

May 17, 2019



Medcolcanna and Integrated Energy Storage Complete Business Combination

*TSX-V has provided conditional approval to listing -
Shares expected to commence trading May 23, 2019 under the symbol "MCCN"*

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Friday, May 17, 2019 – Medcolcanna Organics Inc. (“Medcolcanna” or the “Company”, and formerly named Integrated Energy Storage Corp. (“IES”)), is pleased to announce the completion of its business combination (the “Transaction”) with Medcolcanna (BVI), Inc. (the “Private Company”) pursuant to which the Company and the Private Company have completed a reverse takeover of the Company by the current shareholders of the Private Company.

Trading in the common shares of Medcolcanna (the “**Medcolcanna Shares**”) is expected to commence on the TSX Venture Exchange (the “**Exchange**”) at market open on Thursday, May 23, 2019 under the symbol “MCCN”, following the issuance by the Exchange of its final bulletin in respect of the Transaction, which is expected to be issued on Tuesday, May 21, 2019.

Medcolcanna’s wholly-owned subsidiary, Medcolcanna S.A.S., has established operations in Colombia as a fully-licensed, vertically-integrated producer of medical cannabis and cannabis-related products. Lead by a proven and successful management team that brings years of expertise to every facet of the value chain, Medcolcanna is combining its high standards with an unending push for innovation that will position it as a global leader in medical cannabis.

Over the last few months, the management team successfully achieved many of its key objectives. Most recently, the goal to develop the most physiologically strong seedlings was realized, thanks to the installation of a new state-of-the-art in vitro lab. In addition, a total of 37 greenhouses, covering 1.3 hectares, are now fully-operational, significantly increasing Medcolcanna’s production footprint. These greenhouses currently house 3,425 thriving plants, with commercial cultivation beginning in Q3 2019.

Additional significant milestones achieved include:

- Medcolcanna was officially recognized and granted a license as a seed producer by the Colombian Institute of Agriculture, permitting commercial cultivation,
- Permission for agronomical evaluation was granted to research varying cannabis strains with the goal of determining potential for medical development and commercial use, and

- The grant of a quota for agronomic trial by the Minister of Justice.

Overview of the Transaction

Pursuant to the Transaction, all of the issued and outstanding common shares in the capital of IES (each, an “**IES Common Share**”) were consolidated, resulting in approximately 12,900,000 IES Common Shares being issued and outstanding immediately prior to the subsequent share issuances described below. As well, approximately 6,450,000 share purchase warrants (the “**IES Warrants**”) were issued to certain IES shareholders, with each IES Warrant being exercisable into one common share in the capital of Medcolcanna (each, a “**Medcolcanna Share**”) at an exercise price of C\$0.40 for a period expiring May 17, 2021. Additionally, IES had outstanding 500,000 stock options exercisable at a price of C\$0.25 per IES Common Share, which have been cancelled.

The Private Company had 41,762,659 common shares (the “**Private Company Shares**”) and 4,681,330 share purchase warrants (the “**Private Company Warrants**”) outstanding, of which 3,681,330 Private Company Warrants were exercisable into one Private Company Share at an exercise price of C\$0.25 for a period expiring September 24, 2019, and the remaining 1,000,000 Private Company Warrants being exercisable into one Private Company Share at an exercise price of C\$0.40 for a period of 24 months from the date of issuance thereof.

Subscription Receipt and Non-Brokered Financings

Prior to the closing of the Transaction, the Private Company completed a brokered private placement of 30,986,800 subscription receipts (the “**Subscription Receipts**”) at a price of C\$0.25 per Subscription Receipt for gross proceeds of C\$7,746,700 (the “**Offering**”). The proceeds from the Offering, less certain expenses, were placed into escrow on completion of the Offering. In connection with the completion of the Transaction, the Subscription Receipts were converted on a one-for-one basis into units of Medcolcanna comprising a total of 30,986,800 Medcolcanna Shares and 15,493,400 common share purchase warrants exercisable for a period of two years at C\$0.40 per warrant (the “**Medcolcanna Warrants**”). The escrowed proceeds from the Offering, less commissions and certain transaction fees and expenses, have been released from escrow to Medcolcanna. 2,102,028 compensation options issued to the agents in the Offering in conjunction with, and as partial compensation for, acting as agents in the Offering were also exchanged for compensation options of Medcolcanna (the “**Compensation Options**”) on a one-for-one basis.

Simultaneous with the Offering, the Private Company completed a non-brokered private placement of 400,000 Private Company Shares at a price of C\$0.09 per share for gross proceeds of C\$36,000 on March 15, 2019 (the “**Non-Brokered Private Placement**”).

