

PharmaCielo Announces Financial Results for the First Quarter Ended March 31, 2020 and Provides Operational Update

- *PharmaCielo generated \$514,409 in revenue during Q1-2020, compared to revenue of \$786,901 in its full 2019 fiscal year.*
- *Pro forma cash and cash equivalents of \$12.7 million¹.*
- *Processing equipment is now on-site in Rionegro; the Company expects to be in a position to begin accepting broad spectrum commercial pre-orders by the end of Q2.*

All figures are in Canadian dollars (\$) unless otherwise specified

TORONTO, Canada and RIONEGRO, Colombia (June 1, 2020) – **PharmaCielo Ltd.** (“**PharmaCielo**” or the “**Company**”) (**TSXV:PCLO, OTCQX:PCLOF**), the Canadian parent of Colombia’s premier cultivator and producer of medicinal-grade cannabis oil, PharmaCielo Colombia Holdings S.A.S., today announced financial results for the first quarter ended March 31, 2020.

Management Commentary

David Attard, Chief Executive Officer of PharmaCielo Ltd., commented, “I am pleased with the advances made by our team in Q1 even as we faced the COVID-19 challenges and delays that have affected trade globally. We generated just over \$514,000 in revenue, comparable to approximately \$787,000 in all of fiscal 2019. While this is nowhere near the potential of our market platform, in 2020 it represents the beginning of our transition from building, to operating and selling. We have continued to make progress against the key priorities I outlined last quarter, and we expect continued revenue growth, particularly in the second half of the year.”

Henning von Koss, President of PharmaCielo Ltd., added, “Now that the relevant equipment is in Rionegro, the key to success in 2020 will be the expansion of the product range coming from our formulation pipeline. This will begin with the introduction of THC-Free & Broad-Spectrum CBD Oil, for which existing partner demand is robust and confirms expectations of the increased production volume. Our team in Colombia is working hard to get us ready to ship. We are on track to complete the installation of the new equipment at the Processing and Extraction Centre and to start accepting commercial volume pre-orders in June for shipment in Q3.”

¹ Includes \$7.3 million in net proceeds of the “best efforts” private placement of Special Warrants, which closed on April 15, 2020. For further information please see PharmaCielo’s *Management’s Discussion and Analysis for the three months ended March 31, 2020*, available on the Company’s website or on SEDAR.

Operational Update

- Relevant equipment required to begin meaningfully increased production of intermediate winterized oil² at the Company's processing and extraction centre is now in Rionegro. PharmaCielo expects to have this equipment installed on schedule, allowing Q3 production volume increase.
- The air purification and conditioning system finalization is on track, enabling PharmaCielo to maintain its target to apply for GMP certification in Q4.
- The Company has continued to expand its production strategy with an immediate focus on THC Free and Broad-spectrum CBD oil³ production, which will enable near-term export for international market testing as required to finalize purchase commitments.
- From a sales perspective, PharmaCielo is focused primarily on Europe as the most developed global market of scale, followed by additional validated markets, as it diversifies its product portfolio beyond CBD isolate. The Company's existing European partners have indicated demand for broad spectrum product and the Company expects this demand to support revenue growth in 2020.
- While the varied challenges posed by COVID-19 have affected all, as an excluded sector the Company has maintained operations, choosing to focus on open air cultivation while introducing a temporary employee safety supportive reduction in extraction activity, since recommenced. Supply chain challenges related to international import/export are showing signs of improvement, with individual market delivery channels expected to become more accessible.

Financial Highlights – Q1-2020

Operating Results

All comparisons below are to the quarter ended March 31, 2019, unless otherwise noted

- The Company generated **Total Revenue** of \$514,409 compared to \$nil in Q1-2019 and \$657,000 in Q4-2019. Cannabis revenues generated were \$494,032, derived from a purchase order for 276 kgs of isolate shipped to the U.S. in early January.
- **Cost of Goods Sold** was \$461,235 compared to \$nil in Q1-2019 and \$672,000 in Q4-2019. Gross Margin excluding fair value items was \$53,174 in Q1-2020.
- **Total Selling, General and Administrative expenses** were \$6.8 million compared to \$4.8 million in Q1-2019 and \$10.5 million in Q4-2019. The increase from Q1-2019 was primarily related to higher professional fees, higher salaries and wages primarily in Colombia, higher share-based compensation expenses and an expanded office footprint.

² Winterization is an oil refinement technique. In the process, the fats and waxes with higher melting points will precipitate out and can then be removed by filtration, centrifugation, decantation, or other separation processes. A pure, liquid oil extract is left behind, ready to be further processed into various formulations.

³ Different from existing CBD oil (THC-free or low traces of THC), PharmaCielo technology will enable the total separation of THC from a broader variety of terpene rich, PharmaCielo exclusive strains without the limitation imposed by industrial Hemp.

