

## PharmaCielo Announces Q2 2022 Financial Results; Upsizes Oversubscribed Debenture Financing

- The Company continues to grow sales and expects to build momentum through the remainder of 2022 and through 2023, with recent progress in Israel, Brazil and Mexico.
- PharmaCielo product has been sold in 14 countries to date, and the Company expects to increase this total to 17 countries by the end of 2022.
- PharmaCielo's previously announced non-brokered private placement of debenture units is oversubscribed for a total of \$15.1 million issued or committed to date, with an aggregate of \$7.1 million from management and directors of the Company.
- Recently received ICANN G.A.P and GACP certifications, enabling commercial access to the Israeli market; expect to receive EU-GMP certification for extracted products in the second half of 2022.
- Continued progress on streamlining the business, while investing in revenue-generating sales functions. SG&A expenses reduced by approximately 36% in the first six months of 2022 vs. the same period in 2021, with further reductions expected.

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

TORONTO and RIONEGRO, Colombia, August 30, 2022 /CNW/ - **PharmaCielo Ltd.** ("**PharmaCielo**" or the "**Company**") (TSXV: PCLO) (OTCQX: PCLOF), the Canadian parent of Colombia's premier cultivator and producer of dried flower and medicinal-grade cannabis extracts, PharmaCielo Colombia Holdings S.A.S., today announced financial results for the second quarter ended June 30, 2022.

### Management Commentary

**Bill Petron, Chairman and CEO of PharmaCielo** commented, "The team has made substantial progress in the first six months of the year. We continue to build the revenue line, while steadily expanding the sales pipeline. Recent developments, including the receipt of ICANN G.A.P and GACP certifications, which enable commercial access to the Israeli market, continued progress in Brazil, and our inaugural shipment to the Company's joint venture in Mexico, are further evidence that our sales strategy is working. Our previously announced private placement of debenture units is oversubscribed for a total of \$15.1 million, with \$7.1 million from management and directors of the Company. This capital will enable us to continue executing our plan and represents a strong vote of confidence both from investors and management and directors that the Company is positioned to generate growth and profitability for shareholders."

**Mr. Petron** continued, "For the remainder of the year and into 2023, we plan to continue on our current path, with a dual focus on optimizing our operations and building the sales pipeline. While we have effectively transitioned PharmaCielo into a strategic and efficient organization with a robust sales function, we are still in the early days of what we expect to achieve. As we move toward EU-GMP certification for our extracted products later this year, and work to obtain EU-GMP certification for dried flower, we expect to be even better positioned to win business against higher cost products currently coming into the EU, Israel and Australia from high-cost jurisdictions."

## Summary Financials

(000's)	Q2 2022	Q2 2021
Revenue	\$ 2,119	\$ 446
Adjusted EBITDA (loss)	\$ (2,103)	\$ (4,463)
Net Income (Loss)	\$ (3,517)	\$ (7,224)
Net Income (Loss) per Share	\$ (0.02)	\$ (0.05)

- PharmaCielo had cash equivalents of \$1.0 million at June 30, 2022, compared to \$5.3 million at December 31, 2021. From the Company's announcement of its non-brokered private placement of debenture units, through June 30, 2022, the Company had issued 7,600 debenture units for aggregate proceeds of \$7.6 million. In July 2022, the Company issued 1,500 debenture units for aggregate proceeds of \$1.5 million. Today, the Company announced that it has signed subscription agreements for an additional 6,000 debenture units, representing an additional \$6 million in committed funds, for a total of \$15.1 million raised or committed.
- For further detailed information and analysis, please see the financial statements and management's discussion and analysis for the period ending June 30, 2022, as posted at [sedar.com](https://www.sedar.com) and [pharmacielo.com](https://www.pharmacielo.com)

## Summary of Recent Developments

*Strengthening the Company's sales team to support its go-to-market strategy:*

PharmaCielo has grown its global business development organization; recruited Technical Business Developers in Europe and appointed a President of Sales. The team has already made significant early progress, with sales to Argentina, Brazil, Colombia, and Spain, as well as progress in markets such as Germany, Mexico, and Poland.

*Streamlining the business to minimize operating costs:*

In the three months ended June 30, 2022, the Company reduced its Adjusted EBITDA loss from \$4.5 million to \$2.1 million. Management continues to focus on reducing discretionary expenses to lower the Company's use of cash and ensure a leaner organization with a lower cost base, while continuing to invest in the sales team, to drive top line growth.

*Preparing for dried flower export:*

In February 2022, the Colombian government passed regulation to enable dried flower export. With PharmaCielo's upstream and downstream scale and quality, the Company is uniquely positioned to be a formidable competitor with psychoactive flower currently being imported into the EU and other markets from Canada and other producing countries. PharmaCielo expects dried flower trial shipments to begin before the end of 2022 and commercial shipments to start in early 2023. The Company has taken the necessary steps to ensure psychoactive flower and extract quotas are in place for 2022 and 2023 exports.