The Company Post-Transaction

Immediately prior to the completion of the Transaction, IES changed its name to “Medcolcanna Organics Inc.” The Transaction was completed through a share exchange whereby each security of the Private Company was exchanged for securities of Medcolcanna (the “**Share Exchange**”) and each post-consolidation IES Share became a Medcolcanna Share. The Transaction constitutes a reverse take-over as the former shareholders of the Private Company now own (on a non-diluted basis, and including the

Offering) approximately 84.9% of the issued and outstanding Medcolcanna Shares immediately following the completion of the Transaction. Upon completion of the Transaction there were 85,649,459 Medcolcanna Shares issued and outstanding, with an additional 38,342,718 Medcolcanna Shares reserved for issuance upon the exercise of securities convertible into Medcolcanna Shares, as follows:

	Number of Medcolcanna Shares	Percentage of Total Diluted Medcolcanna Shares After Giving Effect to the Share Exchange	Percentage of Total Undiluted Medcolcanna Shares After Giving Effect to the Share Exchange
Medcolcanna Shares issuable to IES Shareholders in connection with the Share Exchange	12,900,000	10.4%	15.1%
Medcolcanna Shares issuable to Private Company Shareholders in connection with the Share Exchange	41,762,659	33.7%	48.7%
Medcolcanna Shares issuable to subscribers of the Offering	30,986,800 ⁽¹⁾	25.0%	36.2%
Total Basic Shares Outstanding	85,649,459		100%
Medcolcanna Shares issuable to the holders of IES Warrants in connection with the Transaction	6,450,000	5.2%	n/a
Medcolcanna Shares issuable to holders of Medcolcanna Warrants as part of the Offering	15,493,400	12.5%	n/a
Medcolcanna Shares issuable to holders of Private Company Warrants at C\$0.25 and C\$0.40, as described above	4,681,330	3.77%	n/a
Reserved for issuance pursuant to the Medcolcanna Stock Option Plan	8,564,946	6.9%	n/a
Medcolcanna Shares issuable pursuant to the Compensation Options	2,102,028	1.7%	n/a
Medcolcanna Shares issuable	1,051,014	0.8%	n/a

	Number of Medcolcanna Shares	Percentage of Total Diluted Medcolcanna Shares After Giving Effect to the Share Exchange	Percentage of Total Undiluted Medcolcanna Shares After Giving Effect to the Share Exchange
pursuant to the Medcolcanna Warrants comprising the Compensation Options			
Total Options and Warrants Outstanding	38,342,718	30.9%	
Total Number of Fully Diluted Medcolcanna Shares	123,992,177	100%	

Working Capital

Upon completion of the Share Exchange, Medcolcanna has estimated funds of approximately C\$7,753,353 available. Medcolcanna expects that the principal purpose of such funds will be used to effect Medcolcanna's business plan. Specifically, Medcolcanna intends to use the funds available for the following purposes (the following estimates based on a 12 month breakdown):

Available Funds (all dollar amounts in C\$)	
Approximate working capital of IES and Medcolcanna as of April 30, 2019	\$705,455 ⁽¹⁾
Gross Proceeds of the Offering	\$7,746,700
Gross Proceeds of the Non-Brokered Private Placement	\$36,000
Agent's Fees on Offering not previously paid ⁽²⁾	(\$434,802)
Costs associated with regulatory approval of reverse takeover	(\$300,000)
Total Available Funds	\$7,753,353

Anticipated Use of Funds		
Construction of facilities and greenhouses		(\$1,698,413)
Commercial distribution		(\$2,840,404)
Security		(\$123,377)
Product lab development		(\$60,000)
Research and development		(\$50,000)
Salaries & wages		(\$994,808)
General and Administration costs for 12 months following completion of the Share Exchange		
Investor relations/advisory fees	\$70,000	(\$70,000)
Transfer agent/filing fees	\$31,300	(\$31,300)
Legal/audit	\$117,727	(\$117,727)
Insurance	\$65,000	(\$65,000)
Other	\$341,475	(\$341,475)
	\$625,502	(\$6,392,504)
Less: Anticipated cash revenue receipts during last three months of year		\$2,083,361
Total Anticipated Use of Funds		(\$4,309,143)
Total Unallocated Funds		<u>\$3,444,210</u>

Notes:

- (1) Includes C\$580,000 in cash plus other working capital of C\$25,455 from IES as seen in the pro forma estimated by the Closing Date and the working capital of C\$100,000 (excluding restricted cash) of Medcolcanna as at April 30, 2019.
- (2) Total commissions are C\$507,042. Of this amount, C\$72,240 was paid by December 31, 2018.

