

**PharmaCielo**<sup>TM</sup>

 Made in Colombia

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**PHARMACIELO LTD.  
CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2019  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

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**Notice to Reader**

The accompanying unaudited condensed interim consolidated financial statements of Pharmacielo Ltd. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

# PHARMACIELO LTD.

Condensed Interim Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)  
(Unaudited)

	As at March 31, 2019	As at December 31, 2018 (Restated note 16)	As at January 1, 2018 (Restated note 16)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 24,572,145	\$ 7,350,169	\$ 15,984,352
Restricted cash (note 8(b(v)))	-	38,323,900	-
Short-term investments (note 4)	16,215,000	215,001	-
Marketable securities (note 5)	393,000	153,000	12,500
Prepaid expenses and other receivables	690,819	623,254	377,216
Supplies	132,383	84,580	-
<b>Total current assets</b>	<b>42,003,347</b>	<b>46,749,904</b>	<b>16,374,068</b>
<b>Non-current assets</b>			
Other assets	-	-	8,169
Property, plant and equipment (note 6)	21,189,036	19,513,159	14,941,059
Right-of-use assets (note 7)	1,398,045	-	-
<b>Total non-current assets</b>	<b>22,587,081</b>	<b>19,513,159</b>	<b>14,949,228</b>
<b>Total assets</b>	<b>\$ 64,590,428</b>	<b>\$ 66,263,063</b>	<b>\$ 31,323,296</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities (note 12)	\$ 2,127,250	\$ 3,019,522	\$ 2,065,519
Lease obligations (note 7)	120,109	-	-
<b>Total current liabilities</b>	<b>2,247,359</b>	<b>3,019,522</b>	<b>2,065,519</b>
<b>Non-current liabilities</b>			
Lease obligations (note 7)	1,322,736	-	-
<b>Total non-current liabilities</b>	<b>1,322,736</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>3,570,095</b>	<b>3,019,522</b>	<b>2,065,519</b>
<b>Shareholders' equity</b>			
Share capital (note 8(a)(b))	106,533,605	64,355,186	50,949,160
Shares to be issued (note 8(b))	83,875	35,556,574	3,464,686
Reserves (notes and 9 and 10)	23,332,458	23,932,929	5,712,795
Other comprehensive loss	1,650,209	2,244,032	349,055
Deficit	(70,583,559)	(62,845,180)	(31,217,919)
Total attributable to parent	61,016,588	63,243,541	29,257,777
Non-controlling interest (note 15)	3,745	-	-
<b>Total shareholders' equity</b>	<b>61,020,333</b>	<b>63,243,541</b>	<b>29,257,777</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 64,590,428</b>	<b>\$ 66,263,063</b>	<b>\$ 31,323,296</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

**Nature of operations** (note 1)

**Commitments** (note 13)

**Events after the reporting period** (note 17)

# PHARMACIELO LTD.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars) (Unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>Operating expenses</b>		
Agricultural pre-operational costs (note 6)	\$ 906,225	\$ 331,766
<b>Selling, general and administrative expenses</b>		
General and administrative		
Consulting fees	323,343	441,104
Office and general	508,187	378,211
Professional fees	707,168	624,505
Salaries and wages	850,403	172,063
Travel and accommodation	404,725	167,162
Rent and lease payments	42,606	15,210
Share-based compensation	1,381,181	7,559,341
Selling, marketing and promotion	403,023	125,408
Amortization and depreciation (notes 6 and 7)	141,955	75,025
<b>Total selling, general and administrative expenses</b>	<b>4,762,591</b>	<b>9,558,029</b>
<b>Other expenses</b>		
Bank charges and interest expense	28,189	816
Unrealized gain on marketable securities	(240,000)	-
Exchange (gain) loss	(202,788)	156,873
Other non-operating expenses	50,475	-
Listing expense (note 3)	2,433,687	-
<b>Total other expenses</b>	<b>2,069,563</b>	<b>157,689</b>
<b>Net loss for the period</b>	<b>\$ 7,738,379</b>	<b>\$ 10,047,484</b>
<b>Other comprehensive loss for the period:</b>		
Currency translation adjustment for the period	593,823	(910,681)
<b>Net comprehensive loss for the period</b>	<b>\$ 8,332,202</b>	<b>\$ 9,136,803</b>
<b>Basic and diluted net loss per common share (note 11)</b>	<b>\$ (0.08)</b>	<b>\$ (0.13)</b>
<b>Weighted average number of common shares outstanding</b>		
- basic and diluted	92,782,399	77,133,903