*Solidifying the path to EU-GMP certification:*

PharmaCielo is currently working towards EU-GMP certification of all of its extracted products. Management expects the Company to achieve certification in the second half of 2022. This will better position PharmaCielo to sign larger, longer term supply agreements with global pharmaceutical and cosmetics customers.

PharmaCielo plans to initiate the process to obtain EU-GMP certification for its dried flower in Q1 2023. Although the Company anticipates that certification may take up to 12 months, this certification is highly respected by global customers and being EU-GMP certified for its psychoactive flower will be an important differentiator for PharmaCielo.

*Successfully re-focused the Company's product strategy:*

With a growing business development organization, and the short-term potential to sell dried flower into several markets globally, management has re-focused PharmaCielo's product strategy to emphasize THC and broad-spectrum products, as well as dried flower. These products are expected to have long-term margin profiles that are more sustainable than CBD isolate. The Company has had several recent wins, including: a sales agreement with a Brazilian Phyto-Therapeutic customer for a proprietary CBD derivative formulation; a shipment of CBD full spectrum oil to another Brazilian customer; a shipment of 300kg of CBD Full Spectrum Oil to a Spanish pharmaceutical company; and an agreement to supply THC final products to be commercialized in Germany. Most recently, PharmaCielo received ICANN G.A.P and GACP Certifications, which open commercial access to the Israeli market. The Company expects to begin shipping dried flower to Israel in early 2023.

## **Corporate Update**

- The Company settled \$1 million of debt owed to a former Officer of the Company, through the issuance of an aggregate amount of 2,173,913 common shares of the Company (the "Payment Shares") at a deemed price of \$0.46 per Payment Share.
- The Board approved and granted 1,626,200 Stock Options and 2,672,200 Restricted Share Units ("RSUs") to Directors and Officers of the Company.
- PharmaCielo today announced that its previously announced non-brokered private placement of debenture units is oversubscribed for a total of to \$15.1 million issued or committed to date. From the Company's announcement of its non-brokered private placement of debenture units, through June 30, 2022, the Company had issued 7,600 debenture units for aggregate proceeds of \$7.6 million. In July 2022, the Company issued a further 1,500 debenture units for aggregate proceeds of \$1.5 million. Today, the Company announced that it has received signed subscription agreements for an additional 6,000 debenture units, representing an additional \$6 million in committed funds. As previously announced, each debenture unit consists of \$1,000 principal amount of 11% secured debentures and 250 non-transferable warrants to purchase one common share of the Company at \$1.44 per share. The debentures mature and the warrants expire on December 24, 2024. Closing of the latest commitments will be in equal instalments over the next four months and is subject to regulatory approval including that of the TSX Venture Exchange. Certain directors and senior officers of the Company have subscribed for debenture units in an aggregate principal amount totaling \$7.1 million (including previously issued amounts). Each subscription by a director or senior officer of the Company is considered to be a "related party transaction" for purposes of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is relying on exemptions from the formal valuation and minority shareholder approval requirements available under MI 61-101. The Company is exempt from the formal valuation requirement in section 5.4 of MI 61-101 and the minority shareholder approval requirement in section 5.6 of MI 61-101 in

reliance on section 5.5(a) and section 5.7(1)(a), respectively, of MI 61-101, as the fair market value of the transaction, insofar as it involves interested parties, is not more than the 25% of the Company's market capitalization. For more information on the debenture units, see the Company's previous news releases.

## **About PharmaCielo**

PharmaCielo Ltd. (TSXV: PCLO, OTCQX: PCLOF) is a global company, headquartered in Canada, with a focus on ethical and sustainable cultivating, processing and supply of all natural, pharmaceutical-grade medical dried cannabis flower and cannabis 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 center 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**

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## **Forward-Looking Statements**

*This news release contains forward-looking statements. Forward-looking statements can be identified by the use of words such as "expects", "is expected", "intends", "anticipates", "believes", or variations of such words and phrases or state that certain actions, events or results "may" or "will" be taken, occur or be completed or achieved. Forward-looking statements in this news release include, without limitation, statements regarding the issuance of the debenture units, including the timing and completion of any future issuances thereof.*

*The forward-looking statements in this news release are necessarily based on assumptions, including assumptions with respect to PharmaCielo's ability to obtain necessary approvals for the issuance of the debenture units.*

*Forward-looking statements can be affected by known and unknown risks, uncertainties and other factors, including changes to PharmaCielo's development plans, the failure to obtain and maintain all necessary regulatory approvals relating to the export of cannabinoid products and the import of these products into other countries, TSX Venture Exchange approval, the inability to export or*

*distribute commercial products through sales channels as anticipated due to economic or operational circumstances, risks associated with operating in Colombia, fluctuation of the market price for the Company's products, risks associated with global economic instability relating to COVID-19 or other developments, risks related to retention of key Company personnel, currency exchange risk, competition in PharmaCielo's market and other risks discussed or referred to under the heading "Risk Factors" in PharmaCielo's Annual Information Form for the financial year ended December 31, 2019, which is available at [www.sedar.com](http://www.sedar.com). Accordingly, readers should not place undue reliance on forward-looking statements. Except as required by law, PharmaCielo undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.*

***Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this press release.***