

# Medcolcanna Executes Definitive Agreement for Joint Venture and extends LOI for Investment into Extraction Subsidiary

BOGOTÁ, Colombia, April 07, 2020 -- **Medcolcanna Organics Inc.** (TSX-V: MCCN) ("**Medcolcanna**", "**MCCN**" or the "**Company**"), a Canadian medical cannabis company with operations in Colombia, is pleased to announce that, further to its press release dated February 24, 2020, through its subsidiary Medcolcanna S.A.S. it has executed a definitive joint venture agreement with Dona Blanca Limited ("**Dona Blanca**") and has amended and extended one of the two previously signed letters of intent ("**LOI**") with Dona Blanca Limited ("**Dona Blanca**"), an Australian based cannabis company with operations in Colombia.

Pursuant to the definitive agreement, Dona Blanca will invest up to \$1,000,000 USD (\$1,420,000 CAD), to build up to an additional two (2) hectares of greenhouses on Medcolcanna's fully licensed cultivation property which would earn Dona Blanca a 70% working interest ("**WI**") in the economic rights to the output from such greenhouses. Dona Blanca will earn into the project in 3 stages, stage 1 which has been fully funded by Dona Blanca with an investment of \$517,000 USD (\$734,000 CAD), to earn a 35% WI or 0.7 net hectares; stage 2 where Dona Blanca will invest \$290,000 USD (\$412,000 CAD) by May, 15, 2020 to earn an additional 20% WI or an aggregated 55% WI, or 1.1 net hectares in the aggregate; and stage 3 where Dona Blanca will invest an additional \$193,000 USD (\$275,000 CAD) to earn an additional 15% WI or net 1.4 hectares in the aggregate. Pursuant to the revised LOI, Dona Blanca has amended the period to invest \$1,500,000 USD (\$2,130,000 CAD) for a 15% ownership stake in Extralia Labs S.A.S ("**Extralia Labs**") to October 15, 2020 in consideration for an additional non-refundable deposit of \$22,500 USD (\$32,000 CAD). Pursuant to the LOI, Dona Blanca also has an additional option to invest an additional \$1,000,000 USD (1,420,000 CAD) for a total equity ownership of 25% in Extralia Labs (Medcolcanna's wholly-owned subsidiary), which is designed to have annualized extraction capacity of 300,000 kilograms of dried flower in Colombia with operations that include providing services for Medcolcanna, Dona Blanca and third parties.

## **Management Commentary**

*"We are pleased to announce the execution of this Joint Venture Agreement with Dona Blanca, which is the culmination of hard work of many members of the MCCN team. The execution reflects more than the transaction value of this JV, this demonstrates the professionalism of our operations, commitment of our employees and management team to execute on state of the art operations while also monitoring and tightly controlling all expenditures, in order to have a high quality and low cost product. The climate and highly skilled, low cost labor in Colombia provide many cultivation advantages, we are pleased to have leveraged these advantages and executed on our operations,"* commented Felipe de la Vega, CEO of MCCN.

Mr. de la Vega continued, *"Dona Blanca conducted very meticulous and careful due diligence, including multiple site visits to our facilities, where they spent many days working closely with our team and supervising our processes, leaving them confident with the operations, the MCCN team and the plan to expand the cultivation facilities."*

Mr. de la Vega further added, *"By increasing our area of cultivation, both MCCN and Dona Blanca will benefit from fixed costs that will now be spread over a larger cultivation area as well as other cost saving synergies and economies of scale. The additional benefit MCCN and its shareholders will receive is the non-dilutive financing of a 30% working interest that requires no capital investment from MCCN, but is awarded to MCCN to operate the project."*

*"We are pleased to execute this definitive agreement as well as the amended LOI. Dona Blanca has already funded the first stage or 50% of the definitive agreement. They also maintain a high level of interest in investing in Extralia Labs, by paying an additional non-refundable deposit and increasing their option to invest to a total of \$2,500,000. We look forward to working with Dona Blanca in order to meet their extended deadline of October 15, 2020 for investment. We are very pleased to close this non-dilutive financing during this period of COVID-19. Medcolcanna continues to operate and execute during this period however MCCN's priority is the health and safety of its employees, partners and the community. Additionally during this period we have seen the depreciation since the last reporting period of the Colombian Peso to the Canadian and United States Dollar, of 10% and 16% respectively, which will further decrease MCCN's cost of production,"* commented Chris Reid CFO of MCCN.

*"Dona Blanca is pleased to execute the definitive agreement and extend the LOI on its investment in Extralia Labs. Following our multiple visits to the Medcolcanna facilities and meeting its professional management team and employees, Dona Blanca is very pleased to finalize our Joint Venture with Medcolcanna as we now get access to its world class cultivation facilities in Cota, Colombia. Dona Blanca is also pleased to extend our agreement regarding Extralia Labs, a third-party extraction facility that is expected to be a leading facility in Colombia, which will have four different state-of-the-art extraction methods. We continue to move forward during the COVID-19 period, and our shareholders and stakeholders remain committed and positive on the industry's outlook, are we are very pleased to partner with MCCN, and look forward to obtaining the necessary financing to close on the Extralia Labs investment,"* added Rob Dzisiak, Managing Director of 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, in three phases which if all completed will earn it an aggregate 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 total of \$517,000 USD (\$734,000) for the full funding of stage 1 of the project.

#### **INVESTMENT IN EXTRALIA LABS MEDCOLCANNA'S 100% OWNED SUBSIDIARY**

- Dona Blanca will invest \$1,500,000 USD (\$2,130,000 CAD) to purchase a fifteen percent (15%) ownership in Medcolcanna's wholly owned subsidiary Extralia Labs, a leading extraction contract manufacturing organization in Colombia
- Dona Blanca will have an option to invest up to an additional \$1,000,000 USD (\$1,420,000 CAD), to earn up to an additional ten percent (10%) ownership in Extralia Labs.
- Extralia Labs' operations feature four extraction methods; enzyme, ethanol, rosin and butane, and have the capacity of extracting from 300,000 kilograms of dried flower per year.
- Dona Blanca has paid an additional \$22,500 USD (\$32,000 CAD) non-refundable deposit with the execution of the amended letter of intent.

The consummation of the transaction contemplated by the amended LOI noted above are conditional on the signing of a definitive agreement by the agreed upon date of October 15, 2020, 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 Doña 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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#### **Forward-Looking Statements**

*This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans,*

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*Medcolcanna assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as otherwise required by law.*