- **Adjusted EBITDA** of (\$4.6 million) compared to (\$7.1 million) in Q4-2019 and (\$3.6 million) in Q1-2019.
- **Net loss** of \$6.9 million compared to \$7.7 million in Q1-2019 and \$12.4 million in Q4-2019.
- “All-in” operating cost to produce dried cannabis of \$0.04 per gram during Q1-2020.
- The Company had cash and cash equivalents of \$6.1 million at March 31, 2020 (Pro forma \$12.7 million¹ at April 15, 2020) compared to \$13.7 million at December 31, 2020.

Summary Financials

	Q1 2020	Q4 2019	Q1 2019
Revenue	\$514,409	\$657,000	\$nil
Gross margin before fair value adj.	\$53,174	(\$15,000)	\$nil
Gross margin	(\$156,720)	(\$1,489,360)	\$nil
SG&A	\$6,779,687	\$10,481,511	\$4,762,591
Adjusted EBITDA (loss)	(\$4,609,015)	(\$7,084,733)	(\$3,584,926)
Net income (loss)	(\$6,878,884)	(\$12,423,000)	(\$7,738,379)
Wt. avg. shares outstanding – basic & diluted	99,051,447	98,196,739	92,782,399
Net income (loss) per common share	(\$0.07)	(\$0.13)	(\$0.08)

Q1 Financial Results Conference Call and Webcast

Given the Company included a discussion of its 2020 priorities on its Q4-2019 financial results conference call on April 30th, PharmaCielo has decided to forego its public conference call this quarter. The Company plans to hold a public conference call corresponding with the release of its Q2-2020 financial results.

About PharmaCielo

PharmaCielo Ltd. (TSXV:PCLO, OTCQX:PCLOF) is a global company, headquartered in Canada, with a focus on ethical and sustainable processing and supplying of all natural, medicinal-grade cannabis oil extracts and related products to large channel distributors. PharmaCielo’s principal (and wholly owned) subsidiary is PharmaCielo Colombia Holdings S.A.S., headquartered at its cultivation and processing centre located in Rionegro, Colombia.

The board of directors and executive team of PharmaCielo are comprised of a diversely talented group of international business executives and specialists with relevant and varied expertise. PharmaCielo recognized the significant role that Colombia’s ideal location plays in building a

sustainable business in the medical cannabis industry, and the Company, together with its directors and executives, is executing on a business plan focused on supplying the international marketplace.

For further information:

David Gordon, Chief Corporate Officer

+1.416.864.6116

investors@pharmacielo.com

Media Relations:

International: Gal Wilder, Cohn & Wolfe

+1 647-259-3261

gal.wilder@cohnwolfe.ca

Colombia:

María Paula Peña Fdz., SPR GROUP S.A.

PBX: 57-1 2877234

mariapaula.pena@sprgroup.biz

Investor Inquiries:

investors@pharmacielo.com

Forward Looking Statements:

Certain statements contained in this news release, such as those relating to the Company's transition to operating and selling its products, revenue growth, anticipated increase in Company revenue and cash flow, the introduction of THC-Free & Broad-Spectrum CBD Oil, the installation of new equipment at the Processing and Extraction Centre, commercial volume pre-orders, the Company applying for GMP certification in Q4, the Company's sales focus in Europe, European partner demand for Company products, challenges related to supply chain for international import/export and the Company's plans to hold a public conference call regarding its Q2-2020 financial results contain "forward-looking information" as such term is used in applicable Canadian securities laws. Forward-looking information is based on plans, expectations and estimates of management at the date the information is provided and is subject to certain factors and assumptions, including the Company's ability to obtain all necessary governmental regulatory and TSXV approval related to the exportation of PharmaCielo's CBD and THC products from Colombia, that the Processing and Extraction Centre will meet all of the requirements required for GMP certification, that there will be demand for the Company's products, including in Europe and other regions, that the Company's supply chain will not be disrupted preventing it from being able to export products, that the Company's development plans do not change as a result of unforeseen events, that the Company's business generally and shipping logistics are not disrupted by COVID-19. Forward-looking information is subject to a variety of risks and uncertainties and other factors

that could cause plans, estimates and actual results to vary materially from those projected in such forward-looking information. Factors that could cause the forward-looking information in this news release to change or to be inaccurate include, but are not limited to, the risk that any of the assumptions referred to prove not to be valid or reliable, that risks such as those referred to above are realized and result in delays, that the Company's financial condition or development plans change, the Company's failure to obtain necessary TSXV or applicable government regulatory approvals in order to export its products from Colombia, failure to obtain GMP certification for the Processing and Extraction Centre, less than anticipated market demand for the Company's products, the Company's ability to ship its products is delayed or otherwise disrupted due to COVID-19 or due to other economic or operational circumstances, risks associated with operating in Colombia, risks associated with the cannabis industry generally, risks associated with global economic instability relating to COVID-19, and currency exchange risk. The Company undertakes no obligation to update these forward-looking statements, other than as required by applicable law.

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