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

**PHARMACIELO LTD.**

Condensed Interim Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)  
(Unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
<b>Operating activities</b>		
Net loss for the period	\$ (7,738,379)	\$(10,047,484)
Items not affecting cash:		
Depreciation (note 6)	338,585	75,025
Interest expense	17,890	-
Share-based payments	1,381,181	7,559,341
Exchange (gain) loss	(292,005)	(7,929)
Unrealized gain on marketable securities	(240,000)	-
Listing expense	2,098,638	-
Changes in non-cash working capital items:		
Prepaid expenses and other receivables	(67,565)	31,996
Supplies	(47,803)	(40,710)
Other assets	-	-
Accounts payable and accrued liabilities	(906,349)	(932,335)
<b>Net cash and cash equivalents used in operating activities</b>	<b>(5,455,807)</b>	<b>(3,362,096)</b>
<b>Investing activities</b>		
Cash acquired on RTO (note 3)	183,729	-
Purchase of property, plant and equipment	(2,247,794)	(576,859)
Purchase of short-term investments	(15,999,999)	-
Non-controlling interest	3,745	-
<b>Net cash and cash equivalents used in investing activities</b>	<b>(18,060,319)</b>	<b>(576,859)</b>
<b>Financing activities</b>		
Options and warrants exercised	2,949,205	176,469
Cash received for shares to be issued	83,875	-
Share issue costs	(577,302)	-
Lease payments	(41,576)	-
<b>Net cash and cash equivalents provided by financing activities</b>	<b>2,414,202</b>	<b>176,469</b>
<b>Net change in cash and cash equivalents</b>	<b>(21,101,924)</b>	<b>(3,762,486)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>45,674,069</b>	<b>15,984,352</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 24,572,145</b>	<b>\$ 12,221,866</b>
<b>Cash and cash equivalents</b>	<b>\$ 24,572,145</b>	<b>\$ 12,222,126</b>
<b>Restricted cash</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents for cash flow purposes</b>	<b>\$ 24,572,145</b>	<b>\$ 12,222,126</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

**PHARMACIELO LTD.**

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars, Unless Otherwise Indicated)  
(Unaudited)

	Number of common shares	Share capital	Shares to be issued	Reserves	Accumulated other comprehensive income (loss)	Deficit	Total attributable to parent	Non- controlling interest	Total equity
<b>Balance, December 31, 2017</b>	<b>76,118,863</b>	<b>\$ 50,949,160</b>	<b>\$ 3,464,686</b>	<b>\$ 5,712,795</b>	<b>\$ 349,055</b>	<b>\$(31,217,919)</b>	<b>\$ 29,257,777</b>	<b>\$ -</b>	<b>\$ 29,257,777</b>
Common shares issued for services (note 8(b)(i))	1,000,000	2,894,625	(2,894,625)	-	-	-	-	-	-
Common shares issued for land acquisition (note 8(b)(ii))	201,000	570,061	(570,061)	-	-	-	-	-	-
Warrants exercised (note 8(b)(iii))	335,610	138,189	-	(54,400)	-	-	83,789	-	83,789
Options exercised (note 8(b)(iv))	100,000	185,703	-	(93,023)	-	-	92,680	-	92,680
Share-based compensation	-	-	-	7,559,341	-	-	7,559,341	-	7,559,341
Currency translation adjustment for the period	-	-	-	-	910,681	-	910,681	-	910,681
Net loss for the period	-	-	-	-	-	(10,047,484)	(10,047,484)	-	(10,047,484)
<b>Balance, March 31, 2018</b>	<b>77,755,473</b>	<b>\$ 54,737,738</b>	<b>\$ -</b>	<b>\$ 13,124,713</b>	<b>\$ 1,259,736</b>	<b>\$(41,265,403)</b>	<b>\$ 27,856,784</b>	<b>\$ -</b>	<b>\$ 27,856,784</b>

**PHARMACIELO LTD.**

**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Continued)**  
**(Expressed in Canadian Dollars, Unless Otherwise Indicated)**  
**(Unaudited)**

