

## PharmaCielo Announces Q1 2023 Financial Results

- The Company has products in various stages of testing and sales with more than 40 customers in 11 countries, with continued growth expected for the year.
- Q1 2023 revenue of \$786,498; Adjusted EBITDA loss of \$1.9 million.
- PharmaCielo continues to focus on operating efficiently, with overhead expenses<sup>1</sup> down 20% from Q1 of 2022, and a recently initiated plan, which it expects will result in a reduction of the Company's annualized fixed costs by approximately 25% compared to 2022.

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

TORONTO and RIONEGRO, Colombia, May 29, 2023 - **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 first quarter ended March 31, 2023.

### Management Commentary

**Bill Petron, Chairman and CEO of PharmaCielo** commented, "Despite lower revenue in the first quarter of the year, we fully expect 2023 to be a period of growth following a fiscal 2022 where our sales team drove revenue of almost three-times the prior year. Results will fluctuate quarter-to-quarter due to the size of the business currently, however we are steadily making progress toward the achievement of our strategic objectives. Our global sales team has a robust pipeline of opportunities both in existing and new markets, and we expect higher margin dried flower to progressively become a larger proportion of our sales over the next several quarters. Our ongoing efficiency program is generating results with discretionary expenses down significantly over the past two years, and with no remaining capital expenditures required, we are positioned to quickly turn to profitability and cash flow generation as the revenue line grows."

### Summary Financials

(000's)	Three months ended	
	Mar 31 2023	Mar 31 2022
Revenue	\$ 786	\$ 1,201
Adjusted EBITDA (Loss)	\$ (1,876)	\$ (1,647)
Net Loss	\$ (3,559)	\$ (2,912)
Net Loss per Share	\$ (0.02)	\$ (0.02)

- PharmaCielo had cash equivalents of \$0.5 million at March 31, 2023, compared to \$0.2 million at December 31, 2022. 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. In 2023, year-to-date, the Company has raised \$1.8 million as part of the third tranche of the Offering (see "Non-Brokered Private Placement of Debenture Units", below).
- For further detailed information and analysis, please see the financial statements and management's discussion and analysis for the period ending March 31, 2023, 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 Global President of Sales. The team has already made significant early progress, with sales to countries including Argentina, Brazil, Colombia, Mexico, Morocco, Paraguay, Uruguay, South Africa and Spain, as well as progress in markets such as Germany, the Czech Republic, Portugal, Poland and Australia.

### *Streamlining the business to minimize operating costs:*

The Company's Adjusted EBITDA loss in Q1 2023 was \$1.9 million compared to \$1.6 million in Q1 2022, primarily driven by lower revenue in the quarter. 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. PharmaCielo has recently initiated additional steps in this ongoing efficiency plan, which it expects will result in a reduction of its annualized fixed costs by approximately 25% compared to 2022.

### *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 April 19, 2023, PharmaCielo announced that it had partnered with CANNPRISMA PHARMA, LDA ("CANNPRISMA"), a Portuguese Contract Manufacturing Organization ("CMO"), to supply high-quality EU-GMP certified medicinal cannabis flower to the European market. PharmaCielo will provide GACP flower to CANNPRISMA, which will convert the flower to EU-GMP standards and distribute it directly from Portugal to European customers. PharmaCielo continues to expect additional dried flower trial shipments during 2023 with commercial shipments in the second half of 2023. The Company has taken the necessary steps to ensure psychoactive flower and extract quotas are in place for 2023 and 2024 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 2023.

### *Solidifying the path to EU-GMP certification:*

PharmaCielo is currently working towards EU-GMP certification of all of its products, including CBD isolate, full and broad-spectrum CBD products and THC distillates. Management expects the Company to achieve certification in the second half of 2023. This will better position PharmaCielo to sign larger, longer-term supply agreements with global pharmaceutical and cosmetics customers. The EU-GMP certification is highly respected by global customers and is expected to 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 during 2023.

#### *Non-Brokered Private Placement of Debenture Units:*

In 2023, Year-to-date, the Company raised \$1,780,000, as part of the third tranche of its previously announced non-brokered private placement (the "Offering"), consisting of an aggregate of 1,780 debenture units (each a "Unit"). The Units were issued at a price of \$1,000 per Unit for aggregate proceeds of \$1,780,000. To date, since its announcement of the initial offering, the Company has raised \$12,575,000 principal amount of Units. As disclosed in the Company's news release dated December 22, 2021, the Company intends to use the proceeds from the sale of the new Units for operations, working capital, EU-GMP certification and the build-out of its international psychoactive dried flower sales program.

#### **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.*

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<sup>i</sup> The Company defines "overhead expenses" as: consulting fees, office & general expenses, professional fees, salaries and wages, and travel and accommodation expenses.