



## Medcolcanna Organics Inc. Announces it Has Entered Into a Distribution Agreement, Has Secured Financing With Greenstein Capital Ltd.

BOGOTÁ, Colombia, July 20, 2020 -- Medcolcanna Organics Inc. ("**Medcolcanna**", "**MCCN**" or the "**Company**") (TSXV: MCCN), a leading Colombian and globally integrated cannabis company, is pleased to announce that it has entered into a distribution agreement with Greenstein Capital Ltd. ("**Greenstein**" or "**GC**"), a private Maltese company. This agreement, which includes the distribution of a minimum quantity of 1,000 kg of active cannabinoid ingredients per year, will see MCCN products commercialized in Europe. The companies have also agreed on immediate financing to MCCN via a share issuance and participation in a debenture offering more particularly described below. MCCN and GC have also committed to continue ongoing discussions towards a corporate transaction in the future.

### **Distribution Agreement**

The distribution agreement entered into with Greenstein Trading Ltd. ("**GT**"), a subsidiary of GC, consists of transferring cannabinoid ingredients to GT on a COGS basis for Active Pharmaceutical Ingredients ("**APIs**") and bulk products, and a COGS plus 25% price on all finished products. The agreement includes a profit-sharing mechanism stating that the final sale price minus the transfer price from MCCN to GT will generate profit to be shared equally between the parties.

The agreement also provides a minimum purchase of 1,000 kilograms of product per year (subject to EUGMP conformity) or a penalty of 50% of average cost of production to be paid by GT to MCCN for quantities unsold.

### **Financing**

The share subscription is being via the issuance of shares at a value of CAD \$0.08 per share, for a total amount of CAD \$800,000 and a total issuance of 10,000,000 common shares in the capital of the Company ("**Common Shares**").

In addition, GC has subscribed for CAD \$800,000 worth of convertible secured debentures (the "**Debentures**"). The Debentures will be convertible into Common Shares on the following terms: the Debentures will be convertible into Common Shares at a price of \$0.20 per share and will have a term of two (2) years from the date of issuance, with interest payable at expiration date of fourteen percent (14%) per annum (simple not compounded), payable in cash or shares. The Debentures will be subject to earlier redemption by the Company in the event the Common Shares are trading on the facilities of the TSX Venture Exchange (or such other stock exchange on which the Common Shares may then be trading) at a volume weighted average trading price at or above \$0.40 per share for a period of not less than ten (10) consecutive trading days.

The Debentures will include five common share purchase warrants (each, a "**Warrant**") for every one dollar of principal amount of Debentures subscribed for, with each Warrant exercisable at a price of CDN\$0.20 to purchase one Common Share for a period of 24 months from the date of issuance. The Warrants will have a forced conversion feature whereby the Company will have the option to force the conversion of Warrants upon the Common Shares trading on the facilities of the TSX Venture Exchange (or such other stock exchange on which the Common Shares may then be trading) at a volume weighted average trading price at or above \$0.40 per share for a period of not less than ten (10) consecutive trading days.

The Company also wishes to announce that it has changed the terms of its previously announced offering of \$1 million principal amount of debentures such that the conversion price of the debentures and warrants issued in connection therewith will be at \$0.20 and not \$0.25 as previously announced and the term of the warrants will be for two years and not five years.

The transaction is non-brokered and is subject to final approval of the TSX Venture Exchange, including the pricing and other material terms thereof.

### **Management Commentary**

*Felipe de la Vega, CEO of Medcolcanna, commented: "This transaction comes at a time when the Company has finalized its first stage in becoming a global leader in the cannabis industry by developing state of the art cultivation and extraction facilities, with capacity to attend local and global markets. The Company is now beginning to move into a commercialization phase and shares common outlook with the Greenstein team. Greenstein has received all the necessary licenses to import and distribute cannabis products in Germany. Greenstein's experienced multidisciplinary team of traders, strong marketing, regulatory affairs and technical team have already been involved in setting up the type of distribution channels that will allow the MCCN brand to grow outside of Latin America and establish a competitive foothold in Europe and more widely globally. MCCN considers this a very important next step in our strategic vision to participate in an industry that is increasingly more globalized requiring strategic partnerships to help enter new markets more efficiently and competitively, while complying with all regulatory requirements in Europe to establish a strong presence in that important market. The details of the share swap are still being negotiated and we have agreed to continue that process for the next 3 to 6 months to have a clear path that generates value for MCCN shareholders and GC."*

*Chris Reid, CFO, commented: "Management believes that the Company's infrastructure as well as the Company's potential are*

not fully appreciated by the market, this may be due to MCCN not being well known in the market. GC's partnership with MCCN will include direct capitalization as well as their participation in the convertible debenture offering, underscoring their belief in MCCN's ability to generate value and limit dilution for its shareholders."

