



Medcolcanna Organics Signs Landmark Agreement With Industry Leader Industrial Hemp Farms (IHF)

Bogota 27/05/2021

Medcolcanna Organics Inc. ("**Medcolcanna**", "**MCCN**" or the "**Company**") (NEO: MCCN), a leading Canadian and globally integrated medicinal cannabis company with operations in Colombia, is pleased to announce the execution of a Letter of Intent ("**LOI**") with Industrial Hemp Farms ("**IHF**"), a large and well-established company based in Colorado, USA. The proposed business transaction is for the purchase of \$1.0M USD (\$1.2M CAD approx.) minimum of hemp derived high CBD dried flower per month. Pursuant to the LOI, other commodities will be also purchased from Medcolcanna by IHF.

The terms outlined in the LOI include a CBD Dried Flower Supply agreement, an option agreement for the supply of other MCCN products to IHF, and an investment option for IHF into MCCN if IHF meets certain performance targets.

Under these initial terms, and subject to the approval on upcoming legislation proposed by the Colombian Government on dried cannabis flower exports, MCCN is to supply IHF with a minimum of 20,000 pounds of CBD dried flower per month at a price of \$50 USD per pound, for 5 years. The two Companies will also enter into a Supply Option Agreement along with the definitive agreement of CBD Dried Flower Supply Agreement, whereby MCCN is to supply and produce many other products for IHF including CBD CBG and CBN isolates, oils and distillates, as well as other consumer products.

This supply agreement would represent a minimum of \$12 million USD (\$14.5M CAD) on a rolling 12 month basis in revenue for MCCN. MCCN anticipates the CBD dried flower supply agreement to begin in Q4 2021, when regulations should be in place for the flower export.

This LOI shows IHF's support of MCCN's quality of operations, products and services. IHF will also provide their vast expertise, in the US and global markets, which should further strengthen MCCN's research and development efforts along with their cultivation processes.

Given certain performance targets IHF will be granted stock options, which have a six-month expiry period, the period to begin once the performance targets have been achieved and the stock options vest. IHF will be granted 8,000,000 stock options, with a strike price of \$0.13 which will vest once \$3.0M USD (\$3.6M CAD) of product is purchased and paid for, an additional 8,000,000 stock options, with a strike price of \$0.17 which will vest once \$5.0M USD (\$6.1M CAD) of product is purchased and paid for and a final 8,000,000 stock options, with a strike price of \$0.19 which will vest once \$8.0M USD (\$9.7M CAD) of product is purchased and paid for.

Pursuant to the LOI, IHF will be granted 5,000,000 performance units, which will be allocated in three tranches, the first tranche will have 1 million performance units, and the 2nd and 3rd tranche will both have 2 million performance units each. The first tranche of performance units will fully vest once IHF has purchased and paid for \$3.0M (\$3.6M CAD) of CBD dried flower from MCCN, the second and third tranches will fully vest once IHF has purchased and paid for \$10M USD (\$12.1M CAD) and \$20M USD (24.2M CAD) of product, respectively. The above noted performance units will consist of a cash discount for future orders, such discount to be based on the price of the shares of Medcolcanna to be determined based on the then current market price of the shares on the facilities of any stock exchange on which the shares may then be listed and posted for trading. For example, if at the time the performance threshold for vesting is met through Industrial Hemp Farms ordering and paying for \$3 million worth of product, the

shares of Medcolcanna are trading at \$0.25 per share, then the discount shall be based on multiplying 1,000,000 by the trading price of \$0.25, resulting in a discount of \$250,000 for future orders, such discount or credit to be applied by Industrial Hemp Farms towards the purchase of common shares of Medcolcanna at the prevailing market price by way of a new share issuance.

The LOI also provides that IHF has the ability to nominate two (2) additional board members to MCCN, such nomination to take effect upon the signing of the definitive agreement for this transaction, but subject to regulatory approval and conditional on the election of the six (6) nominees being put forward by management at the upcoming annual general and special meeting of shareholders to be held on July 7, 2021.

The increase in the size of the option pool under the stock option plan to facilitate the issuance of shares pursuant to the LOI and the increase to the size of the board of directors to six (6) members is subject to Board approval and shareholders' approval at the AGM. This Increase in the size of the Board of Directors will facilitate the ability of IHF to nominate the aforementioned two (2) board members through the addition of one additional board position plus the resignation of one of the nominated six (6) members of the Board being elected at the upcoming AGM.

Comment from CEO Felipe de la Vega: "This is a major opportunity for the Company as it marks the beginning of a deeper relation with IHF, already a leader in the US market. Through their support in products and distribution we will also improve our trading activities in Europe from our Swiss office. The flower export is one of the largest contracts in the market for this product and demonstrates the state of the art facilities that the Company have developed. We are pleased to have been chosen by IHF after they had been looking for a reliable supplier in Colombia with the capabilities and a common view on market development. We are working already on some other opportunities with IHF that we expect will increase our position and brand recognition, and will be announced in due time."

About Industrial Hemp Farms

IHF specializes in the production, distribution and sales of a wide arrangement of non-psychoactive cannabis-based products. IHF enjoys a commanding presence in the industry, being the third largest supplier of bulk hemp flower and extracts worldwide. They are one of the key players in the US cannabis market, with a product list covering an extensive range of non-psychoactive cannabis-based products.

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 a growing number of 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.

If you would like to receive News Releases via email as soon as they are published, please subscribe here: <https://medcolcanna.com/contact-us/> or write to info@medcolcanna.com.

Additional information about Medcolcanna can be found on its web site at medcolcanna.com

Medcolcanna Investor Relations Contact: Chris Reid, CFO Carrera 49b # 93-62 Bogota, Colombia
Phone: +571 642-9113 Email: info@medcolcanna.com

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, projections, objectives, assumptions, future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends” or variations of such words and phrases or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to general business, economic, competitive, political and social uncertainties; and the delay or failure to receive board, shareholder or regulatory approvals for any proposed transaction, including those discussed herein. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release.

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