



PharmaCielo Announces Financial Results for the Second Quarter Ended June 30, 2020 and Provides Operational Update

- *Revenue continues to accelerate. The Company generated \$1.2 million in revenue during Q2-2020, reaching \$1.7 Million YTD 2020 compared to \$786,901 in its full 2019 fiscal year.*
- *Recent increase in active cultivation footprint readies PharmaCielo to process and deliver more extracted product during the second half of 2020 and into 2021.*
- *Production from the Company's Processing and Extraction Centre will begin accelerating during Q3-2020. The Company intends to initiate the GMP certification process during Q4-2020, which will enable it to both expand its customer base and enter new markets in 2021.*
- *PharmaCielo made significant progress in Q2 towards enhancing and expanding its product portfolio, as well as on segmenting global markets to align commercial efforts.*

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

TORONTO, Canada and RIONEGRO, Colombia (August 31, 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 second quarter ended June 30, 2020.

Management Commentary

David Attard, Chief Executive Officer of PharmaCielo Ltd., commented, “I am proud of our team for delivering continued revenue growth, while maintaining tight cost control in a challenging environment. Establishing a robust, recurring international sales pipeline in an industry that is still in its early days, with established health and wellness product producers looking for continuous and verifiable high-quality supply, does take time. We are making steady progress and are backed by arguably one of the industry’s largest

combinations of cultivation and state-of-the-art processing and extraction facilities to produce a growing portfolio of value-added cannabis extract products. With meaningful revenue growth in the back portion of the year expected to drive cash flow positive exiting 2020, PharmaCielo is set to begin delivering meaningful shareholder value while becoming the input supplier of choice for leading brands.”

“Our first priority in Q2, in a challenging COVID-19 environment, was to guarantee that existing important projects, related to our future biomass availability as well as to our production and extraction facility stayed on track,” said Henning von Koss, who took over his responsibilities as President of PharmaCielo Ltd. as of May 2020. “As David mentioned, the medicinal cannabis extract market, beyond the traditional dry-flower market, is in its early days and PharmaCielo plays an important role in this global evolution. Hence, it has also been our priority to bring the Company to a new stage in its objective of going beyond selling products and become the solution provider for the sector. As of mid-Q2, we had put significant effort into strengthening and aligning the business and product development activities on an internal basis.”

Operational Update

- By the end of Q2-2020 and announced on July 8th, 2020 the Company received authorization from the Colombian Government to cultivate and generate 10 tonnes of high THC-content biomass for the production of high-quality THC extract. This event triggers the interest of geographies where the medical regulated use of THC is very advanced and in high demand.
- Various negotiation rounds with contract growers during Q2 culminated in the announcement of August 13th, 2020, of the activation of the Company’s first external cultivation contract with a local grower, immediately expanding the Company’s active cultivation footprint by 32% to 1.6 million square feet, with continued enlargement to a total of 2.6 million square feet expected, pending receipt by the contract grower of technical licensing for the additional area.
- The Company has continued to make progress on developing its product pipeline with an expected Q3 introduction of a full breadth of non-psychoactive formulations ranging from concentrates (isolate, broad-spectrum oil and distillate) to a variety of standardized formulations (including water-soluble CBD emulsions as well as broad and full-spectrum diluted distillates).
- With a broader product portfolio, a review of our route to market has been initiated, aiming to confirm, adapt and aligning the Company’s commercial efforts. With a solid, reliable and actual market segmentation and expected to be completed in the beginning of Q3, it is a key element in the evolution and implementation of the commercial structure and partnerships in the various geographies.

Financial Highlights – Q2-2020

- The Company generated Total Revenue of \$1.2 million compared to \$514,409 in Q1-2020 and \$nil in Q2-2019.
- Cost of Goods Sold was \$671,768 compared to \$461,235 in Q1-2020 and \$nil in Q2-2019. Gross Margin excluding fair value items was \$560,773 compared to \$53,174 in Q1-2020 and \$nil in Q2-2019.
- Total Selling, General and Administrative expenses were \$7.8 million compared to \$7.3 million in Q1-2020 and \$8.8 million in Q2-2019. The decrease from Q2-2020 was primarily related to the inclusion of an allowance for expected credit losses in Q2-2020, lower share-based compensation, reduced office and general expenses and lower travel and accommodation expenses.
- Adjusted EBITDA of (\$4.8 million) compared to (\$3.5 million) in Q1-2020 and (\$3.1 million) in Q2-2019.
- Net loss of \$7.7 million compared to \$6.3 million in Q1-2020 and \$10.7 million in Q2-2019.
- “All-in” operating cost to produce dried cannabis of \$0.05 per gram during Q2-2020 compared to \$0.04 per gram during Q1-2020.
- The Company had cash and cash equivalents of \$5.1 million at June 30, 2020 (Pro forma \$9.1 million¹ at July 3, 2020) compared to \$13.7 million at December 31, 2019.

Summary Financials

	Q2 2020	Q1 2020	Q2 2019
Revenue	\$1,232,541	\$514,409	\$nil
Gross margin before fair value adj.	\$560,773	\$53,174	\$nil
Gross margin	\$152,469	(\$156,720)	\$nil
SG&A	\$7,775,734	\$7,298,998	\$8,774,494
Adjusted EBITDA (loss)	(\$4,811,858)	(\$3,548,818)	(\$3,113,223)
Net income (loss)	(\$7,719,863)	(\$6,317,998)	(\$10,685,917)
Wt. avg. shares outstanding – basic & diluted	104,856,355	99,051,447	96,264,358
Basic and diluted (loss) per common share	(\$0.07)	(\$0.06)	(\$0.11)

¹ Includes \$4.0 million in net proceeds of the bought deal offering of common shares, which closed on July 3, 2020. For further information please see PharmaCielo’s *Management’s Discussion and Analysis for the three months ended June 30, 2020*, available on the Company’s website or on SEDAR.

Q2 Financial Results Conference Call and Webcast

PharmaCielo will host a conference call on Monday, August 31st, 2020, at 8:30 a.m. ET to discuss its second quarter financial results and provide investors with key business highlights. The call will be chaired by David Attard, CEO, Henning Von Koss, President, David Gordon, CCO and Scott Laitinen, CFO.

Date: August 31st, 2020 | Time: 8:30 a.m. ET
Participant Dial-in: 416-764-8650 or 1-888-664-6383
Replay Dial-in: 416-764-8677 or 1-888-390-0541
Conference ID: 11880297
Playback #: 880297 (Expires September 14th, 2020)
Listen to webcast: event.on24.com

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.

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Forward-Looking Statements:

Certain statements contained in this news release, such as those relating to processing and delivery of more extracted product during the second half of 2020 and into 2021, acceleration of production, the Company's initiation of the GMP certification process and associated expansion of customer base, entry of new markets, that the Company will be cash flow positive by the end of 2020, the Company's expansion of its portfolio, revenue growth of the Company in the back half of the year, delivery of shareholder value, becoming a solution provider for the sector, the continued enlargement of the Company's active cultivation footprint, the Company's commercial introduction of a range of products and completion of Route to Market in Q3 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 there will be demand for the Company's products, that the Company's development plans do not change as a result of unforeseen events and 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 or into other countries, 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, currency exchange risk and additional risks described in the Company's Annual Information Form for the year ended December 31, 2019 filed with the Canadian securities regulatory authorities under the Company's SEDAR profile at www.sedar.com. The Company undertakes no obligation to update these forward-looking statements, other than as required by applicable law.

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