	Number of common shares	Share capital	Shares to be issued	Reserves	Accumulated other comprehensive income (loss)	Deficit	Total attributable to parent	Non- controlling interest	Total equity
<b>Balance, December 31, 2018</b>	<b>81,747,811</b>	<b>\$ 64,355,186</b>	<b>\$ 35,556,574</b>	<b>\$ 23,932,929</b>	<b>\$ 2,244,032</b>	<b>\$(62,845,180)</b>	<b>\$ 63,243,541</b>	<b>\$ -</b>	<b>\$ 63,243,541</b>
Securities issued pursuant to the RTO (note 3)	413,735	2,043,850	-	224,440	-	-	2,268,290	-	2,268,290
Shares issued pursuant to private placement at price of \$3.35 per share (note 8(b)(v))	11,815,416	39,581,644	(39,581,644)	-	-	-	-	-	-
Options exercised (note 8(b)(vi))	1,600,956	2,745,779	(226,450)	(1,302,077)	-	-	1,217,252	-	1,217,252
Exercise of warrants (note 8(b)(vii))	547,501	2,635,968	-	(904,015)	-	-	1,731,953	-	1,731,953
Shares to be issued for exercise of options (note 8(b)(viii))	-	-	83,875	-	-	-	83,875	-	83,875
Cost of issue	-	(4,828,822)	4,251,520	-	-	-	(577,302)	-	(577,302)
Share-based compensation	-	-	-	1,381,181	-	-	1,381,181	-	1,381,181
Non-controlling interest	-	-	-	-	-	-	-	3,745	3,745
Currency translation adjustment for the period	-	-	-	-	(593,823)	-	(593,823)	-	(593,823)
Net loss for the period	-	-	-	-	-	(7,738,379)	(7,738,379)	-	(7,738,379)
<b>Balance, March 31, 2019</b>	<b>96,125,419</b>	<b>\$106,533,605</b>	<b>\$ 83,875</b>	<b>\$ 23,332,458</b>	<b>\$ 1,650,209</b>	<b>\$(70,583,559)</b>	<b>\$ 61,016,588</b>	<b>\$ 3,745</b>	<b>\$ 61,020,333</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

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# PHARMACIELO LTD.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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### 1. Nature of operations

PharmaCielo Ltd. ("PharmaCielo" or the "Company") was incorporated on July 14, 2014 under the Canada Business Corporations Act. On January 18, 2019, PharmaCielo's common shares started trading on the TSX Venture Exchange ("TSXV") under the symbol "PCLO". The head office is located at 1 Toronto Street, Suite 805, Toronto, Ontario, M5C 2E3.

Through the Company's wholly-owned subsidiary, PharmaCielo Colombia Holdings SAS, the Company is licensed by the Ministry of Health and Ministry of Justice in Colombia to cultivate, produce, and distribute (domestically and internationally) both THC (tetrahydrocannabinol) and CBD (cannabidiol) medicinal cannabis extracts.

On January 15, 2019, the Company completed a reverse take-over ("RTO") with AAJ Capital 1 Corp. ("AAJ"). Refer to note 3 for more details.

### 2. Significant accounting policies

#### Statement of Compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of May 23, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2018, except as note below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

#### Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries.

The financial statements of the subsidiaries are included in the unaudited condensed interim consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are considered. All inter-company balances and transactions have been eliminated in preparing consolidated financial statements.

The following companies have been consolidated within the unaudited condensed interim consolidated financial statements:

<b>Company</b>	<b>Location</b>	<b>Principal activity</b>
PharmaCielo Ltd.	Toronto, Canada	Parent company
PharmaCielo Colombia Holdings S.A.S. <sup>(1)</sup>	Medellin, Colombia	Cultivation and processing company
PharmaCielo Italia S.r.l. <sup>(2)</sup>	Milan, Italy	Product development and delivery
PharmaCielo S.A. de C.V. <sup>(3)</sup>	Mexico City, Mexico	Product development and delivery

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# PHARMACIELO LTD.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Significant accounting policies (continued)

#### Basis of consolidation (continued)

(1) 100% owned by PharmaCielo Ltd.

(2) 70% owned by PharmaCielo Ltd.

(3) 50% owned by PharmaCielo Ltd. There were no activities carried since incorporation. Activities are expected to commence in Q4 2019, subject to obtaining the requisite registrations and licences. The Company's ability to carry out the contemplated business will be subject to the approval of the TSXV.

#### Change in functional currency

The Company changed its functional currency from US dollars to Canadian dollars as of January 1, 2019. The change in functional currency is due to financings denominated in Canadian dollars while there were denominated in US dollars before. All assets, liabilities, share capital and other components of shareholders' equity were translated into Canadian dollars at the exchange rate of \$1.3642 at the date of change. These changes have been accounted for prospectively. Prior period comparable information is restated to reflect the change in presentation currency using exchange rate of \$1.245 at January 1, 2018 (see note 16).

The functional currency of PharmaCielo Italia S.r.l. is the Euro.

#### New accounting policies

##### (a) Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases ("IAS 17"). IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.



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# PHARMACIELO LTD.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Significant accounting policies (continued)

#### New accounting policies (continued)

##### (a) Leases and right-of-use assets (continued)

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

See note 7.

