

Medcolcanna Signs Licensing and Profit-Sharing Agreement with Herbolea Biotech for Patent Pending Technology

BOGOTÁ, Colombia – August 20, 2019 – **Medcolcanna Organics Inc.** (TSX-V: MCCN) (“**Medcolcanna**” or the “**Company**”), a Canadian medical cannabis company with operations in Colombia, is pleased to announce that it has signed a Licensing and Processing Services Agreement with Herbolea Biotech S.r.l. (“**HBT**”), an Italian based bio-technology company that has developed Bio-Herbolysis™ a patent pending process for the extraction and preservation of cannabis from newly harvested or dried material.

With the closing of these two agreements, Medcolcanna will have the license rights to use Bio-Herbolysis™ for their extraction requirements, as well as offer processing services to third parties in Colombia, delivering full spectrum oil, distillates and crystals. As part of the agreements, HBT will install a 100 kg/h good manufacturing practices (GMP) compliant equipment during Q4 of 2019, with an operational capacity of processing over 200,000 kg of dry flower or wet biomass equivalent, per year.

“The signing of this agreement is another major milestone that we have achieved towards building and executing the vision and development of Medcolcanna as it becomes a leading Colombian producer, manufacturer, and distributor of cannabis products around the globe,” commented Felipe de la Vega, Chief Executive Officer. “The importance of this technology is that the extraction and processing of our cannabis oils, pharmaceuticals, and other consumer products is greatly enhanced by the ability to use wet or dried material. In addition, Medcolcanna will have the right to offer third-party firms GMP certified extraction services under a profit-sharing agreement which greatly expands the potential for additional revenue and profit for our company.”

The Bio-Herbolysis™ process delivers a high-quality, solvent-less extraction, with a simple one step process that is industrially proven at over 300 kg/hour, yielding over 90% efficiency, and with significant operational and investment savings; the ability to directly input wet material and its low temperature process, results in a true full spectrum extract, maintaining the presence of volatile terpenes which give cannabis its characteristic flavour and aroma, as well as the potential to easily provide cannabinoids in their original acidic form. *With this agreement in place, HBT will further expand its global footprint by deploying its technology in Colombia, alongside existing agreements in Germany, Italy and Canada.*

HIGHLIGHTS OF THE AGREEMENT

Initial Term: Seven years with the ability to extend the term.

Capacity and target Production: Estimated at 200 tons of dry or wet biomass per year; target of 100,000 kg of processed botanical raw material (BRM) by 2022. Production capacity to be increased as required.

Capex Savings: HBT to provide the equipment, eliminating the associated capital investments. Estimated reduction of capital expenditure of approximately \$7,000,000 Canadian Dollars. The savings consist of initial extraction equipment as well as post processing options of comparable technologies for 200,000 kg of dry flower or wet biomass equivalent of yearly capacity.

Benefit of Processing Wet Material: Eliminates inventory costs of 15 days and the associated operational and build-out costs, as well as the ability to preserve the cannabinoids in acidic form.

GMP Equipment: Tailored specialty equipment built to the specific requirements of Medcolcanna. To be shipped within the first four months of the signing of the agreement and subsequent design agreement. Production capacity of 100 kg/hour of dry or wet material.

Facility Costs and Processing: Significantly lower permitting costs due to eliminating the need for solvents and the elimination of drying rooms.

Efficiency Value: 90%+ efficiency, creates at least a 15% delta vs CO2 industry standard operational processes, worth approximately CAD\$20 per kg of BRM.

Reduced Labour Costs: Simplified processing reduces operational complexity and reduces labour costs in addition to remote monitoring and performance improvement provided by HBT

Processing Profit Sharing Agreement: HBT and Medcolcanna will profit-share at the rate of 50% each.⁽¹⁾

ABOUT MEDCOLCANNA

Medcolcanna is a Canadian integrated medical cannabis company, whose fully-licensed operations are based in Colombia. Led by a proven and successful management team, Medcolcanna has facilities in optimal growing locations which positions the Company to become a global leader in the medical cannabis market.

Medcolcanna employs state of the art organic agricultural technology and innovative pharmaceutical processes to produce high-quality products. The Company's scalable production model and network of pharmaceutical partnerships globally ensures that they remain at the forefront of the medical cannabis industry.

If you would like to receive News Releases via e-mail as soon as they are published, please subscribe here: <https://medcolcanna.com/contact-us/>

Additional information about Medcolcanna can be found on its web site at www.medcolcanna.com

ABOUT HERBOLEA BIOTECH

Herbolea Biotech™ is an Italian extraction technology company focused on transforming high therapeutic potential plants into superior quality products by using Bio-Herbolysis™, its patent-pending, highly efficient and environmentally friendly technology. Bio-Herbolysis™ extracts Cannabinoids with an efficiency above 90%, and allows for processing of wet material, preserving the full acidic forms as well as the original terpene profile. The process does not require the use of organic solvents, harmful substances or CO₂. Bio-Herbolysis™ is highly scalable, GMP eligible, and proven at industrial applications well over 1,000 kg/h. In addition to Italy, Canada and Germany, Herbolea™ is currently expanding its operations to Latin America and other regions in Europe. www.herbolea.com

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.

(1) Initial term is for the first two years of the agreement.

Medcolcanna Investor Relations Contact:

Chris Reid, CFO
Carrera 49b # 93-62
Bogotá, Colombia
Phone: +571 642-9113
Email: info@medcolcanna.com

Camila Mendoza, Marketing Director
Carrera 49b # 93-62
Bogotá, Colombia
Phone: +571 642-9113
Email: info@medcolcanna.com

Herbolea Contact Information:

Email: info@herbolea.com
Herbolea Biotech S.r.l. - Via Luciano Lama 9/11, Sesto Fiorentino (Firenze), 50019, Italy
www.herbolea.com

Forward-Looking Statements

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. 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. More particularly, this news release contains forward looking statements regarding expectations regarding the expected timing of delivery of equipment from HBT and the economies of scale and associated cost savings to be realized from using the technologies developed by HBT, as well as expectations regarding the ability to process more product and enhance operational efficiencies regarding extraction of cannabinoids from dried flower and the expected maintenance of terpene profiles following such extraction. These forward-looking statements are based on HBT complying with the terms of the agreement signed with Medcolcanna as well as the technologies offered by HBT meeting the expectations represented by HBT. To the extent that the technological processes developed by HBT fail to function at all or to the extent expected, the cost savings and operational efficiencies described herein may not be realized or may be realized to a lesser extent that described herein and such differences may be material.

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.