

PharmaCielo Announces Q3 2022 Financial Results

- In the first nine months of 2022, PharmaCielo has made shipments to 23 customers in nine countries, with continued growth expected for 2023.
- The Company has more than doubled Revenue to \$3.8 million in the first nine months of 2022, compared to the first nine months of 2021.
- Consistent progress on streamlining the business, while investing in revenue-generating sales functions. SG&A expenses reduced by over 40% in the first nine months of 2022 vs. the same period in 2021, with further reductions expected.
- PharmaCielo's previously announced non-brokered private placement of debenture units will generate \$6 million in additional capital through the end of Q1 2023.
- PharmaCielo has applied to the TSX Venture Exchange to extend the term of certain common share purchase warrants originally issued on November 20, 2020.

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

TORONTO and RIONEGRO, Colombia, October 31, 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 third quarter ended September 30, 2022. The Company also announced that its board of directors has appointed BDO Canada LLP as the new independent registered auditor of PharmaCielo.

Management Commentary

Bill Petron, Chairman and CEO of PharmaCielo commented, "Our team has successfully implemented the turnaround plan we outlined for shareholders when I joined as CEO in August of last year. In the first nine months of 2022, our business development group has initiated shipments to 23 customers in nine countries, with a robust pipeline that we fully expect will translate into significant growth in 2023 both with new partners and existing ones. Concurrently, our finance and operating teams have worked together to streamline the business, cutting SG&A expenses by more than 40% over the past nine months, with a focus on the elimination of unnecessary legacy overhead, and an eye to reinvesting some of those savings in revenue-generating functions. 2023 is set to be a breakout year for PharmaCielo, as international markets continue to open, we achieve EU-GMP certification for our extracted and dried flower products, and as our team continues to execute."

Summary Financials

(000's)	Three months ended		Nine months ended	
	Sep 30 2022	Sep 30 2021	Sep 30 2022	Sep 30 2021
Revenue	\$ 475	\$ 485	\$ 3,795	\$ 1,606
Adjusted EBITDA (Loss)	\$ (2,469)	\$ (4,229)	\$ (5,994)	\$ (12,032)
Net Loss	\$ (5,178)	\$ (8,751)	\$ (11,602)	\$ (22,517)
Net Loss per Share	\$ (0.03)	\$ (0.06)	\$ (0.08)	\$ (0.16)

- PharmaCielo had cash equivalents of \$0.4 million at September 30, 2022, compared to \$5.3 million at December 31, 2021. On August 30, 2022, the Company announced that its previously disclosed non-brokered private placement of debenture units was oversubscribed, with a total of \$15.1 million raised or committed. This financing will generate \$6 million in additional capital in equal monthly instalments through the end of Q1 2023, subject to regulatory approval including that of the TSX Venture Exchange.
- For further detailed information and analysis, please see the financial statements and management's discussion and analysis for the period ending September 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, the Czech Republic, Uruguay, 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 September 30, 2022, the Company reduced its Adjusted EBITDA loss from \$4.2 million to \$2.5 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. On September 15, 2022, PharmaCielo announced that it had made its first shipment of dried flower to the Czech Republic, representing the Company's first shipment of medicinal grade dried flower into the EU. PharmaCielo continues to expect additional 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. On September 14, 2022, PharmaCielo announced that it had received a five ton quota to grow THC-dominant cannabis strains for export as dried flower to support the fulfillment of current sales agreements, beginning in early 2023.

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 early 2023. 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 broad-spectrum products, as well as dried flower. These products are expected to have long-term high-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 & GACP Certifications, which open commercial access to the Israeli market. The Company expects to begin shipping dried flower to Israel in early 2023.

Warrant Extension

PharmaCielo has applied to the TSX Venture Exchange (the “**TSXV**”) to extend the term of 9,007,200 common share purchase warrants (the “**Warrants**”) originally issued on November 20, 2020. Subject to the approval of the TSXV, the expiry dates of the Warrants will be extended as follows:

Number of Warrants: 9,007,200 (today), 10,000,000 (originally issued)

Original Expiry Date of Warrants: November 20, 2022

New Expiry Date of Warrants: November 20, 2024

Exercise Price of Warrants: \$0.65

Appointment of BDO Canada LLP as Auditor

At the request of the Company, the Board of Directors has received the resignation of MNP LLP (“**MNP**”) as independent registered auditor of the Company and has appointed BDO Canada LLP (“**BDO**”) as the new independent registered auditor of PharmaCielo, effective October 4, 2022, until the close of the Company's next Annual General Meeting. Additional capabilities and regional experience of BDO Canada and its component auditor BDO Colombia will provide PharmaCielo with enhanced audit committee oversight.

There were no reservations in MNP’s audit reports for any financial period during which MNP was the Company's auditor. There are no "reportable events" (as the term is defined in National Instrument 51-

102 - Continuous Disclosure Obligations) between the Company and MNP. In accordance with National Instrument 51-102, the Notice of Change of Auditor, together with the required letters from MNP and BDO, have been reviewed by the Company's Audit Committee and have been filed on SEDAR.

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. 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.