(b) On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

##### (c) Non-controlling interest

Non-controlling interest represents the minority shareholders' interest in the Company's less than wholly-owned subsidiary. On initial recognition, non-controlling interest is measured at its proportionate share of the acquisition-date fair value of identifiable net assets of the related subsidiary acquired by the Company. Subsequent to the acquisition date, adjustments are made to the carrying amount of non-controlling interest for the minority shareholders' share of changes to the subsidiary's equity. Changes in the Company's ownership interest that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

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# PHARMACIELO LTD.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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### 3. Reverse Take-over

On January 15, 2019, the Company completed a RTO with AAJ. 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., the Company's wholly owned Colombian operating subsidiary from the holders of PharmaCielo Common Shares. Consequently, these unaudited condensed interim consolidated financial statements reflect the continuation of PharmaCielo and the deemed acquisition of AAJ Capital on January 15, 2019. Following the completion of the RTO on January 15, 2019, AAJ changed its name to PharmaCielo Ltd. Prior to closing, AAJ had 4,640,000 common shares issued and outstanding. As part of the transaction, a 11.94:1 share consolidation was completed which resulted in 388,609 shares issued and outstanding immediately prior to closing. The 463,000 stock options were converted to 38,776 options which were ascribed a fair value of \$3.72 on the transaction date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; share price of \$4.94, expected volatility of 90%; risk free interest rate of 1.89%; and expected maturity of 1 year. The 250,000 warrants were converted to 20,938 warrants which were ascribed a fair value of \$3.83 on the transaction date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; share price of \$4.94, expected volatility of 92.06%; risk free interest rate of 1.89%; and expected maturity of 1.04 years. The Company common shares started trading at \$4.94 on TSXV on January 18, 2019, therefore \$4.94 per share is considered the fair value as at RTO date. The RTO of AAJ did not meet the definition of a business combination under IFRS 3 - Business Combinations, and accordingly was accounted for in accordance with IFRS 2 - Share-based Payments. The transaction resulted in a listing expense of \$2,433,687 representing the difference between the fair value of the securities issued for \$2,268,290, in addition \$335,049 of expenses were incurred towards the RTO and the fair value of AAJ's net assets on the closing date as follows:

#### Net assets of AAJ acquired

Cash	\$	183,729
Accounts payable and accrued liabilities		(14,077)
	\$	169,652

#### Consideration paid

388,609 common shares deemed issued to AAJ's existing shareholders (i)	\$	1,919,728
25,126 common shares deemed issued as finder's fee (i)		124,122
38,776 stock options deemed issued to AAJ's existing option holders		144,247
20,938 warrants deemed issued to AAJ's existing warrant holders		80,193
Other listing costs		335,049
	\$	2,603,339
Listing expense	\$	2,433,687

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# PHARMACIELO LTD.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

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### 3. Reverse Takeover (Continued)

(i) For the purpose of determining the value of the purchase price consideration, the 388,609 and 25,126 common shares were valued at \$4.94 per share based on the Company's latest private placement.

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 \$39,581,644. Refer to note 8(b)(v).

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% on 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% on January 15, 2019; (iii) 3,963,700 Resulting Issuer Shares subject to an 18 month staged release with a first release of 25% on 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).

### 4. Short-term investments

Short-term investments consist of term deposits in Canadian banks with maturity dates between August 31, 2019 and February 27, 2020 and interest rates between 1.30% to 2.65%.

### 5. Marketable securities

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	Number of shares	Cost	Unrealized gain	Fair value
<b>March 31, 2019</b>				
Khiron Life Sciences Corp. ("Khiron")	100,000	\$ 12,500	\$ 380,500	\$ 393,000
<b>December 31, 2018</b>				
Khiron	100,000	\$ 12,500	\$ 140,500	\$ 153,000

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**PHARMACIELO LTD.****Notes to Condensed Interim Consolidated Financial Statements****March 31, 2019****(Expressed in Canadian Dollars)****(Unaudited)**

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**6. Property, plant and equipment**

