

# PharmaCielo Announces 30,000 Kg Cannabis Extract Agreement for German Market

- PharmaCielo will sell a broad range of extracts – including both CBD- and THC-dominant profiles – to XPhyto Therapeutics Corp., for German market distribution
- Three-year agreement signed, covering a minimum delivery target of 30,000 kg, beginning mid-2020
- GAP and ISO 9001:2015 Certifications Provide Key Quality Confirmation to Customer

TORONTO, Jan. 27, 2020 /CNW/ - **PharmaCielo Ltd.** ("**PharmaCielo**" or the "**Company**") (**TSXV: PCLO; OTCQX: PCLOF**), the Canadian parent of Colombia's premier cultivator and producer of medicinal-grade cannabis extracts, PharmaCielo Colombia Holdings S.A.S., announced that it has entered into a three-year agreement (the "Agreement") with **XPhyto Therapeutics Corp.** ("**XPhyto**") (**CSE:XPHY; FSE:4XT**), whereby PharmaCielo will supply medicinal-quality cannabis extract oils and isolates, including those containing THC, to XPhyto for analysis, further processing, product development and manufacturing at its European Union Good Manufacturing Practice-certified ("EU GMP") facility in Biberach in the state of Baden-Württemberg, and thereafter for sale into the German market.

"PharmaCielo has a significant opportunity to export an ever-expanding range of medicinal products into the German market, including those containing THC, and we are very excited to work with XPhyto to leverage this opportunity," said **David Attard, CEO of PharmaCielo Ltd.** "As the largest medicinal cannabis marketplace in Europe, Germany is also the most demanding in terms of product quality. Our ability to meet market requirements for verifiable quality parameters was essential to establishing the relationship. We expect to generate meaningful revenue through this agreement over the next three years and are focused on continuing the ramp-up of our sales efforts through 2020."

XPhyto is a Canadian headquartered company focused on cannabinoid-based formulations and clinical validations. The company owns two German subsidiaries, Bunker Pflanzenextrakte GmbH and Vektor Pharma TF GmbH, and is expanding its current licensed German cultivation, processing and product R&D to address near-term medicinal product opportunities in the German marketplace.

**Hugh Rogers, CEO of XPhyto**, said, "In order to meet medicinal market demand, XPhyto looks forward to working with PharmaCielo as the preferred supplier for our European import and distribution business with the industry-leading cultivation and process standards necessary to supply premium oils and isolates for our innovative medical cannabis products, such as oral films, transdermal patches, and topical treatments."

The three-year Agreement is PharmaCielo's largest volume sales agreement to date and represents its first agreement to include THC profile products. The volume product range include minimum 99% pure CBD and THC isolates, broad spectrum oil with cannabinoids and terpenes with 0% THC, as well as full spectrum oil with cannabinoids and terpenes, including THC.

Exports are planned to commence in mid-2020 following completion of necessary product range regulatory protocols. Minimum total volume under the Agreement is approximately 30,000 kg over the three-year period, with each year's shipments growing progressively higher.

Delivery of products to Germany under the Supply Agreement remains subject to the approval of the TSX Venture Exchange (the "TSXV").

## **Additional Information**

Pursuant to the Agreement, XPhyto granted PharmaCielo 500,000 Common Share purchase Warrants ("Warrants") with an exercise price of \$2.00 per Common Share.

As a term of the Agreement, PharmaCielo will enter into an agreement (the "Purchase Agreement") to purchase CAD \$500,000 of unsecured convertible debentures of XPhyto (the "Debentures"), to fund expansion of its processing capabilities. The Debentures mature two years from the date of issue and bear interest of 8.0% per annum. The Debentures will be convertible by PharmaCielo into 500,000 common shares of XPhyto subject to certain XPhyto acceleration rights. The purchase of the Debentures is subject to approval by the Canadian Securities Exchange (the "CSE"). XPhyto will also grant PharmaCielo 500,000 Warrants with an exercise price of \$1.50 per Common Share.

