PharmaCielo Ltd. Management's Discussion and Analysis

Year ended December 31, 2018, 5 months period ending December 31, 2017 and the year ended July 31, 2017

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of PharmaCielo Ltd. (the "Company" or "PharmaCielo") constitutes management's review of the factors that affected the Company's financial and operating performance for the period from January 1, 2018 to December 31, 2018. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the period from January 1, 2018 to December 31, 2018, together with the notes thereto. Results are reported in U.S. dollars, unless otherwise noted. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Information contained herein is presented as of December 31, 2018, unless otherwise indicated.

Our board of directors, on the recommendation of the audit committee, approved the Annual Financial Statements and this MD&A on April 17, 2019.

Information about the Company and its operations can be obtained from the registered office of the Company at 82 Richmond Street East, Toronto, Ontario M5C 1P1, or from www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains certain "forward-looking information" and "forward-looking statements" (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors referenced in the "Risk Factors" section below. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Overview

Key developments

- On June 22 and 26, 2018, PharmaCielo closed the first tranche of a private placement of 9,381,202 subscription receipts of PharmaCielo ("PharmaCielo Subscription Receipts") at a price of $3.35 per PharmaCielo Subscription Receipt for gross proceeds of CA $31,427,027. Each PharmaCielo Subscription Receipt is convertible into one common share of PharmaCielo
- On July 26, 2018, PharmaCielo closed the second tranche of a private placement of 2,434,214 subscription receipts of PharmaCielo ("PharmaCielo Subscription Receipts") at a price of $3.35 per PharmaCielo Subscription Receipt for gross proceeds of CA$8,154,617. Each PharmaCielo Subscription Receipt is convertible into one common share of PharmaCielo (each, a "Common Share").
- On July 30, 2018, PharmaCielo Colombia Holdings S.A.S. ("PharmaCielo Holdings") began the planting of an additional 45,000 seedlings of tetrahydrocannabinol ("THC") dominant cannabis under its crop and manufacturing quota.
- On October 26, 2018, PharmaCielo raised gross proceeds of $7.5 million Canadian dollars through a non brokered private placement. As part of the deal 135,469 shares were issued as finders fee. The funds will be used for operating expenses as well as capital to build oil processing facilities.

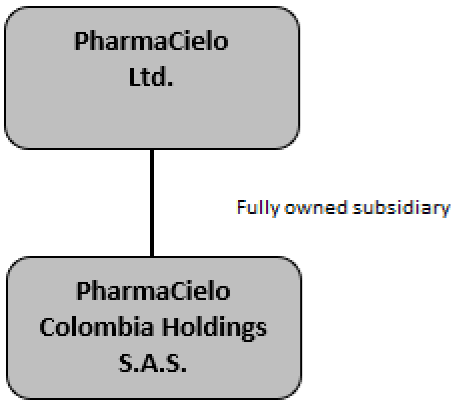
Description of the Business

PharmaCielo is a private company, headquartered in Toronto, Ontario, Canada, with a focus on cultivating, processing, and supplying all natural medicinal-grade cannabis oil extracts to large channel distributors, such as pharmacies, medical clinics, and cosmetic companies. PharmaCielo was incorporated pursuant to the provisions of the Canadian Business Corporations Act on July 14, 2014 under the name "Pan American Cannabis Inc." and on September 1, 2014, the Company filed articles of amendment to change its name to "PharmaCielo Ltd.". On October 31, 2014, PharmaCielo filed articles of amendment to change the province of its registered office from British Columbia to Ontario. On February 3, 2015, PharmaCielo filed articles of amendment to remove a prohibition against having more than fifty shareholders and prohibiting an invitation to the public to subscribe for securities of PharmaCielo. On February 6, 2017, PharmaCielo filed articles of amendment to provide for the appointment of additional directors and to limit the total number of directors that may be appointed between shareholder meetings to one third of the number of directors elected at the previous annual general meeting of shareholders. Both PharmaCielo's registered office and head office are located at 82 Richmond Street East, Toronto, Ontario M5C 1P1.

PharmaCielo has one operating subsidiary, PharmaCielo Holdings, that cultivates and processes the Company's all natural cannabis into standardized, medicinal-grade oil extracts and related products.

PharmaCielo Holdings was incorporated under the laws of Colombia on July 28, 2014 and has its registered office at KM 4 Rionegro, La Ceja Vereda El Capiro Finca Sant Angelo, Rionegro, Antioquia, Colombia. In Colombia, PharmaCielo Holdings is a fully licensed cultivator, producer, and distributor of both THC and cannabidiol ("CBD") medical cannabis for: (a) use in Colombia; (b) international export; and (c) research purposes. PharmaCielo's main growing and processing operations are located at its facility in Rionegro, Colombia.

Intercorporate Relationship



Production Licenses

PharmaCielo Holdings holds the following licenses granted by the Colombian government: (i) the Cannabis Psychoactive License, granted on October 19, 2017; (ii) the Cannabis Non-Psychoactive Cultivation License, granted on October 19, 2017; and (iii) the Cannabis Manufacturing License, granted on April 16, 2018, all as described herein.

(i) Cannabis Psychoactive Cultivation License

This license is granted by the Colombian Ministry of Justice and Law ("Ministry of Justice") and authorizes production of cannabis seed for cultivation, production of grain, fabrication, storage, commercialization, distribution or transportation of psychoactive cannabis and cultivation for scientific purposes. The applicant must comply with the specific requirements contemplated in article 2.8.11.2.4.2 of Decree 613 of 2017 (the "Decree").