	Land	Building	Machinery and equipment	Office furnitures and fixtures	Computer and communication equipment	Vehicles	Equipment in transit	Total
<b>COST</b>								
<b>Balance, December 31, 2018</b>	<b>\$ 8,251,772</b>	<b>\$ 4,106,457</b>	<b>\$ 4,561,540</b>	<b>\$ 179,886</b>	<b>\$ 631,396</b>	<b>\$ 144,298</b>	<b>\$ 3,066,880</b>	<b>\$20,942,229</b>
Additions	-	17,380	341,396	492,239	54,728	13,382	1,328,669	2,247,794
Reclassifications	-	-	170,582	-	-	-	(344,747)	(174,165)
Effect of foreign currency exchange differences	(40,993)	(13,417)	(31,271)	(192)	(776)	12	(29,974)	(116,611)
<b>Balance, March 31, 2019</b>	<b>\$ 8,210,779</b>	<b>\$ 4,110,420</b>	<b>\$ 5,042,247</b>	<b>\$ 671,933</b>	<b>\$ 685,348</b>	<b>\$ 157,692</b>	<b>\$ 4,020,828</b>	<b>\$22,899,247</b>
<b>ACCUMULATED DEPRECIATION</b>								
<b>Balance, December 31, 2018</b>	<b>\$ -</b>	<b>\$ 630,491</b>	<b>\$ 485,572</b>	<b>\$ 65,911</b>	<b>\$ 224,521</b>	<b>\$ 22,575</b>	<b>\$ -</b>	<b>\$ 1,429,070</b>
Depreciation	-	75,168	110,330	22,389	59,451	2,736	-	270,074
Effect of foreign currency exchange differences	-	3,591	4,560	611	2,099	206	-	11,067
<b>Balance, March 31, 2019</b>	<b>\$ -</b>	<b>\$ 709,250</b>	<b>\$ 600,462</b>	<b>\$ 88,911</b>	<b>\$ 286,071</b>	<b>\$ 25,517</b>	<b>\$ -</b>	<b>\$ 1,710,211</b>
<b>CARRYING AMOUNT</b>								
<b>Balance, December 31, 2018</b>	<b>\$ 8,251,772</b>	<b>\$ 3,475,966</b>	<b>\$ 4,075,968</b>	<b>\$ 113,975</b>	<b>\$ 406,875</b>	<b>\$ 121,723</b>	<b>\$ 3,066,880</b>	<b>\$19,513,159</b>
<b>Balance, March 31, 2019</b>	<b>\$ 8,210,779</b>	<b>\$ 3,401,170</b>	<b>\$ 4,441,785</b>	<b>\$ 583,022</b>	<b>\$ 399,277</b>	<b>\$ 132,175</b>	<b>\$ 4,020,828</b>	<b>\$21,189,036</b>

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### 6. Property, plant and equipment (continued)

PharmaCielo Colombia Holdings S.A.S. is developing a farm and a processing plant, located in Rio Negro the municipality of La Cieja (Antioquia), for the purpose of cultivating and sowing, as well as assembly of the cannabis oil. The farm includes greenhouses, offices and agricultural areas. As of March 31, 2019, the construction and assets in transit balance of \$4,020,828 (December 31, 2018 - \$3,066,880) represents the developing activities that have not yet been completed.

For the three months ended March 31, 2019 depreciation expense of \$196,630 (three months ended March 31, 2018 - \$nil) is included in the unaudited condensed interim consolidated statement of loss as agricultural pre-operational costs.

### 7. Leases

#### Right-of-use assets

<b>Balance, January 1, 2019</b>	<b>\$ -</b>
Additions	1,466,374
Depreciation	(68,511)
Foreign exchange adjustment	182
<b>Balance, March 31, 2019</b>	<b>\$ 1,398,045</b>

Right-of-use assets consist of office spaces. Right-of-use assets are depreciated over 33 to 122 months.

#### Maturity analysis - contractual undiscounted cash flows

##### As at March 31, 2019

Less than one year	\$ 492,516
One to three years	595,892
three to five years	477,844
more than five years	1,174,699
<b>Total undiscounted lease obligation</b>	<b>\$ 2,740,951</b>

#### Lease obligations

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 \$13,008, increasing to \$13,875 starting March 1, 2021. In addition to the base rent, the Company must pay its proportionate share of utilities, maintenance and other related costs for the leased premises. Lease payments are discounted over 122 months using an interest rate of 13.95%.

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 \$5,278, for the term of the lease. In addition to the base rent, the Company must pay its proportionate share of utilities, maintenance and other related costs for the leased premises. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. Lease payments are discounted over 33 months using an interest rate of 14.39%.

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# PHARMACIELO LTD.

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### 7. Leases (Continued)

The continuity of the lease liability is presented in the table below:

<b>Balance, January 1, 2019</b>	<b>\$ -</b>
Additions	1,466,374
Interest expense	17,890
Lease payments	(41,576)
Foreign exchange adjustment	157
<b>Balance, March 31, 2019</b>	<b>\$ 1,442,845</b>
<b>As at March 31, 2019</b>	
Lease obligations	\$ 1,442,845
Less current portion	(120,109)
<b>Non-current portion</b>	<b>\$ 1,322,736</b>

The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

### 8. Share capital

#### a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

#### b) Common shares issued and outstanding

96,125,419 common shares (December 31, 2018 - 81,747,811 common shares)

#### For the three months ended March 31, 2018

(i) In December 2017, the Company agrees to issue 1,000,000 common shares to a service provider in relation to services and assistance to obtain Cannabis related licenses in Colombia. The fair value attributed to the shares to be issued was driven by the recent private placement at US\$2.25 per share. The shares were issued during the three months ended March 31, 2018.

