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## MEDCOLCANNA ORGANICS INC. ANNOUNCES OPERATIONAL UPDATE AND BRIDGE DEBENTURE FINANCING

Bogota - Colombia

Jun 26, 2020

Page 1

**Bogotá, Colombia**, June 26, 2020 – Medcolcanna Organics Inc. (“**Medcolcanna**”, “**MCCN**” or “the “**Company**”) (TSXV: MCCN), a leading Colombian and global integrated Cannabis Company, is pleased to provide an operational update and announce that it intends to proceed with a bridge debenture financing with the principal amount of \$1,000,000 (the “**Offering**”). The Company intends to use the net proceeds from the financing for inventory production, inventory purchase, product rollout, expansion of sales personnel, a small allocation to complete capital expenditure investments for an extraction facility (Extralia Labs) built in compliance with European Union good manufacturing processes (“**GMP EU**”), as well as for general corporate purposes and funding its working capital needs.

### Management Commentary

Felipe de la Vega, President and CEO of Medcolcanna, commented: *“This financing comes at a time of transition for the Company, as we transition from building out our infrastructure to executing on our commercial vision. The Company was able to develop the majority of this key infrastructure over the last 12 months; that includes 7 hectares of cultivation (5 hectares under green house, 2 hectares outdoor) (approx. 5.8 hectares net), post harvesting facility, both cultivation and post harvesting under good agricultural and collection practices (“**GACP**”) compliance, our fully owned third party extraction facility of approximately 5,000 square feet under GMP EU compliance called Extralia Labs with a capacity of 300 tons of dry flower per year, the update of the pharma lab to produce medical products in Colombia pending authorization from Invima, and research and development of formulations intended for medical and consumer products.”*

De la Vega continued: *“As we now shift our focus on leveraging our low cost cultivation and production infrastructure in Colombia, the convertible debenture will enable us to execute optimally and efficiently on five different revenue streams,*

# PRESS RELEASE



which are to roll out and will be increasing over the next four months, including seeds and cuttings sales in Colombia to other producers, cultivation and operation services (working interest, agronomical evaluation and operational management for third parties), third party extraction services, bulk products (oils, distillates and isolates), white label products and our own branded products. The achievement of all the milestones, including more production capacity than initially forecasted in both cultivation and extraction and maintaining control over our budget and expenditures, provide confidence to MCCN shareholders and investors, that MCCN and its management are committed to creating value in a tangible business that will be reflected in increasing value and generating strong returns for our shareholders.”

Chris Reid, CFO, commented: “The MCCN Management team is pleased with what we were able to achieve and accomplish with the initial capital that was raised at the time of our reverse take-over transaction over a year ago. We have been able to assemble key physical and logistical infrastructure that has been built that will support and aid our multiple vertically integrated lines of business. We have been able to do this while also reducing or eliminating capital expenditure as much as possible, either through partnerships, such as our partnership with Herbolea Biotech S.r.l., or by utilizing the talent within the Company. The cost savings that occurred were approximately \$3.0M CAD through this partnership and the design and fabrication of our Cannabis drying system as well as our Ethanol extraction equipment which are both key pieces of equipment that make up a part of Extralia’s extraction capacity of 300 tons of dry flower per year.”

Mr. Reid continued “We are conducting this financing through a convertible debenture instrument in order to help ensure that we can execute and implement the roll out of five different revenue streams in an effective and efficient manner. The Company is now moving towards commercializing its revenue streams on a material basis and is an exciting and important next step for the Company as the Company works to move closer to its short-term goal of self-sustainability.”

Daniel Herrera, MCCN Chief Corporate Development Officer states: “We are pleased with the operational build out and the development of strong and diversified product lines across our multiple businesses. Our commercial team has grown dramatically over the last several months including establishment of commercial offices and representatives optimally deployed in preparation for a launch in various high value markets and is excited to bring to market the differentiated product offerings. We have developed strong confidence in our logistical infrastructure achieving trial exports to various markets in Europe this quarter, and we expect to complete two more to Europe and to the US this month, where we expect to benefit from recurring

Bogota - Colombia

Jun 26, 2020

**Page 2**

# PRESS RELEASE



shipments supporting our international export sales business and partners in legal cannabis markets worldwide.”