PharmaCielo Holdings has held this license since October 19, 2017.

The Cannabis Psychoactive Cultivation License grants PharmaCielo Holdings the right to cultivate psychoactive cannabis plans for: (a) seed sowing production, (i.e., cultivation to produce sowing seeds); (b) cultivation from sowing to harvest; and (b) scientific purposes.

The Ministry of Justice granted PharmaCielo Holdings a crop and manufacturing quota for the Cannabis Psychoactive Cultivation License for the 2018 calendar year for: (a) production; and (b) scientific purposes. PharmaCielo Holdings intends to renew this quota for 2019.

(ii) Cannabis Non-Psychoactive Cultivation License

This license is granted by the Ministry of Justice and is intended for authorizing production and cultivation of cannabis grain, derivatives fabrication, industrial or scientific purposes, or for storage and final disposition. The applicant must comply with the specific requirements contemplated in article 2.8.11.2.5.2 of the Decree.

PharmaCielo Holdings has held this license since October 19, 2017.

The Cannabis Non-Psychoactive Cultivation License grants PharmaCielo Holdings the right to cultivate nonpsychoactive cannabis plans for: (a) seed sowing production; (b) crops; and (c) scientific purposes.

The Cannabis Non-Psychoactive Cultivation License does not require a quota.

(iii) Cannabis Manufacturing License

The Cannabis Manufacturing License is granted by the Colombian Ministry of Health and Social Protection ("Ministry of Health") and contains an authorization to manufacture derivatives of non-psychoactive cannabis for use inside Colombian territory, for scientific purposes or for exportation. The applicant must comply with the specific requirements provided by article 2.8.11.2.2.2 of the Decree.

PharmaCielo Holdings has held this license since April 16, 2018.

The Cannabis Manufacturing License grants PharmaCielo Holdings the right to produce and manufacture cannabis derivatives on the Sant Angelo/la Margarita estate for: (a) use within Colombia; (b) foreign export; and (c) scientific purposes.

With respect to this license, the Ministry of Justice granted PharmaCielo Holdings a crop and manufacturing quota for the year 2018 for scientific purposes. PharmaCielo Holdings intends to renew this quota for 2019.

Duration of Licenses

All the licenses are valid for up to five (5) years. The Colombian government maintains the right to monitor the activities performed by the corresponding licensee.

Industry Overview

The market for medicinal cannabis in Colombia is characterized by a structural shortage of supply, with few authorized producers of THC dominant cannabis strains. There are comparatively more producers of CBD dominant cannabis strains as the production of CBD cannabis is not subject to the quota system in Colombia thereby allowing for higher levels of unregulated production. Although competition in the market is growing, management of PharmaCielo believes the Company is competitively positioned to capitalize on its first mover status and satisfy a significant portion of the market's demand for medicinal cannabis. PharmaCielo's management expects that its fundamental understanding of Colombia's regulatory framework, and its experience with the agricultural and scientific processes necessary to develop high quality and consistent medicinal cannabis products, will allow the Company to be a leader in the Colombian medicinal cannabis marketplace.

More broadly, the global cannabis industry is experiencing significant changes as various governments embrace regulatory reform, with many nations liberalizing the production and consumption of cannabis.

It is possible that foreign corporations may enter the Colombian market as a result of Colombia's regulatory regime, creating the prospect of Colombia becoming a hub for future industry development.

Operations

Facilities

PharmaCielo's nursery and propagation center, located in the municipality of Rionegro in the department of Antioquia, consists of 12 hectares of open-air greenhouses situated on a 27 hectare property, along with a manmade lake (natural water reservoir), ample cold storage, and industrial "plugging" systems customized to handle large-scale cutting operations. Each hectare of greenhouse contains 180 planting beds, each bed is 40.5 sq. meters (1.35 m x 30 m). The total bedding area per hectare is 7,290 sq. meters and the entire nursery and propagation center contains approximately 1.3 million square feet of planting beds. This nursery and propagation center is capable of producing on a weekly basis, significantly more than 12 million cuttings (e.g., clones) that would be required to supply 600 hectares of contract cultivation.

PharmaCielo is also currently constructing a research technology and processing center ("Research Technology and Processing Centre"), with the completion of construction targeted to be the second quarter of 2019. Once complete, the Colombian National Food and Drug Surveillance Institute ("INVIMA") must certify the center to ensure that it meets Colombian good and manufacturing standards. The Research Technology and Processing Centre will contain facilities to: (i) dry flowers naturally and by using drying machines; (ii) a milling area; (iii) extraction areas; and (iv) an area designed for testing for levels of THC and CBD levels in cannabis as well as for general compliance. To date, the Research Technology and Processing Centre construction costs have been $1.1 million and management projects that the completion of construction will require an additional $3.6 million. The infrastructure frame of the building is complete; floors and exterior walls will be completed by the fourth quarter of 2018.

Production

The nursery and propagation center have one primary function, to develop and propagate a steady stream of genetically stable cuttings, i.e., clones, that could supply a scalable 600 hectare network of contracted cultivation centers. In turn, these cultivations centers will root and cultivate the cuttings into flowering plants that will eventually yield the harvested cannabis flower that is going to be sent for processing into standardized, medicinalgrade oil extracts. This last step will take place at PharmaCielo's planned state-of-the-art oil processing center. The 600-hectare contract cultivation network will, conservatively, require a weekly supply of approximately 12.2 million fresh cuttings from PharmaCielo's nursery and propagation center, which can be comfortably supplied at approximately 86% operating capacity.