It is currently anticipated that Medcolcanna's unallocated working capital will be used for such purposes as determined by management from time to time.

Escrowed and Pooled Shares

An aggregate of 32,000,000 Medcolcanna Shares issued upon the Share Exchange are considered "Value Escrow Shares" in accordance with Exchange Policy 5.4 and will be subject to the release schedule applicable under a Tier 2 Value Security Escrow Agreement in accordance with the following timeline:

Tier 2 Issuer % of Medcolcanna Shares Released from Escrow	Release Date
10%	Date of Final Exchange Bulletin
15%	6 months from Final Exchange Bulletin
15%	12 months from Final Exchange Bulletin
15%	18 months from Final Exchange Bulletin
15%	24 months from Final Exchange Bulletin
15%	30 months from Final Exchange Bulletin

Tier 2 Issuer % of Medcolcanna Shares Released from Escrow	Release Date
15%	36 months from Final Exchange Bulletin

In addition, an aggregate of 1,040,128 Medcolcanna Shares issued to the founders of IES and certain shareholders on the founding by spin-out transaction of IES will likewise be considered “Value Escrow Shares” in accordance with Exchange Policy 5.4 and will be subject to the release schedule applicable under a Tier 2 Value Security Escrow Agreement in accordance with the foregoing timeline. A further 4,460,933 Medcolcanna Shares are subject to a four month hold pursuant to applicable securities laws, such hold period expiring on June 1, 2019. An additional 709,125 Medcolcanna Shares are subject to a four month hold pursuant to applicable securities laws, such period expiring on July 27, 2019.

A total of 7,762,659 Medcolcanna Shares will be subject to either (a) lock-up provisions restricting the resale of the Medcolcanna Shares for a period of eighteen months, as agreed to by IES and Medcolcanna with the agents as a condition of closing the Offering, or (b) the hold periods pursuant to the “Seed Share Resale Matrix” in accordance the policies of the Exchange (Seed Share Resale Restrictions under Exchange Policy 5.4) upon completion of the Share Exchange, which vary from three years to four months, depending on the initial price at which the IES Common Shares and Medcolcanna Shares, as the case may be, were purchased and for how long they have been held by the applicable shareholder. Lastly, a total of 6,500,000 Medcolcanna Shares and 6,450,000 Medcolcanna Warrants are subject to a three year hold period pursuant to a Tier 2 Value Security Escrow under the “Seed Share Resale Matrix” pursuant to certain debt settlement transactions undertaken by IES in advance of closing.

Filing Statement

In conjunction with the closing of the Transaction and the conditional approval of the listing of the Medcolcanna Shares on the Exchange, a Filing Statement describing in detail the business of Medcolcanna and the Transaction has been filed on www.sedar.com and will be available on Medcolcanna’s website.

New Board and Management

Upon closing of the Transaction, the board of directors and management of the Company were reconstituted as follows, in place of the previous officers and directors and officers of IES:

- Felipe De La Vega, Chief Executive Officer and a Director;
- Chris Reid, Chief Financial Officer;
- Nicolas Rodriguez, Chief Operating Officer;
- Peter Yates, Corporate Secretary;
- Robert Metcalfe, Director (Chairman);
- Thor Borresen, Director; and
- Pablo Vieira, Director.

Biographical descriptions of each director and member of the senior management team of Medcolcanna are included in the Listing Statement.

Further Information

For further information regarding the Transaction, please contact:

Felipe De La Vega
Chief Executive Officer
Medcolcanna Organics Inc.
+57 310 258 9163
fdelavega@medcolcanna.com

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION:

This news release contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking statements”) within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends” or variations of such words and phrases or stating that certain actions, events or results “may” or “could”, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this news release, forward-looking statements relate, among other things, to: the terms and conditions of the Transaction; the terms and conditions of the Offering; receipt of all regulatory licenses required for the cultivation, production, domestic distribution and international export of cannabis and cannabis-related products; use of proceeds raised in the Offering; and the business and operations of Medcolcanna after the consummation of the Transaction. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; and the delay or failure to receive board, shareholder or regulatory approvals. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release.

Medcolcanna assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

These securities offered in the Offering have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or any U.S. state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, United States persons absent registration or any applicable exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States, nor shall there be any sale of these securities in any jurisdiction in which such

offer, solicitation or sale would be unlawful.

Neither the TSX Venture Exchange Inc. 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 release and neither of these entities has in any manner passed upon the merits of the Transaction or any associated transactions.