## **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, medicinal-grade cannabis oil extracts and related products to large channel distributors. PharmaCielo's principal (and wholly owned) subsidiary is GAP-certified PharmaCielo Colombia Holdings S.A.S., headquartered at its nursery and propagation centre located in Rionegro, Colombia.

The boards of directors and executive teams of both PharmaCielo and PharmaCielo Colombia Holdings 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 will play 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.

## **About XPhyto Therapeutics Corp.**

XPhyto is a next-generation cannabis company focused on formulation, clinical validation, and European imports, distribution and sales. XPhyto's 100% owned subsidiary, Vektor Pharma TF GmbH, a German narcotics manufacturer, importer and researcher has expertise in the design, testing and manufacture of thin film drug delivery systems, particularly transdermal patches and sub-lingual (oral) strips. Vektor also holds a number of narcotics licences issued by the German Federal Institute for Drugs and Medical Devices (BfArM), including import and manufacturing permits, as well as EU GMP lab certification. XPhyto's 100% owned German subsidiary, Bunker Pflanzenextrakte GmbH, has been granted a unique German cannabis cultivation and extraction licence for scientific purposes by BfArM. Bunker has two exclusive R&D collaboration agreements with the Technical University of Munich, Chair of Beverage and Brewing Technology and Faculty of Chemistry. XPhyto is pursuing additional opportunities in Europe including commercial cannabis cultivation, processing, manufacturing, import, and distribution. In Canada, two exclusive 5-year engagements with the Faculty of Pharmacy at a major Canadian university provide certified extraction, isolation, and formulation facilities, drug research and development expertise, as well as commercial analytical testing capability.

## **Forward-Looking Statements**

*This press release contains forward-looking statements. Forward-looking statements can be identified by the use of words such as, "expects", "is expected", "intends", "believes", or variations of such words and phrases or state that certain actions, events or results "may" or "will" be taken, occur or be achieved. Certain statements contained in this news release, such as those relating to targeted export growth volumes, targeted export sales and minimum revenue projections under the Agreement in 2020, the timing of commercial deliveries and expanding market delivery for THC and CBD products in Germany, the approval of the TSXV, the purchase of Debentures and the Warrants under the Purchase Agreement, the approval of the CSE, and the perceived benefits*

*from the commercial arrangement, are "forward-looking statements" as such term is used in applicable Canadian securities laws. Forward-looking statements are based on plans, expectations and estimates of management at the date the information is provided and is subject to certain factors and assumptions, including the ability to obtain all necessary governmental regulatory and TSXV approval related to the commercialization and exportation of PharmaCielo's THC and CBD products from Colombia to Germany, CSE approval of the issuance of the Debentures and Warrants, that the Company's financial condition and development plans do not change as a result of unforeseen events, PharmaCielo's ability to meet its obligations under the Agreement and management's ability to execute its overall business plan. Forward-looking information is subject to a variety of risks and uncertainties and other factors that could cause plans, estimates and actual results to vary materially from those projected in such forward-looking information. Factors that could cause the forward-looking information in this news release to change or to be inaccurate include, but are not limited to, the risk that any of the assumptions referred to prove not to be valid or reliable, the regulatory regime relating to the importation of cannabis products into the German market is constantly evolving and as a result is subject to uncertainty, that the market for THC and CBD products in Germany is volatile and could diminish the profitability in this jurisdiction, failure to obtain necessary TSXV, CSE or applicable government regulatory approvals, the Company may be unable to export or distribute commercial product to its sale channels due to economic or operational circumstances, that demand for PharmaCielo's products in Germany may be less than anticipated, that there may be higher than anticipated competition in the German market, risks associated with operating in Colombia, as well as the other risks and uncertainties applicable to cannabis producing companies. The Company undertakes no obligation to update these forward-looking statements, other than as required by applicable law.*

Neither the TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this press release.

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