These outbound cuttings, destined for contract cultivation, are hand-culled from populations of mother plants, that will occupy a percentage of approximately 75% of the overall nursery and propagation center's open-air greenhouse planting capacity. The mother plants supply all the feeder stock cannabis cuttings to be delivered to and cultivated by PharmaCielo's highly experienced network of contract cultivation and harvest farms. Not only do the mother plants supply genetically stable varieties of cuttings, they themselves also originated as harvested cuttings from grandmother plants. Since the cloning process perfectly replicates plant genetics, the genetics of the mother plants mirror those of the grandmother plants from which they were harvested.

After extensive laboratory and field propagation testing, only a select few plants that have been determined to possess superior genetics are selected to be grandmothers. To ensure the genetic consistency of future generations of grandmother plants (and by extension future mother plants), tissue culture harvested from the grandmother plants is stored in an onsite tissue culture lab. In other words, when the entire population of grandmother plants needs to be replaced with new grandmothers, required approximately every six months, it is replaced with its own genetic offspring via tissue culture propagation.

Proposed Transaction

On January 15, 2019, the Company completed the RTO with AAJ Capital 1 Corp. ("AAJ"). Pursuant to the RTO:

- AAJ consolidated its then outstanding 4,640,000 common shares of AAJ on a 1:11.94 basis;
- pursuant to the terms of an agreement dated August 17, 2018 in respect of a plan of arrangement (the “Arrangement”) between AAJ, 10949469 Canada Inc. (“AAJ Sub”), a private company incorporated under the Canada Business Corporations Act (the “CBCA”) and a wholly owned subsidiary of AAJ created for the purposes of the Arrangement, and the Company, a private corporation incorporated under the CBCA, AAJ acquired all of the issued and outstanding common shares (the “PharmaCielo Common Shares”) of the Company and indirectly, PharmaCielo Holdings S.A.S. (“PharmaCielo Holdings”), the Company’s wholly owned Colombian operating subsidiary from the holders of PharmaCielo Common Shares in exchange for an aggregate of 81,747,811 AAJ Common Shares. In addition, 11,815,416 subscription receipts of the Company were converted into PharmaCielo Common Shares and immediately into Resulting Issuer Shares on a one for one basis for gross proceeds of $39,581,643.60;
- The Company and AAJ Sub amalgamated and continued as a wholly owned subsidiary of AAJ; and
- AAJ changed its name to "PharmaCielo Ltd.".

PHARMACIELO LTD.
Consolidated Statements of Financial Position
(Expressed in U.S. Dollars)

	As at December 31, 2018	As at December 31, 2017	As at July 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents	**$ 5,387,898**	$ 12,741,612	$ 9,761,682
Restricted cash	**28,092,582**	-	-
Short-term investments	**157,602**	-	-
Marketable securities	**112,154**	9,964	-
Prepaid expenses and other receivables	**456,864**	300,690	367,660
Supplies	**62,000**	-	-
Total current assets	**34,269,100**	13,052,266	10,129,342
Non-current assets			
Other assets	-	6,512	424,983
Property, plant and equipment	**14,303,737**	11,909,971	10,266,786
Total non-current assets	**14,303,737**	11,916,483	10,691,769
Total assets	**$ 48,572,837**	$ 24,968,749	$ 20,821,111
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**$ 2,213,401**	$ 1,646,488	$ 456,466
Total liabilities	**2,213,401**	1,646,488	456,466
Shareholders' equity			
Share capital	**50,876,014**	40,613,121	35,018,714
Shares to be issued	**26,685,236**	2,706,336	-
Reserves	**18,757,642**	4,553,842	4,481,715
Other comprehensive (loss) income	**(648,837)**	333,712	319,946
Deficit	**(49,310,619)**	(24,884,750)	(19,455,730)
Total shareholders' equity	**46,359,436**	23,322,261	20,364,645
Total liabilities and shareholders' equity	**$ 48,572,837**	$ 24,968,749	$ 20,821,111

PHARMACIELO LTD.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in U.S. Dollars)

	Year Ended December 31, 2018	5 Months Period Ended December 31, 2017	Year Ended July 31, 2017
General and administrative expenses			
Agricultural pre-operational costs	**$ 1,782,039**	$ -	$ -
Administration	**299,992**	71,956	144,633
Amortization	**44,446**	-	-
Bank charges and interest expense (income)	**(164,913)**	10,828	12,747
Communication	**22,528**	-	67,967
Consulting	**1,266,852**	330,086	1,042,555
Depreciation	**230,800**	267,312	294,541
Filing and transfer agent fees	**86,463**	6,708	42,717
Exchange loss	**698,948**	118,755	6,352
Insurance	**13,032**	14,402	45,863
Investor relations	**11,577**	-	219,276
Lease payment	**106,134**	21,130	42,948
Maintenance	**36,644**	8,907	53,970
Management fees	**893,934**	389,348	480,320
Market development and research	**589,470**	-	-
Media services	**401,781**	88,340	114,560
Office and miscellaneous	**274,900**	128,886	454,481
Professional fees	**1,229,450**	3,133,850	472,828
Share-based payments	**14,414,503**	111,256	2,347,734
Subcontractors	**392,602**	19,418	423,597
Supplies	-	-	10,800
Taxes	**5,020**	81,201	113,375
Telephone	**6,014**	458	11,168
Travel and promotion	**759,942**	186,649	465,725
Unrealized gain on marketable securities	**(108,436)**	-	-
Wages	**949,999**	358,226	500,455
Web and database	**172,344**	81,304	218,749
Loss before tax	**24,416,065**	5,429,020	7,587,361
Income tax expense	**9,804**	-	-
Net loss for the period	**$ 24,425,869**	$ 5,429,020	$ 7,587,361
Other comprehensive income for the period:			
Currency translation adjustment for the period	**(982,549)**	(13,766)	194,575
Net comprehensive loss for the period	**$ 23,443,320**	$ 5,415,254	$ 7,781,936
Basic and diluted net loss per common share	**$ (0.31)**	$ (0.07)	$ (0.12)
Weighted average number of common shares outstanding - basic and diluted	**78,191,617**	73,557,552	65,891,765

