



XPHYTO THERAPEUTICS ANNOUNCES STRATEGIC SUPPLY, IMPORT AND DISTRIBUTION AGREEMENT FOR THE GERMAN CANNABIS MARKET

Vancouver, Canada (January 27, 2020) - XPhyto Therapeutics Corp. (CSE:XPHY; FSE:4XT) (“XPhyto” or the “Company”) is pleased to announce that the Company has signed a three year definitive supply, import and distribution agreement (the “Agreement”) with PharmaCielo Ltd. (“PharmaCielo”), one of the largest, highest quality, and lowest cost cannabis cultivators in the world.

PharmaCielo (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 international markets. PharmaCielo’s principal (and wholly owned) subsidiary, PharmaCielo Colombia Holdings S.A.S., is headquartered at its nursery and propagation centre located in Rionegro, Colombia.

XPhyto has prioritized near-term revenue generation by way of import and distribution of medical cannabis products into Germany as a key corporate initiative for 2020 and beyond. Pursuant to the Agreement and subject to all necessary regulatory approvals, XPhyto plans to commence the commercial import of cannabis oils and isolates in mid-2020 with a three year minimum sales target of approximately 30,000 kg for a full range of extracted products including 99% pure CBD and THC isolates, broad spectrum CBD oils, and full spectrum THC oils.

“XPhyto is extremely pleased with its new and growing relationship with PharmaCielo. There are clear synergies between our businesses. In our estimation, PharmaCielo is one of the highest-quality large-scale producers in the world combining an industry-leading cost per gram with global Good Agricultural Practice (GAP) and ISO 9001:2015 certifications that are difficult for large-scale producers to achieve,” said Hugh Rogers, CEO of XPhyto. “XPhyto looks forward to working with PharmaCielo as a preferred supplier for our European import and distribution business and to supply premium oils and isolates for our innovative medical cannabis products, such as oral films, transdermal patches, and topical treatments.”

Pursuant to the Agreement, PharmaCielo has agreed to purchase, on a private placement basis, the principal amount of CDN \$500,000 of unsecured convertible debentures of the Company (the “Debentures”) and 500,000 common share purchase warrants (the “Warrants”). The Debentures will bear interest from the date of issuance at a rate of 8.0% per annum, payable semi-annually, and will mature on the date that is two years from the date of issuance. The Debentures will be convertible at the option of the holder into 500,000 common shares of the Company at any time prior to maturity. Conversion of the Debentures may be forced in part or in whole at the option of the Company if the 15-day volume weighted average price of the Company’s common shares on the Canadian Securities Exchange (the “CSE”) exceeds \$2.50 per share. The Warrants are exercisable by the holder into common shares of the Company at a price of \$1.50 per share for a period of two years from the date of issuance. The use of proceeds from the Debentures is to facilitate European imports by way of expanded EU GMP lab processing and storage capacity, associated regulatory compliance, and product development and manufacturing, as well as general working capital.



Also pursuant to the Agreement, the Company has issued PharmaCielo an additional 500,000 common share purchase warrants exercisable by the holder into common shares of the Company at a price of \$2.00 per share for a period of two years from the date of issuance.

PharmaCielo has agreed to subscribe for a minimum of \$500,000 out of the total maximum Debenture financing of up to \$2,000,000 as set out in a price reservation filed with the Canadian Securities Exchange (the "CSE") on January 9, 2020. All securities issued pursuant to the Agreement are subject to CSE approval and a four-month hold period from the closing date in accordance with applicable securities laws.

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.

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Forward looking statements

This news release includes statements containing forward-looking information within the meaning of applicable Canadian securities law ("forward-looking statements"). Forward-looking statements are frequently characterized by words such as "target", "develop", "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "potential", "propose" and other similar words, or statements that certain events or conditions "may" or "will" occur, and in this release include the statement regarding the Company's goal of building an industry leading medical cannabis company. Forward-looking statements are only predictions based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking



statements, including: that the Company will be able to achieve its sales targets; that the Company may not derive the expected, or any, benefits from its licences; that the Company may be unable to scale its business; product liability risks; frequent changes to cannabis regulations in Canada and internationally; general economic conditions; adverse industry events; future legislative and regulatory developments; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; competition; international risks; and other risks beyond the Company's control. The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

Neither the CSE nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this news release.