(ii) On July 27, 2016, PharmaCielo Colombia Holding entered into an agreement to purchase a land called San Angel for the following consideration:

- Amount of Colombia Peso 1,244,275,500 (about \$533,000 measured at August 30, 2017 exchange rate) to be paid in cash; and
- By the issuance of 201,000 shares of the Company.

The deal was completed, and the property acquired on August 30, 2017 with the with the cash payment and 201,000 shares fair valued at US\$2.25 (price of recent private placement) were issued during the three months ended March 31, 2018 in compliance with the agreement. The fair value of the shares to be issued of \$570,061 was capitalized as part of the acquisition cost of the land.

(iii) As at December 31, 2017 cash proceeds for \$5,000 were received towards 50,000 warrants that were exercised. Those shares were issued during the three months ended March 31, 2018. In addition, the Company issued 285,610 common shares at a price of US\$0.50 upon exercise of warrants.

(iv) During the three months ended March 31, 2018 the Company issued 100,000 common shares at a price of US\$0.25 upon the exercise of stock options.

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### 8. Share capital (continued)

b) Common shares issued (continued)

For the three months ended March 31, 2019

(v) During June and July 2018, the Company issued subscriptions receipts for the issuance of 11,815,416 shares of the Company at a price of \$3.35 raising gross proceeds of \$39,581,644 and incurring related costs for \$4,251,520. The net cash proceeds were placed in escrow account awaiting the Company to complete the RTO and becoming a public company. This cash was included as restricted cash in the consolidated statement of financial position as at December 31, 2018. On January 15, 2019, the restricted cash was released to the Company and common shares were issued. Refer to note 3.

(vi) As at December 31, 2018, cash proceeds for \$226,450 were received towards 587,180 options that were exercised. Those shares were issued during the three months ended March 31, 2019. In addition, the Company issued 38,776 common shares at a price of \$1.194 per share, 125,000 common shares at a price of US\$0.25 per share and 850,000 common shares at a price of US\$1.00 upon exercise of options.

(vii) The Company issued 83,645 common shares at a price of US\$2.00 per share, 440,482 common shares at a price of \$3.35 per share, 3,759 common shares at a price of US\$2.25 per share and 19,615 common shares at a price of \$1.194 per share upon the exercise of warrants.

(viii) As at March 31, 2019, cash proceeds for \$83,875 were received towards 250,000 options that will be exercised subsequent to March 31, 2019.

### 9. Warrants

The following table reflects the continuity of warrants for the periods ended March 31, 2019 and 2018:

	Number of warrants	Weighted average exercise price (USD)	Weighted average exercise price (CAD)
<b>Balance, December 31, 2017</b>	<b>609,896</b>	<b>0.73</b>	-
Exercised	(285,610)	0.50	-
<b>Balance, March 31, 2018</b>	<b>324,286</b>	<b>0.93</b>	
<b>Balance, December 31, 2018</b>	<b>781,722</b>	<b>2.03</b>	<b>3.35</b>
Issued pursuant to the RTO (note 3)	20,938	-	1.194
Exercised	(547,501)	2.01	3.26
<b>Balance, March 31, 2019</b>	<b>255,159</b>	<b>2.06</b>	<b>3.34</b>

## PHARMACIELO LTD.

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#### 9. Warrants (continued)

The following table reflects the warrants issued and outstanding as of March 31, 2019:

Number of warrants outstanding	Fair value (\$)	Exercise price (USD)	Exercise price (CAD)	Expiry date
1,323	2,994	-	1.194	January 30, 2020
27,882	51,449	2.00	-	June 16, 2020
168,233	104,379	-	3.35	June 22, 2020
48,721	222,325	-	3.35	July 26, 2020
9,000	26,900	2.25	-	December 10, 2022
255,159	408,047	2.06	3.34	

#### 10. Stock options

The following table reflects the continuity of options for the periods ended March 31, 2019 and 2018:

	Number of options	Weighted average exercise price (USD)	Weighted average exercise price (CAD)
<b>Balance, December 31, 2017</b>	<b>7,760,000</b>	<b>0.69</b>	-
Granted (i)(ii)(iii)(iv)	3,558,000	1.76	-
Exercised	(100,000)	0.25	-
<b>Balance, March 31, 2018</b>	<b>11,218,000</b>	<b>1.04</b>	-
<b>Balance, December 31, 2018</b>	<b>15,655,180</b>	<b>1.18</b>	<b>3.35</b>
Issued pursuant to the RTO (note 3)	38,776	-	1.194
Exercised	(1,600,956)	0.67	1.194
<b>Balance, March 31, 2019</b>	<b>14,093,000</b>	<b>1.28</b>	<b>3.35</b>

#### *For the three months ended March 31, 2018*

(i) During January 2018, the Company granted incentive stock options to consultants and employees to purchase up to 1,690,000 common shares exercisable at a price of US\$2.25 per share on or before January 29, 2025. 1,250,000 options vest immediately and 90,000 options vest on December 31, 2019. The fair value of the option has been estimated at US\$1.72 as of the date of the grant using the Black-Scholes option pricing model. During the three months ended March 31, 2018, the Company recorded \$3,511,970 in share-based payments expense related to these stock options in the unaudited condensed interim consolidated statements of loss and comprehensive loss.