Assets by Geography

Total assets	December 31, 2018	December 31, 2017	July 31, 2017
Canada	35,939,556	14,715,412	12,304,959
Colombia	12,633,281	10,253,337	8,516,152
Total	48,572,837	24,968,749	20,821,111

Loss by Geography

Net loss for the period	Year ended December 31, 2018	5 months period ended December 31, 2017	Year ended July 31, 2017
Canada	20,096,061	4,417,227	5,442,156
Colombia	4,329,808	1,011,793	2,145,205
Total	24,425,869	5,429,020	7,587,361

Discussion of Operations

The Company's net loss totaled $24.4 million for the twelve-month year ending December 31, 2018 (compared to $5.4 million for the five-month period ending December 31, 2017; and compared to $7.6 million for the twelve-month year ending July 31, 2017), with a basic loss per share of $0.31 for the twelve-month year ending December 31, 2018 versus a basic loss per share of $0.07 for the five-month period ending December 31, 2017, and a basic loss per share of $0.12 for the twelve-month year ending July 31, 2017.

This net loss was primarily due to a share-based payments expense of $14.4 million for the twelve-month year ended December 31, 2018 (compared to $111,256 in the five-month period ending December 31, 2017, and $2.3 million in the twelve-month year ending July 31, 2017). These share-based expenses were incurred primarily for options granted to employees and directors who had worked for and developed the Company over the years. The only compensation for directors of the Company currently, has been through option grants. Options were also granted to David Attard, the new President of the Company, David Gordon, the new Chief Corporate Officer of the Company and Scott Laitinen, the Chief Financial Officer of the Company. Other expenses were principally due to operating expenses to continue the construction of the Research Technology and Processing Centre, and to grow and harvest the plants. Additionally, operating expenses were also incurred in Canada for legal, travel, and other fees incurred in order to facilitate the capital raise to complete the Plan of Arrangement. The one-time non-cash item for options was the largest expense.

Liquidity and Capital Resources

The principal focus of the Company is cultivating, processing, and supplying all-natural medicinal-grade cannabis oil extracts to the Colombian market. These activities are financed through equity offerings of securities of the Company on an ongoing basis. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Risk Factors" below.

The Company has no operating revenues and therefore must utilize its current cash reserves, and funds obtained from the issuance of share capital to maintain its capacity to meet ongoing operating activities.

As of December 31, 2018, the Company's working capital is $32.1 million (compared to $11.4 million as of December 31, 2017, and $9.7 million as of July 31, 2017) of which $28.1 million is restricted cash from the private placements that took place in June and July in connection with the planned reverse takeover transaction. As of December 31, 2018, the Company had 81,747,811 Common Shares issued and outstanding, 15,655,180 options outstanding that could raise approximately $26 million, and 781,722 warrants that could raise approximately $2 million if exercised in full. This is not anticipated in the immediate future.

Amounts payable and accrued liabilities increased by $566,913 as at December 31, 2018 (compared to $1.2 million increase as at December 31, 2017, and $1.2 million decrease as at July 31, 2017) and consist of amounts that are to be extinguished in due course. The Company's cash and cash equivalents as of December 31, 2018 are sufficient to pay these liabilities.

At December 31, 2018, the Company had working capital of $32.1 million (compared to $11.4 million as at December 31, 2017, and $9.7 million as at July 31, 2017) as the Company had a cash balance of $33.5 million (compared to $12.7 million as at December 31, 2017, and $9.8 million as at July 31, 2017), but $28.1 million of this balance is restricted cash in escrow until the completion of a qualifying transaction. The increase in working capital and cash can be attributed to the financing raised in previous private placements.

