



## Operational and Commercial update. Medcolcanna Organics Executes Definitive Colombian Supply Agreements and EU Sales Agreements for EUGMP Certified Dried Flower, GAPC certified flower and others.

Bogota 09/08/2022

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 two Definitive Colombian Supply Agreements and two EU Sales Agreements for EUGMP and CUMS-IMC certified Dried Flower. The executed agreements are for the purchase of 1,200 and up to 8,000 kilos per year of indoor grown and EUGMP certified dried flower as well as 800 kilos of CUMS-IMC certified Dried Flower. MCCN has also signed two definitive agreements for the sale of and distribution of the EUGMP and CUMS-IMC certified Dried Flower.

The terms outlined in the definitive Colombian supply agreements include the purchase and sale of THC Dried Flower.

### Supply agreement No 1

- MCCN is to purchase 100% of the existing capacity (1,200 kilos per year) and 100% of the grower's expanded capacity up to 8,000 kilos per year, this supply is produced from the only indoor facility in Colombia. The agreement is for a three-year term with the possibility to extend the term.
- The grower has obtained the EUGMP certification, which commands a market premium for sales into the European Union.
- Medcolcanna expects to receive the first shipment in October 2022.
- The grower expects to complete its first expansion by late Q4-2022 which will increase its production by approximately 4,000 kilos of annualized production
- The agreement establishes a long-term supply partnership, with the contract having a three-year term, with the possibility of extending the term.
- Working capital has been provided by MCCN to the supplier as a condition to the agreement.
- The quota for the export of THC has been granted to MCCN
- MCCN has applied to the Colombian Government to allocate a portion of its THC quota to this supplier and is expecting the approval to occur shortly. The approval of the allocation of the quota to the supplier to perform its obligation to grow at their indoor GMP EU certified facility.
- MCCN is providing its genetics to the supplier, to utilize in their indoor facility.

### Supply agreement No 2

- The second Colombian Supply Agreement is for MCCN to purchase 800 kilos of CUMS-IMC certified dried flower per year. The grower has a state of the art, climate control polycarbonate Greenhouse infrastructure with supplemental lights to guarantee indoor quality production.
- The grower has obtained the Israel CUMS-IMC certification, which commands a market premium for sales into Israel.
- Medcolcanna expects to receive the first shipment in late October or November 2022.

- The agreement establishes a long-term supply partnership, with the contract having a two-year term, with the possibility of extending the term.
- THC quotas has been granted and allocated to the supplier approved by the government and ready to start cultivation.

THC Commercial Sales and Distribution Agreements terms, MCCN has signed already 2 contracts for sale and distribution of cannabis flower

#### Sales agreement No 1

The company has entered in a sales agreement with German company Greenstein

- The agreement establishes a long-term sale having a three-year term, with possibility of extension.
- The agreement establishes a minimum purchase of 1200 kg during the first year, 2000 kg during the second year and 2,500 kgs during the third year.
- The agreement establishes a prepayment of 50% for the first cycle, followed by prepayments of 30% on next cycles.
- The production will be based on Supply Agreement No 1 certified GMP EU dried flower.
- MCCN is anticipating a 45% to 55% gross margin on the purchase and sale of the EUGMP and CUMS certified dried flower.
- MCCN is expecting annualized revenue starting in the forth quarter of 2022 of \$3.8M CAD (\$3.0M USD), and expanding as the indoor grower expands their cultivation operations.
- First export expected between October and November 2022

#### Sales and distribution agreement No. 2

MCCN entered in a distribution and sales agreement with Cantourage for Germany and UK

- The agreement establishes a long-term sale having a five-year term, with possibility of extension.
- The initial forecast presented by Cantourage establishes approximately 800 – 1000 Kgs for the first year.
- Cantourage will distribute by its proprietary clinics and distribution in UK and through its network of pharmacies in Germany.
- 6 MCCN proprietary strains have been already registered in German Narcotics agency.
- The production will be based on Supply from MCCN farm located near to Bogota, where some modifications have been done and flowering indoor rooms have been designed in connection with existing Greenhouse infrastructure.
- MCCN is anticipating a 70% gross margin on the purchase and sale of the EUGMP and CUMS certified dried flower.
- MCCN is expecting annualized revenue starting in the fourth quarter of 2022 of \$3.8M CAD (\$3.0M USD).
- THC quotas have been granted by the Colombian Government and are in place
- First export expected by October – November 2022
- MCCN has developed a new brand for the distribution with Cantourage in UK and Germany, followed by Poland within the next few months.

MCCN at the moment of this PR continue in advance stage of negotiations for the supply of approximately 2.000 kgs per year to customers in Israel and Australia, MCCN expects to finalize agreements within the next 2 months to start deliveries still in 2022.

## IHF CBD Flower supply agreement

MCCN signed a supply agreement with major CBD distribution company IHF during 2021. Contract was signed prior the regulation for the export of flower was issued which happened first quarter 2022.

MCCN then applied and got granted the additional export licenses required to export flower, together with ICA (Colombian National Agronomical Institute) GAP (Good Agricultural Practices) certification also required for the flower export.

MCCN has received the approval for the first trial export, that is expected to take place within August 2022, followed by recurring commercial exports starting October 2022. The purpose of the trial shipment is to have a clear path of the logistics, documents, and all other requirements that the export to US may have.

Comment from CEO Felipe de la Vega: "Its being a long and difficult journey since we created the company. A market that we were trying to understand and anticipate but that was being created. Therefore, making decisions was more complex. CBD market for extracts and isolates became very competitive with the US hemp farm bill affecting projections. Market for THC extracts is highly regulated, requires multiple certifications and a lot of investment, and still is a very small market compared with flower. Now the approval of flower export has allowed us to really gain traction in Colombia supply, as a high quality, low cost producer, and the result of it is the multiple contracts we have now in place and we continue to negotiate. Starting November 2022, we expect recurrent revenue with high margins and good profitability."

De la Vega continues "This combined with internal decisions that have helped us to reduce our G&A and cash burn makes our company a sustainable and profitable target for investors and we are pretty confident that before the end of the year we will be in a complete different situation. We continue supplying internally medical formulations currently approximately 300 per month and growing at 15% per month."

De la Vega continues "Now we are really getting to an interesting point for the Company, with a very clear path forward and the possibility to generate profits for our investors."

## 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](mailto:info@medcolcanna.com).***

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

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