Reid continued, "This financing is in addition to a concurrent CAD\$1 million debenture offering which is expected to close in the near future and provides MCCN with capital requirements to execute its commercial strategy that will allow us to reach self-sustainability increasing profitability for our shareholders."

Chief Corporate Development Officer, Daniel Herrera, stated: "We are pleased with the development of this distribution agreement, share swap and financing agreement as it cements a strategic partnership that comes on the tail end of MCCN's operational build out and development of a diversified product portfolio spanning API bulk and final finished product sales, to wellness and nutraceutical products, as well as pharmaceutical grade THC, CBD, CBG and other cannabinoids. The addition of Greenstein's commercial capabilities in Europe position MCCN to execute its plan to expand globally and participate in bringing MCCN products to various markets competitively and becoming a global leader in the development and commercialization of cannabis products."

Max Stahl, President of Greenstein Group, commented: "This transaction is part of a well-defined strategy that has been discussed with MCCN's management team to have a global footprint in the cannabis industry, where both companies will benefit from consistent access to premium low cost cannabis products to supply our buyers in Germany and the rest of Europe through the distribution channels that we have established. Through this partnership, we believe that we are setting up one of the most solid and strongest cannabis alliances in the world. As both GC and MCCN complement each other's capabilities, we see this as a first step in forming a closer alliance based on a shared vision that will help both companies reduce costs and competing more effectively in global markets. In this respect, we give priority to profitability above growth as we believe, contrary to other players, that only businesses that produce solid financial results in the short run can survive in the long run. We strongly believe in MCCN and its management's capabilities and combined with our financial strength, business development and marketing capabilities, we expect to become a top tier player in our operating segments."

## **OTHER CORPORATE DEVELOPMENTS**

In addition, the Company announces that it has entered into a marketing agreement dated effective June 25, 2020 (the "**Marketing Agreement**") with Hybrid Financial Ltd. ("**Hybrid**") out of their Toronto, Ontario office for a six month term, such term automatically extending for additional three month terms until such time as the Company provides notice to Hybrid no less than thirty days in advance that it wishes to terminate the agreement. The Company shall pay Hybrid a total of \$22,500 per month during the initial term of the agreement and \$15,000 per month during the renewal period(s). Hybrid will provide marketing services with the objectives of increasing the Company's reach within the investment community. There are no performance factors contained in the agreement. Hybrid and the Company are unrelated and unaffiliated entities, but Hybrid and/or its clients may have an interest, directly or indirectly, in the securities of the Company.

The Company feels that now is the time to invest in marketing initiatives as it has not undertaken such activities before as it was conserving cash but now that it has advanced to a new stage of development, such expenditures are deemed to be prudent.

## **ABOUT GREENSTEIN**

Greenstein Capital is a privately held corporation based in Malta consisting of multiple companies, with Greenstein Germany GmbH being fully licensed to import and distribute cannabis products in Germany, Greenstein Trading being charged with distribution and sales across Europe as well as providing trade finance solutions for the industry, Greenstein Nutraceuticals being dedicated to creating CBD-based nutraceuticals for sales focused in Germany and other European countries, and Greenstein Refinery GmbH being in the process of becoming established for the purpose of refining and purification of extracts to final pharmaceutical APIs produced in Germany.

Greenstein has deployed capital in getting the best human resources to achieve its goals in the industry and has entered into strategic acquisitions to guarantee sales of its products.

Greenstein partners bring experience from different industries as their main shareholders and partners, are important entrepreneurs and investors in pharma, med tech, real estate, finance and debt markets in Europe and the U.S.

## **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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