## **Bridge Debenture Financing**

The senior secured convertible debentures (the “**Debentures**”) will be secured by the assets of the Company and be senior to all other indebtedness of the Company and will be convertible into common shares in the capital of the Company (each, a “**Common Share**”) on the following terms: the Debentures will be convertible into Common Shares at a price of \$0.25 per share and will have a term of two years from the date of issuance, with interest payable at a rate of fourteen percent (14%) per annum (simple not compounded), payable every six months in cash or shares from the date of issuance. The Debentures will be subject to earlier redemption by the Company in the event the Common Shares are trading on the facilities of the TSX Venture Exchange (or such other stock exchange on which the Common Shares may then be trading) at a volume weighted average trading price at or above \$0.40 per share for a period of not less than ten (10) consecutive trading days.

Each Debenture will include four common share purchase warrants (each, a “**Warrant**”) for every one dollar of principal amount of Debentures subscribed for, with each Warrant exercisable at a price of CDN\$0.25 to purchase one Common Share for a period of 60 months from the date of issuance. The Warrants will have a forced conversion feature whereby the Company will have the option to force the conversion of Warrants upon the Common Shares trading on the facilities of the TSX Venture Exchange (or such other stock exchange on which the Common Shares may then be trading) at a volume weighted average trading price at or above \$0.40 per share for a period of not less than ten (10) consecutive trading days.

The Offering is expected to be non-brokered (although the Company retains the right to pay finder’s fees or commissions on issuances pursuant to the Offering) and is subject to approval of the TSX Venture Exchange, including the pricing and other material terms thereof.

## **Operational Developments**

### ***Breeding***

The Company currently has propagation capacity to supply cuttings for up to 40 hectares.

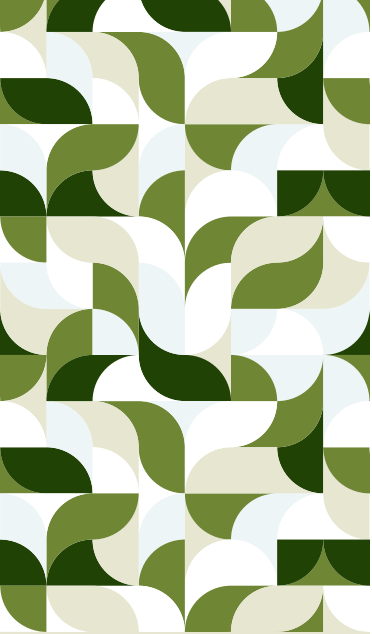
### ***Cultivation***

Current cultivation capacity is approximately 30,000 kilograms of dried flower per year over seven (7) hectares of cultivation (approximately 5.8 hectares net for

Bogota - Colombia

Jun 26, 2020

Page 3



# PRESS RELEASE



Bogota - Colombia

Jun 26, 2020

Page 4

MCCN), such cultivation with standard operating procedures and compliance to GACP.

Eight (8) strains are already registered at the commercial cultivar including psychoactive, non-psychoactive and hemp). MCCN is now fully commercial.

### ***Post Harvesting***

Twelve thousand (12,000) square foot facility built for post harvesting and extraction. Automatized post harvesting is in place with capacity to attend up to twenty (20) hectares of cultivation and the possibility to expand up to sixty (60) hectares.

### ***Extraction***

Five thousand (5,000) square foot facility built under GMP EU compliance. Four (4) types of extraction including cryoethanol, butane, solvent less bio herbolisys and rosin, and refining capacity including distillation, crystallization and chromatography.

Capacity to extract up to 300 tons of dried material per year, positioning the Company to possess one of the largest extraction facilities in Colombia. Extraction services to be provided to third parties starting in mid-July of this year.

### ***Sales and Distribution***

Successfully completed two (2) trial exports to different European countries.

Expecting two (2) more to Europe and to the US within the next two weeks.

Fifteen (15) different medical formulations developed at our lab based on formulations acquired from the ICP transaction announced last year. Eight (8) cosmetics registered in Colombia with another eight (8) different formulations available in white label format and branded for international markets

The Company has become a fully integrated company offering products and services at every step of the value chain and have started to generate important revenues that will contribute with the self-sustainability and growth of the Company.

### ***Service Offering and Portfolio***

The Company is moving into the commercialization stage and will begin to provide the market with a quarterly operational report or as management see fits in order to provide the market with regular updates on the progress of MCCN.

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### **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”, “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 for any proposed transaction. 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.

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.

Bogota - Colombia

Jun 26, 2020

Page 5