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### 10. Stock options (continued)

*For the three months ended March 31, 2018 (continued)*

(ii) During January 2018, the Company granted incentive stock options to consultants, advisers, directors and employees to purchase up to 775,000 common shares exercisable at a price of US\$2.25 per share on or before January 29, 2025. The options fully vest on the day of grant. The fair value of the option has been estimated at US\$1.73 as of the date of the grant using the Black-Scholes option pricing model. During the three months ended March 31, 2018, the Company recorded \$1,693,661 in share-based payments expense related to these stock options in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

(iii) During February 2018, the Company granted incentive stock options to employees to purchase up to 93,000 common shares exercisable at a price of US\$2.25 per share on or before February 4, 2025. 25,000 options vest immediately and 68,000 options vest on December 31, 2019. The fair value of the option has been estimated at US\$1.73 as of the date of the grant using the Black-Scholes option pricing model. During the three months ended March 31, 2018, the Company recorded \$65,472 in share-based payments expense related to these stock options in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

(iv) During February 2018, the Company granted incentive stock options to directors to purchase up to 1,000,000 common shares exercisable at a price of US\$2.25 per share on or before December 31, 2019. The options fully vest on the day of grant. The fair value of the option has been estimated at US\$1.81 as of the date of the grant using the Black-Scholes option pricing model. During the three months ended March 31, 2018, the Company recorded \$2,288,238 in share-based payments expense related to these stock options in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

(v) The portion of the estimated fair value of options granted in the prior periods and vested during the three months ended March 31, 2019, amounted to \$1,381,181 (period ended March 31, 2018 - \$nil).

(vi) The fair value of the various options granted during the three months ended March 31, 2018 was estimated using the Black-Scholes option pricing model with the following estimated assumptions:

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Risk-free interest rate	2.17% - 2.23%
Dividend yield	0%
Volatility	87%
Expected life	5-7 years
Forfeiture rate	0%

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### 10. Stock options (continued)

Details of the stock options outstanding as at March 31, 2019 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price (USD)	Exercise price (CAD)	Weighted average life (years)	Fair value (\$)	Expiry date
1,000,000	1,000,000	0.50	-	0.75	2,468,070	December 31, 2019
100,000	100,000	1.00	-	2.76	104,953	January 2, 2022
775,000	775,000	2.25	-	5.84	1,826,765	January 29, 2025
1,690,000	1,600,000	2.25	-	5.84	3,887,233	January 29, 2025
93,000	25,000	2.25	-	5.85	146,684	February 4, 2025
1,360,000	1,360,000	0.25	-	6.13	435,825	May 15, 2025
50,000	50,000	-	3.35	6.18	53,175	June 1, 2025
75,000	75,000	0.50	-	6.58	46,915	October 27, 2025
250,000	250,000	0.50	-	6.72	156,250	December 17, 2025
50,000	50,000	0.50	-	6.83	31,257	January 25, 2026
1,150,000	172,500	1.00	-	7.27	1,265,698	July 4, 2026
500,000	500,000	1.00	-	7.29	624,663	July 14, 2026
400,000	400,000	1.00	-	7.34	493,378	August 1, 2026
50,000	50,000	1.00	-	7.43	-	September 1, 2026
150,000	150,000	1.00	-	7.74	186,212	December 23, 2026
500,000	166,667	2.25	-	7.74	517,828	December 23, 2026
100,000	100,000	1.00	-	7.83	124,340	January 27, 2027
300,000	300,000	2.00	-	8.27	739,012	July 5, 2027
5,500,000	2,500,000	-	3.35	9.26	11,384,896	July 1, 2028
<b>14,093,000</b>	<b>9,624,167</b>	<b>1.28</b>	<b>3.35</b>	<b>7.21</b>	<b>24,493,154</b>	

### 11. Net loss per common share

The calculation of basic and diluted loss per share for the three months ended March 31, 2019 was based on the loss attributable to common shareholders of \$7,738,379, (three months ended March 31, 2018 - \$10,047,484) and the weighted average number of common shares outstanding of 92,782,399 (three months ended March 31, 2018 - 77,133,903). Diluted loss per share for the periods presented did not include the effect of 255,159 warrants (period ended March 31, 2018 - 324,286 warrants) and 14,093,000 stock options (three months ended March 31, 2018 - 11,218,000 stock options) as they are anti-dilutive.