Net cash used in operating activities was $9.1 million for the year ended December 31, 2018 (compared to $1.6 million net cash used for the period ended December 31, 2017, and $6.6 million net cash used for the year ended July 31, 2017). Operating activities were affected by a net decrease in non-cash working capital balances of $355,251 for the year ended December 31, 2018 (compared to a decrease of $1.3 million for the period ended December 31, 2017, and an increase of $1.8 million for the year ended July 31, 2017) because of an increase in other current assets of $55,488 (compared to $Nil for the period ended December 31, 2017, and an increase of $424,893 for the year ended July 31, 2017), increase in accounts receivables of $156,174 (compared to a decrease of $66,970 for the period ended December 31, 2017, and an increase of $207,723 for the year ended July 31, 2017), and was offset by an increase in accounts payable and accrued liabilities of $566,913 (compared to an increase of $1.2 million for the period ended December 31, 2017, and a decrease of $1.2 million for the year ended July 31, 2017). The Company also recorded share-based compensation of $14.4 million (compared to share-based compensation of $111,256 for the period ended December 31, 2017, and $2.4 million for the year ended July 31, 2017). Net cash used in investing activities was $4.2 million during the year ended December 31, 2018 (compared to $1.0 million net cash used for the period ended December 31, 2017, and $3.3 million for the year ended July 31, 2017), as a result of investment in property and equipment of $4.1 million (compared to $1.0 million for the period ended December 31, 2017, and $3.3 million for the year ended July 31, 2017).

The Company's liquidity risk from financial instruments is minimal as excess cash is held in current bank accounts.

While the Company is not yet revenue producing, it believes it has sufficient cash resources to meet its future operating costs. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company. See "Risk Factors" below and "Caution Regarding Forward-Looking Statements" above.

Commitments

On April 12, 2018, the Company signed a non binding letter of intent to purchase the assets of Ubiquo Telemedicina. Ubiquo Telemedicina is the only telemed service in Colombia with over 400 medical practitioners and 80,000 patients using the service.

The Company has an agreement with CNV Construcciones S.A.S. ("CNV"), a Colombian construction company, to pay CNV $3.6 million to complete the construction of the Research Technology and Processing Centre in 2019. The construction of the Research Technology and Processing Centre is targeted for the second quarter of 2019. Once completed, the Research Technology and Processing Centre must be certified by INVIMA in order to ensure that it meets GMP Standards.

On August 24, 2018, the Company entered into a sixty-month lease agreement for new office space to serve as our corporate headquarters in Toronto, Ontario, commencing on January 1, 2019. Under the lease, the Company is required to pay a base rent of $9,535, increasing to $10,171 starting March 1, 2021. In addition to the base rent, the Company must pay its proportionate share of utilities, property taxes, maintenance and other related costs for the leased premises.

The Company entered into a thirty-six month lease agreement for new office space to serve as a corporate office in Medellin, Colombia, commencing on October 1, 2018. Under the lease, the Company is required to pay a base rent of $4,432, for the term of the lease. In addition to the base rent, the Company must pay its proportionate share of utilities, property taxes, maintenance and other related costs for the leased premises.

On December 21, 2018, the Company entered into an agreement with Italian-based Eugene S.r.l., the patent-holding parent company of two unique Italian genetic research and technology-based companies. The incorporated new company called PharmaCielo Italia is operated by PharmaCielo. The company is expected to own a 70% equity stake and Eugene will own 30% equity stake. The company will supply its premium, medicinal-grade cannabis oil products for medicinal, therapeutic and cosmetic health and wellness products

Transactions with Related Parties

During the year ended December 31, 2018 and five months period ended December 31, 2017, the Company has the following related party transactions:

(i) Incurred subcontractor expense of $102,881 (period ended December 31, 2017 - $65,218; year ended July 31, 2017 - $370,959) from Tahami & Cultiflores S.A.C.I a company controlled by a director. As of December 31, 2018, amount of $Nil (December 31, 2017 - $4,044; July 31, 2017 - $3,500) is owing to Tahami & Cultiflores S.A.C.I. and recorded in accounts payable and accrued liabilities.

(ii) Personnel expense of $Nil (period ended December 31, 2017 - $73,018; year ended July 31, 2017 - $120,000) to a director and his family members, who are also the executives of PharmaCielo Colombia Holdings S.A.S. As of December 31, 2018, amount of $Nil (December 31, 2017 - $2,091; July 31, 2017 - $Nil) is owing and recorded in accounts payable and accrued liabilities.

(iii) Management fee of $60,000 (period ended December 31, 2017 - $413,800; year ended July 31, 2017 - $480,000) to the Company's former Chief Executive Officer. As of December 31, 2018, amount of $Nil (December 31, 2017 - $240,000; July 31, 2017 - $Nil) is owing and recorded in accounts payable and accrued liabilities.

(iv) Severance of $840,000 and $7,500 in vacation pay (period ended December 31, 2017 - $Nil; year ended July 31, 2017 - $Nil) to the Company's former Chief Executive Officer. As of December 31, 2018, amount of $Nil (December 31, 2017 - $Nil; July 31, 2017 - $Nil) is owing and recorded in accounts payable and accrued liabilities.

(v) Consulting fees of $264,323 (period ended December 31, 2017 - $69,524; year ended July 31, 2017 - $61,906) to the Company's former Chief Executive Officer. Amount of $Nil (December 31, 2017 - $Nil; July 31, 2017 - $Nil) is owing and recorded in accounts payable and accrued liabilities.

(vi) Consulting fees of $237,967 (period ended December 31, 2017 - $75,345; year ended July 31, 2017 - $61,419) to an officer of the Company. Amount of $Nil (December 31, 2017 - $24,356; July 31, 2017 - $Nil) is owing and recorded in accounts payable and accrued liabilities.

(vii) $10,059,559 (period ended December 31, 2017 - $93,761; year ended July 31, 2017 - $2,347,736) of share-based payment expense for the stock options issued to related parties.

(viii) Professional fees of $Nil (period ended December 31, 2017 - $Nil; year ended July 31, 2017 - $32,000) to the Company's former Chief Financial Officer.

