

Medcolcanna Organics Executes 60 Million US Dollar (74M CAD) Supply Agreement with US Based Industrial Hemp Farms

Bogota, Colombia--(Newsfile Corp. - October 20, 2021) - **Medcolcanna Organics Inc.** (NEO: MCCN) ("**Medcolcanna**", "**MCCN**" or the "**Company**"), a leading Canadian and globally integrated medicinal cannabis company with operations in Colombia, is pleased to announce the signing and execution of a 5-year deal with Industrial Hemp Farms ("**IHF**"), one of the largest producers of hemp derived products in the world. This \$12 Million USD (\$14.9M CAD) a year deal (\$60 M USD in total - \$74.4M CAD over five years) follows the Colombian government's change in regulation this past July which allows Colombian licensed producers to export dried flower outside of the country.

The terms in the definitive supply agreement revolve around a "take or pay" arrangement for the supply of CBD dried flower. The agreement also outlines the sale and distribution of other cannabis derived products such as isolates, distillates, and an investment option for IHF into MCCN if IHF meets certain performance targets. Details of the agreement are as follows:

- MCCN will be shipping approx. 20,000 pounds of CBD dried flower per month which adds up to \$1 M USD (\$1,24 M CAD) of CBD dried flower.
- The agreement establishes a long-term supply partnership, with the contract having a five-year term.
- The agreement comes with an exclusivity arrangement whereby IHF will be the only distributor in the US for Medcolcanna products and Medcolcanna its sole supplier from Colombia.
- The agreement establishes a minimum supply quantity through a "take or pay" arrangement for the supply of 100,000 pounds of CBD dried flower every six months.
- Additional to the supply agreement, the two companies have established an option agreement whereby MCCN is to produce and supply other products for IHF including CBD, CBG and CBN isolates, oils and distillates, as well as end use consumer products.



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Medcolcanna's GACP certified Facility Located in Bogotá.

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This supply agreement represents a potential \$12 million USD (\$14.9M CAD) on a rolling 12 month basis in revenue for MCCN. MCCN anticipates the first export of CBD dried flower to occur in Q1 2022, following the final processes and procedures that are expected to be in place prior to the end of December 2021.

Medcolcanna's arrangement with IHF is more than a supply agreement. The executed agreement sets out the commercial terms for the sale and export of dried CBD flower but, most importantly, it establishes the companies as strategic partners, and is expected to leverage their strengths and competitive advantages adding value to both companies portfolios. Medcolcanna's advantage is with low-cost, high-quality production and IHF's advantage is its distribution channels, sales force and operational experience in the US. The Supply Agreement also provides the following:

- IHF will provide MCCN with technical assistance and have already located their master grower in Colombia to assist MCCN's cultivation of dried smokable flower. This should help to ensure that the cultivations are conducted in accordance with US practices and that their knowledge is applied to ensure product quality at its GACP facility.
- IHF will nominate three board members to the Medcolcanna board of directors, for a total composition of seven directors.
- The agreement includes the issuance of 28 million stock options to IHF that will be fully vested once certain performance targets are met and with varying strike prices, as more particularly set forth below:
 - six million stock options with a strike price of \$0.10 with the performance target of \$1,000,000 USD of MCCN sales to IHF
 - seven million stock options with a strike price of \$0.12 with the performance target of an additional \$4,000,000 USD of MCCN sales to IHF (total USD\$5 million)
 - eight million stock options with a strike price of \$0.15 with the performance target of an additional \$6,000,000 USD of MCCN sales to IHF (total USD\$11 million)
 - An additional seven million stock options with a strike price equal to the market price on the date issued when an additional \$10,000,000 USD of MCCN sales to IHF have occurred (total USD\$21 million)

The stock option plan and the nomination of three members to the board of directors is based on the interest of IHF becoming a major shareholder in Medcolcanna.

Comment from MCCN CEO, Felipe de la Vega: "We are pleased to have been chosen by IHF not only as their supplier, but as their partner. This strategic partnership will greatly benefit both parties. Medcolcanna's low cost and high-quality production capacity and IHF's impressive and proven track record with large distribution of hemp derived products will create a force to be reckoned with. This landmark deal places Medcolcanna ahead in the industry.

IHF's knowledge and position in the market will allow MCCN to optimize and greatly benefit from the infrastructure that MCCN has established in Colombia. We believe that this is the beginning of a path that will see Colombia and MCCN be a dominant supplier of dried cannabis flower internationally, which could replicate Colombia's top position in the cut flower industry. This agreement leverages the benefits of growing cannabis in Colombia, with its excellent growing conditions, including an ideal climate consisting of twelve hours of sun light each day and consistent weather given its equatorial location, along with the availability of low-cost skilled labor.

We share with Joe and Gus a vision on how to grow together with a shared responsibility in providing high quality cannabis products, at affordable prices and sustainable approach."

Comment from CEO Joseph Pham IHF: "We've aligned all the pieces and made all the necessary connections. The time is now, it's go big or go home!"



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Joseph Pham CEO IHF

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About Industrial Hemp Farms

HF is a leading vertically integrated hemp company in the US and the largest hemp flower distributor globally. With an extensive line of accessible products, it has positioned itself for a large expansion in the local and international markets supported by thousands of affiliates selling the company's products. With a strong leadership at the helm of the company, Joe Pham and Gus Hanger, have gained recognition for their commitment to Sustainable Business Practices. IHF recently acquired Plain Jane a very popular and successful cannabis products company that caters to over 75,000 customers in the US. <https://industrialhempfarms.com/> (<https://www.newsfilecorp.com/redirect/p4Pj0UA5OQ>)



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IHF Team

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About Medcolcanna

Medcolcanna is a Canadian vertically-integrated medical hemp 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.



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MCCN's Team at Candil's

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Additional information about Medcolcanna can be found on its web site at [medcolcanna.com](https://www.newsfilecorp.com/redirect/MZYaPTXqKp)

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Forward-Looking Statements

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