constructed 2.0 hectares of commercial greenhouse space. Medcolcanna will retain a 30% working interest in the associated economic rights.
- | The first cultivation is expected to begin in two months, with the first harvest in six months and revenue on the additional 2.0 hectares beginning in approximately seven months.
- | These new facilities are conservatively estimated to be capable of producing approximately 1,300,000 grams of CBD/THC oil per year.
- | Dona Blanca has advanced to Medcolcanna a \$25,000 USD (\$33,250 CAD) non-refundable deposit and a \$175,000 USD (\$232,750 CAD) refundable deposit in order to begin construction immediately.

#### INVESTMENT IN EXTRALIA LABS MEDCOLCANNAS 100% OWNED SUBSIDIARY

- | Dona Blanca will invest \$1,500,000 USD (\$2,000,000 CAD) to purchase a fifteen percent (15%) ownership in Medcolcanna's wholly owned subsidiary Extralia Labs, a leading extraction contract manufacturing organization in Colombia.
- | Extralia Labs' operations feature four extraction methods; enzyme, ethanol, rosin and butane, and have the capacity of extracting 300,000 kilograms of dried flower per year.
- | Medcolcanna and Dona Blanca's partnership in Extralia Labs is expected to position the Company to become a large extraction provider for third party cannabis cultivation companies to purchase extracted product for further wholesale and/or value-added products.
- | Dona Blanca will receive "at cost" pricing for all of its extraction costs related to the joint venture with Medcolcanna.
- | This transaction is expected to allow Extralia Labs to have extraction and value-added contract manufacturing revenue as well as white label manufacturing of finished products such as capsules, tinctures, topicals, edibles, beverages, etc.
- | Dona Blanca has paid an additional \$25,000 USD (\$33,250 CAD) non-refundable deposit with the execution of the letter of intent

together with an additional \$175,000 USD (\$232,750 CAD) refundable deposit, which will be refunded if a definitive agreement is not executed.

The consummation of the transactions noted above are both conditional on the signing of definitive agreements by the agreed upon period of six weeks from the signing of these LOIs, as well as other customary conditions for such transactions, including a due diligence review by each party of the other and the receipt of any and all director, shareholder and/or regulatory approvals. Further details of these transactions, including any commissions or finders' fees payable in connection with the execution of the definitive agreements will be provided in future news releases.

## **ABOUT DONA BLANCA LIMITED**

Dona Blanca is a private Australian company that operates in Colombia through its wholly owned subsidiary Extractos Don Blanca S.A.S. The Company has the cultivation licenses and extraction licenses on 5.1 hectares of land near Santa Rosa de Cabal. Dona Blanca completed its first capital raise in October of 2019.

## **ABOUT MEDCOLCANNA**

Medcolcanna is a Canadian integrated medical cannabis company, whose fully licensed operations are based in Colombia. Led by a proven and successful management team, Medcolcanna has facilities in optimal growing locations which positions the Company to become a global leader in the medical cannabis market.

Medcolcanna employs state of the art organic agricultural technology and innovative pharmaceutical processes to produce high-quality products. The Company's scalable production model and network of pharmaceutical partnerships globally ensures that they remain at the forefront of the medical cannabis industry.

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*Additional information about Medcolcanna can be found on its web site at: [www.medcolcanna.com](http://www.medcolcanna.com)*

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### **Forward-Looking Statements**

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