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts owing to related parties are non-interest bearing and due on demand.

Change in Accounting Policy

There were no changes in PharmaCielo's accounting policies for the period ended December 31, 2018.

Capital Resources

The Company has raised capital in the private markets to fund its capital expenditures. The Company has yet to generate revenue and as such relies on capital raises to fund its expenses. The Company believes it will be able to raise capital as required in the long term but recognizes there are risks to this pre-revenue. The Company has enough funds to finance its immediate capital needs for the Research Technology and Processing Centre which requires $4 million to complete the construction.

Financial Instruments Fair values

Fair value hierarchy - the following table summarizes the carrying values of the Company's financial instruments:

	As at December 31, 2018	As at December 31, 2017	As at July 31, 2017
Financial assets:			
FVTPL			
Cash and cash equivalents	**$ 5,387,898**	$ 12,741,612	$ 9,761,682
Restricted cash	**28,092,582**	-	-
Short-term investments	**157,602**	-	-
Marketable securities	**112,154**	9,964	-

The Company applies the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of December 31, 2018, the Company's financial instruments measured at fair value are cash and cash equivalents with a balance of $5,387,898, and a restricted cash balance of $28,092,582 (compared to a cash and cash equivalents balance of $12,741,612 as at December 31, 2017; and $9,761,682 as at July 31, 2017), a short-term investments balance of $157,602, and marketable securities with a balance of $112,154, which is considered to be a Level 1 instrument. The carrying value of other receivables, accounts payable, and accrued liabilities approximates the fair value because of the short-term nature of these instruments.

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

<u>Credit risk</u>

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. All the Company's cash is held at financial institutions that are Colombian Chartered Banks or fund held in trust with legal counsel in which management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk.

<u>Liquidity risk</u>

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2018, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the year.

<u>Foreign currency risk</u>

PharmaCielo's functional currency is denominated in U.S. dollars. PharmaCielo currently expects that sales will be denominated in Colombian pesos and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, PharmaCielo incurs most of its operating expenses in Colombia Pesos. In the future, the proportion of PharmaCielo's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition and results of operations. PharmaCielo has not previously engaged in foreign currency hedging. If the Resulting Issuer decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide PharmaCielo from foreign currency fluctuations and can themselves result in losses.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Share Capital

As of the date of this MD&A, the Company had 96,125,419 Common Shares issued and outstanding.

As of the date of this MD&A, the Company has 14,093,000 stock options exercisable to purchase Common Shares issued and outstanding.

As of the date of this MD&A, the Company has 255,159 Common Share purchase warrants issued and outstanding.

Additional Disclosure for Venture Issuers Without Significant Revenue

PharmaCielo is an issuer that is in a pre-revenue state. Its funding of operation has so far been through private placement capital raises. The largest expense regarding general and administrative expenses have been a noncash item for share based payments in the amount of $14.4 million for the twelve-month period ended December 31, 2018 and $0.1 million for the five-month period ended in December 31, 2017. These expenses are non-cash and incentives are purposely used for directors, management and consultants to conserve cash for the day-to-day operations and capital build of the business. The main day-to-day expenses have been legal and professional dues as well as consulting. In 2018, as the business started to build the agriculture operations, $1.8 million has been spent on agricultural pre operational costs, including contract labour, fertilizers, and other agricultural costs.

Risk Factors

Where used in this "Risk Factors" section, "PharmaCielo" refers to either to PharmaCielo Ltd., PharmaCielo Holdings, as the context may require. Due to the nature of PharmaCielo's business, the legal and economic climate in which it operates and its present stage of development, PharmaCielo is subject to significant risks. The risks presented below should not be considered exhaustive and may not be all the risks that the PharmaCielo may face. Additional risks and uncertainties not presently known to PharmaCielo or that PharmaCielo currently considers immaterial may also impair the business and operations of PharmaCielo and cause the value of PharmaCielo's common shares to decline. If any of the following or other risks occur, PharmaCielo's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of PharmaCielo's common shares could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

Business Risks

Limited Operating History

PharmaCielo is an early stage company having been founded in 2014 and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. PharmaCielo will be subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. For PharmaCielo to meet future operating and debt service requirements, PharmaCielo will need to be successful in its growing, marketing and sales efforts. Additionally, where PharmaCielo experiences increased sales, PharmaCielo's current operational infrastructure may require changes to scale PharmaCielo's business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If PharmaCielo's products and services are not accepted by new customers, PharmaCielo's operating results may be materially and adversely affected.

Regulatory Compliance Risks

Achievement of PharmaCielo's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. PharmaCielo may not be able to obtain or maintain the necessary licences, permits, quotas, authorizations or accreditations, or may only be able to do so at great cost, to operate its business. PharmaCielo cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities. To date, PharmaCielo has received the licences relating to both the psychoactive and non-psychoactive cultivation of cannabis from the Colombian government. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of PharmaCielo.

The officers and directors of PharmaCielo must rely, to a great extent, on PharmaCielo's Colombian legal counsel and local consultants retained by PharmaCielo in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect PharmaCielo's business operations, and to assist PharmaCielo with its governmental relations. PharmaCielo must rely, to some extent, on those members of management and the board who have previous experience working and conducting business in Colombia in order to enhance its understanding of and appreciation for the local business culture and practices in Colombia. PharmaCielo also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in Colombia. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in Colombia are beyond the control of PharmaCielo and may adversely affect its business. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of PharmaCielo.