### 12. Related party transactions

During the three months ended March 31, 2019, the Company has the following related party transactions:

(i) Incurred subcontractor expense of \$8,309 (three months ended March 31, 2018 - \$16,298) from Tahami & Cultiflores S.A.C.I a company controlled by a director of the Company. As of March 31, 2019, amount of \$Nil (December 31, 2018 - \$Nil) is owing to Tahami & Cultiflores S.A.C.I. and recorded in accounts payable and accrued liabilities.

(ii) Management fee of \$Nil (three months ended March 31, 2018 - \$75,504) to the Company's former Chief Executive Officer. As of March 31, 2019, amount of \$Nil (December 31, 2018 - \$Nil) is owing and recorded in accounts payable and accrued liabilities.

(iii) Consulting fees of \$53,174 (three months ended March 31, 2018 - \$80,976) to the Company's former Chief Executive Officer. Amount of \$Nil (December 31, 2018 - \$Nil) is owing and recorded in accounts payable and accrued liabilities.

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### 12. Related party transactions (continued)

(iv) Consulting fees of \$1,500 (three months ended March 31, 2018 - \$75,000) to an officer of the Company. Amount of \$Nil (December 31, 2018 - \$Nil) is owing and recorded in accounts payable and accrued liabilities.

(v) \$111,328 (three months ended March 31, 2018 - \$6,730,406) of share-based payment expense for the stock options issued to related parties.

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.

### 13. 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 US\$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.

### 14. Geographic segment

The Company is considered to be operating in one segment based on its business nature and strategic decision-making method.

The Company is located and operates in Canada, Colombia, Italy and Mexico. The Company's suppliers are well diversified and no one supplier accounted for more than 10% of total sales, due to its business nature.

The Company's net loss by geographic locations are as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
<b>Net loss for the period</b>		
Canada	5,742,409	9,088,236
Colombia	1,995,970	959,248
<b>Total</b>	<b>7,738,379</b>	<b>10,047,484</b>

The Company's total assets by geographic locations are as follows:

	March 31, 2019	December 31, 2018
<b>Total assets</b>		
Canada	\$ 46,168,059	\$ 49,028,742
Colombia	18,407,367	17,234,321
Italy	15,002	-
<b>Total</b>	<b>\$ 64,590,428</b>	<b>\$ 66,263,063</b>

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#### 15. Non-controlling interest

On March 13, 2019, an initial equity contribution of \$11,257 (€7,000) was made to PharmaCielo Italia S.r.l. ("Italia") Under the agreement between the Company with Italian-based Eugene S.r.l. the Company has 70% ownership and Eugene owns 30%.

Summarized information on the financial position and results of operations relating to the 30% non-controlling interest in Italia before inter-company eliminations is set out below:

#### As at March 31, 2019

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Current assets	\$	15,002
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#### 16. Change in functional currency

For comparative purposes, the unaudited condensed interim consolidated statements of financial position as at January 1, 2018 and December 31, 2017 includes adjustments to reflect the change in the accounting policy resulting from the change in functional currency to the Canadian dollar. The amounts previously reported in US dollars as shown below have been translated into Canadian dollars at January 1, 2018 and December 31, 2018 exchange rates (note 2). The effect of the translation is as follows:

<b>As at January 1, 2018</b>	<b>Previously reported (US \$)</b>	<b>Translated (CAD \$)</b>
Current assets	\$ 13,052,266	\$ 16,374,068
Non-current assets	11,916,483	14,949,228
Total assets	\$ 24,968,749	\$ 31,323,296
Current liabilities	\$ 1,646,488	\$ 2,065,519
Total liabilities	\$ 1,646,488	\$ 2,065,519

<b>As at December 31, 2018</b>	<b>Previously reported (US \$)</b>	<b>Translated (CAD \$)</b>
Current assets	\$ 34,269,099	\$ 46,749,906
Non-current assets	14,303,737	19,513,159
Total assets	\$ 48,572,836	\$ 66,263,065
Current liabilities	\$ 2,213,401	\$ 3,019,522
Total liabilities	\$ 2,213,401	\$ 3,019,522

#### 17. Events after the reporting period

(i) 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.

(ii) Subsequent to March 31, 2019, a total of 216,954 warrants were exercised for gross proceeds of \$726,796 and a total of 100,000 options were exercised for gross proceeds of US\$100,000.