

PharmaCielo Provides Corporate Update

- PharmaCielo is actively working with more than 24 customers in 15 countries globally, with a focus on psychoactive APIs and dried flower.
- The Company recently made its first shipment of THC Distillate and THC-Dominant Dried Flower to a customer in Australia that will be supplying these products to dispensaries across the country.
- The Company has closed the final tranche of the previously announced non-brokered private placement and announced its plans to issue up to 5,000 debenture units in a new non-brokered private placement for aggregate gross proceeds of up to \$5,000,000.
- The Company also announced that it has agreed to issue shares in settlement of debenture interest payments.

All amounts expressed in Canadian dollars unless otherwise noted

Toronto, Ontario and Rionegro, Colombia--(Newsfile Corp. - June 29, 2023) - PharmaCielo Ltd. (TSXV: PCLO) (OTCQX: PCLOF) ("PharmaCielo" or the "Company"), the Canadian parent of Colombia's premier cultivator and producer of dried flower and medicinal-grade cannabis extracts, PharmaCielo Colombia Holdings S.A.S. ("Holdings"), today provided shareholders with an update on several ongoing initiatives.

Business Development

PharmaCielo's management team has successfully oriented the business toward revenue generation and the sale of higher margin products, with the primary focus currently on psychoactive APIs and dried flower, which generate higher margins than CBD Isolate. Currently, the Company is actively working with more than 24 customers in 14 countries across Europe, Latin America, Africa and Australia.

Germany

PharmaCielo expects to make its first shipment of THC-dominant dried flower to Germany by the end of July 2023, with regular shipments to continue for the next three years.

Australia

PharmaCielo has been working with a well-established supplier to the pharmaceutical industry (the "Customer") in Australia and has made its first shipment of both THC Distillate and THC-Dominant Dried Flower to the Customer. The Customer will supply PharmaCielo's dried flower as a finished product to dispensaries in Australia and expects to also supply the Company's THC Distillate for the manufacture of magistral formulations in the country.

Chile

The Company has also signed an agreement to supply a pharmaceutical company (the "Client"), with THC Full Spectrum as an API as well as CBD Isolate. The Client will use PharmaCielo's products to supply patients of its own clinics, as well as for currently listed magistral formulations. The Company expects to make its first shipment by the end of July 2023. The Client is a pharmaceutical company that imports pharma-grade raw materials and supplies medical patients across Argentina, Chile, Colombia, Ecuador, Mexico, and Peru.

Debenture Units

PharmaCielo today announced that it has closed the final tranche of the non-brokered private placement (the "Offering") that was announced on December 21, 2021. Under the Offering, to date, PharmaCielo issued 12,825 debenture units, for aggregate proceeds of \$12,825,000.

Following the closure of the Offering, PharmaCielo has plans to issue up to 5,000 debenture units (each a "Unit") in a non-brokered private placement (the "New Offering"). The Units will be issued at a price of \$1,000 per Unit for aggregate gross proceeds of up to \$5,000,000. Insiders, including directors and

management, plan to participate in the New Offering. The Company expects to issue the Units on or about June 30, 2023, in one or more closings, subject to the approval of the TSX Venture Exchange. The Company intends to use the proceeds from the sale of the Units for operations, working capital and the build-out of its international sales program.

Each Unit will consist of \$1,000 principal amount of 11% secured debentures ("Debentures") and 1,000 non-transferable common share purchase warrants ("Debenture Warrants"). Each Debenture Warrant will entitle the holder for a period of 60 months from the initial closing date to acquire one common share of the Company (each a "Common Share") at an exercise price equal to higher of the price equal to the market price of the Common Shares or the 10-day VWAP at the time of the initial closing. The Debentures will bear interest at a rate of 11.0% per annum, will mature 36 months from the date of initial closing date, and will be guaranteed by Holdings. Holdings' guarantee of the Debentures will be secured by mortgages on the real property of the Company and its subsidiaries.

The Company will have the right to redeem any or all of the Debentures from time to time at the following percentages of face value: (i) 105% at any time prior to the first anniversary of the initial closing date; (ii) 103% at any time on or after the first anniversary of the initial closing date and prior to the second anniversary of the initial closing date; and (iii) 101% thereafter, in each case together with accrued and unpaid interest to, but not including, the date of redemption. Upon a change of control of the Company, holders will have the right to have their Debentures repurchased at 105% of face value plus accrued and unpaid interest to, but not including the date of repurchase.

The Debentures, Debenture Warrants, and any Common Shares issuable upon exercise of the Debenture Warrants will be subject to a four-month hold period under applicable Canadian securities laws, starting from the date of issuance of the corresponding Units.

Management Commentary

"I am proud of the progress our team has made already this year both growing our future sales pipeline and working hard to execute on those opportunities," said **Bill Petron, CEO of PharmaCielo**. "While the capital markets environment is challenging for all operators in our sector, we have remained focused on what matters - operating efficiently and growing our revenue. Because of the nature of our end markets, the sales cycle can be prolonged, however these relationships, once initiated, are also long-term and high margin. With no meaningful capex ahead of us, a lean operating model, a structural cost advantage and one of the most advanced and scalable cannabis production complexes available globally, we are very well positioned to generate cash flow and value for shareholders as we continue to deliver revenue."

Mr. Petron continued, "The fact that we are able to continue obtaining debt financing at a very reasonable cost, represents a strong vote of confidence from investors and insiders regarding both our team's progress to date as well as in PharmaCielo's growth potential over the next twelve months. As a management team and board of directors, we strongly believe in alignment with shareholders."

Interest Shares

Today, the Company also announced that it intends to issue, subject to the approval of the TSX Venture Exchange, 3,231,493 common shares of the Company ("Interest Shares"), at an effective price of \$0.1993 per Interest Share, in satisfaction of an aggregate of \$644,039.45 in semi-annual interest payments due to holders of 11% secured debentures of the Company due December 24, 2024 (the "Debentures"). The effective price of the Interest Shares was determined by dividing the cash interest otherwise payable by the number of shares issuable under each Debenture, as determined on June 1, 2023, in accordance with the terms of the Debentures.

The Interest Shares are subject to the balance, if any, of the 4-month statutory hold period applicable to the relevant Debenture under Canadian securities laws.

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, pharmaceutical-grade medical 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.

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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 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.

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