Reliance on Licenses and Authorizations

PharmaCielo's ability to grow, store and sell cannabis in Colombia is dependent on PharmaCielo's ability to sustain and/or obtain the necessary licences and authorizations by certain authorities in Colombia.

The licences and authorizations are subject to ongoing compliance and reporting requirements and the ability of PharmaCielo to obtain, sustain or renew any such licences and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Failure to comply with the requirements of the licences or authorizations or any failure to maintain the licences or authorizations would have a material adverse impact on the business, financial condition and operating results of PharmaCielo.

Although PharmaCielo believes that it will meet the requirements to obtain, sustain or renew the necessary licences and authorizations, there can be no guarantee that the applicable authorities will issue these licences or authorizations. Should the authorities fail to issue the necessary licences or authorizations, PharmaCielo may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of PharmaCielo may be materially adversely affected.

Risks Inherent in Agricultural

PharmaCielo's business involves the growing of cannabis, which is an agricultural product. Medicinal cannabis will be grown in open air greenhouses. The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural production and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce PharmaCielo's yields or require PharmaCielo to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of PharmaCielo's cannabis production, which could materially and adversely affect PharmaCielo's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, PharmaCielo's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect PharmaCielo's operating results and financial condition. Furthermore, if PharmaCielo fails to control a given plant disease and the production is threatened, PharmaCielo may be unable to supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on any such production.

Risks Inherent in Rural Real Estate

The Colombian constitution protects the right to own private property and related rights acquired in compliance with civil regulations. According to the Colombian constitution, legally acquired private property ownership rights cannot be affected if the owner is following applicable laws. Except in the case of public necessity or social interest, subject to due process and the payment of an indemnification, expropriations without just cause or on a discriminatory basis are restricted.

Supply of Cannabis Seeds

If for any reason the supply of cannabis seeds is ceased or delayed, PharmaCielo would have to seek alternate suppliers and obtain all necessary authorization for the new seeds. If replacement seeds cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, PharmaCielo's business, financial condition and results of operations would be materially and adversely affected.

Risks Related to Investment in a Colombian Company

Economic Risks Inherent in any Investment in an Emerging Market Country such as Colombia

Investing in emerging market countries such as Colombia carries economic risks. Economic instability in Latin American and emerging market countries has been caused by many different factors, including high interest rates, changes in currency values, high levels of inflation, exchange controls, wage and price controls, changes in economic or tax policies, the imposition of trade barriers, and internal security issues. Any of these factors may adversely affect the value of the Common Shares.

Economic and Political Developments in Colombia

PharmaCielo's operations are in Colombia. Consequently, PharmaCielo is dependent upon Colombia's economic and political developments. As a result, PharmaCielo's business, financial position and results of operations may be affected by the general conditions of these economies, price instabilities, currency fluctuations, inflation, interest rates, regulation, taxation, social instabilities, political unrest and other developments in or affecting Colombia, over which PharmaCielo has no control.

In the past, Colombia has experienced periods of weak economic activity and deterioration in economic conditions. PharmaCielo cannot predict that such conditions will not return or that such conditions will not have a material adverse effect on PharmaCielo's business, financial condition or results of operations.

Legislative changes may have an adverse impact on PharmaCielo's operations and performance, including any changes to tax legislation. Changes in tax-related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax-based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than PharmaCielo does, which could result in tax litigation, associated costs and penalties. Such legislative changes may have an adverse impact on PharmaCielo's business, financial condition and results of operations.

Operational Risks

Operations in Colombia are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Colombia faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. Colombia is also home to South America's largest and longest running insurgency and large swaths of the countryside are under guerrilla influence. In addition, Colombia experiences narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. Such instability may require PharmaCielo to suspend operations on its properties. Although PharmaCielo is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Colombia, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in PharmaCielo's operations, or other matters. PharmaCielo also bears the risk that changes can occur in the government of Colombia and a new government may void or change the laws and regulations that PharmaCielo is relying upon.

Currently there are no restrictions on the repatriation from Colombia of earnings to foreign entities and Colombia has never imposed such restrictions. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for purposes of payments to foreign suppliers, repayment of foreign debt, payment of dividends to foreign stockholders and other foreign expenses.

Inflation in Colombia

Colombia has in the past experienced double-digit rates of inflation. If Colombia experiences substantial inflation in the future, PharmaCielo's costs in Colombian peso terms will increase significantly, subject to movements in applicable exchange rates. Inflationary pressures may also curtail PharmaCielo's ability to access global financial markets in the longer term and its ability to fund planned capital expenditures, and could materially adversely affect PharmaCielo's business, financial condition and results of operations. The Colombian government's response to inflation or other significant macro-economic pressures may include the introduction of policies or other measures that could increase PharmaCielo's costs, reduce operating margins and materially adversely affect its business, financial condition and results of operations.

Financial and Accounting Risks

Foreign Sales

PharmaCielo's functional currency is denominated in U.S. dollars. PharmaCielo currently expects that sales will be denominated in Colombian pesos and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, PharmaCielo incurs most of its operating expenses in Colombia Pesos. In the future, the proportion of PharmaCielo's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Resulting Issuer's business, financial condition and results of operations. PharmaCielo has not previously engaged in foreign currency hedging. If the Resulting Issuer decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide the Resulting Issuer from foreign currency fluctuations and can themselves result in losses.

Subsequent Events

i. On January 15, 2019, the Company completed the RTO with AAJ Capital 1 Corp. ("AAJ"). Pursuant to the RTO:

    - AAJ consolidated its then outstanding 4,640,000 common shares of AAJ on a 1:11.94 basis;
    - pursuant to the terms of an agreement dated August 17, 2018 in respect of a plan of arrangement (the "Arrangement") between AAJ, 10949469 Canada Inc. ("AAJ Sub"), a private company incorporated under the Canada Business Corporations Act (the "CBCA") and a wholly owned subsidiary of AAJ created for the purposes of the Arrangement, and the Company, a private corporation incorporated under the CBCA, AAJ acquired all of the issued and outstanding common shares (the "PharmaCielo Common Shares") of the Company and indirectly, PharmaCielo Holdings S.A.S. ("PharmaCielo Holdings"), the Company's wholly owned Colombian operating subsidiary from the holders of PharmaCielo Common Shares in exchange for an aggregate of 81,747,811 AAJ Common Shares. In addition, 11,815,416 subscription receipts of the Company were converted into PharmaCielo Common Shares and immediately into Resulting Issuer Shares on a one for one basis for gross proceeds of $39,581,643.60;
    - The Company and AAJ Sub amalgamated and continued as a wholly owned subsidiary of AAJ; and
    - AAJ changed its name to "PharmaCielo Ltd.".

The board of directors and executive team of the Company now consists of: David Attard, Chief Executive Officer, President, and a Director; Scott Laitinen, Chief Financial Officer; David Gordon, Chief Corporate Officer; Simon Langelier, Chairman of the Board of Directors and a Director; Dr. Delon Human, Vice Chairman of the Board of Directors and a Director; Matteo Pellegrini, Director; Henning von Koss, Director; Federico Cock-Correa, Director; Carlos Manuel Uribe, Director; Doug Bache, Director; and Alex Bruvels Corporate Secretary.

As of the date hereof, the Company has issued and outstanding, a total of: (i) 93,976,962 Resulting Issuer Shares; (ii) 15,693,957 stock options exercisable to purchase Resulting Issuer Shares; and (iii) 802,660 brokers warrants exercisable to purchase Resulting Issuer Shares. The Company has a (i) stock option plan; (ii) restricted share unit plan (the "RSU Plan"); and (iii) deferred share unit plan (the "DSU Plan"). Currently, no deferred share units or restricted share units are outstanding under the DSU Plan and the RSU Plan respectively.

Certain of the Resulting Issuer Shares are subject to escrow restrictions including: (i) 179,229 Resulting Issuer Shares subject to an 18 month staged release under the CPC Escrow Agreement, with a first release of 10% January 15, 2019; (ii) 18,867,500 Resulting Issuer Shares and 10,755,000 stock options exercisable for Resulting Issuer Shares subject to an 18 month staged release under the QT Escrow Agreement, with a first release of 10% January 15, 2019; (iii) 3,963,700 Resulting Issuer Shares subject to an 18 month staged release with a first release of 25% January 15, 2019; and (iv) 535,610 Resulting Issuer Shares subject to a one year staged release pursuant to TSXV seed share restrictions, with a first release of 20% at the closing of the Qualifying Transaction. In addition, the Directors and Officers of PharmaCielo as well holders of 5% or more of the Resulting Issuer Shares are subject to the provisions of Lock-Up Agreements for a period of 120 days from the closing of the Qualifying Transaction (all as defined in the Filing Statement).

ii. On January 18, 2019, the Company started trading on the TSXV under the symbol "PCLO".

iii. On January 28, 2019, the Company announced its entry into the Mexican market through an equity joint venture with MINO Labs S.A. de C.V., a specialty pharmaceutical company and medical supply distributor based in Mexico. Based on an agreement signed on January 25, 2019, PharmaCielo S.A. de C.V. was incorporated with 50% ownership by the Company. Cannabis oil delivery under the joint venture to the Mexican market is expected to commence in Q4 2019, subject to the joint venture and the Company obtaining the requisite registrations and licences. The Company's ability to carry out the contemplated business under the joint venture will be subject to the approval of the TSXV.

iv. On February 6, 2019, the Company announced that its Colombian subsidiary received approval for the listing of 10 proprietary and unique tetrahydrocannabinol (THC) and cannabidiol (CBD) strains with the national cultivar registry. The Company can now proceed to commercial registration, production and sale of these strains within Colombia as well as for export to global markets.

v. On April 17, 2019, pursuant to the restricted share unit ("RSU") plan of the Company, the Company granted 1,008,000 RSU to certain directors, employees and consultants of the Company. Each RSU vest upon over 1 or 2 years and may be settled in common shares.

vi. On March 13, 2019, an initial €7,000 was made to PharmaCielo Italia S.r.l. Under the agreement between the Company with Italian-based Eugene S.r.l. the Company will have 70% ownership and Eugene will own 30%.

vii. The consolidated statement of financial position as at December 31, 2018 included $28,092,582 as restricted cash. The result of Company issued subscriptions receipts for the issuance of 11,815,416 shares of the Company. The net cash proceeds were placed in an escrow account awaiting the Company to complete a RTO and becoming a public company. On January 15, 2019, the RTO transaction was completed, and the Company went public, as a result, the restricted cash was released to the Company.