

PharmaCielo Announces Financial Results for the Second Quarter 2019

- Well capitalized with a cash and short-term investments of \$33.2 million as of June 30, 2019
- Subsequent to quarter completed first commercial export of CBD from Colombia to Europe
- Have cleared all regulatory hurdles to begin exporting CBD isolate to multiple global markets
- Construction of Colombian processing facility nearing completion, capable of processing 265 tonnes of dried flower per year

All figures are in Canadian dollars (\$) unless otherwise specified

TORONTO, Canada and RIONEGRO, Colombia (August 27, 2019) – **PharmaCielo Ltd.** (“PharmaCielo” or the “Company”) (TSXV:PCLO, OTC:PHCEF), the Canadian parent of Colombia’s premier cultivator and producer of medicinal-grade cannabis oil, PharmaCielo Colombia Holdings S.A.S., today announced financial results for the second quarter ended June 30, 2019.

“The first six months of 2019 have been incredibly productive for PharmaCielo, as the team in Colombia nears completion of the key foundational elements that will enable the Company to support the sale and export of processed oil,” said David Attard, Chief Executive Officer of PharmaCielo Ltd. “Since January, we have scaled our low-cost cultivation footprint to 12.1 hectares under active cultivation (capable of annual cultivation in excess of 0.48 million kg), increased oil processing capacity twelvefold to handle 265 tonnes of dried flower per year, received the final permit necessary for exporting CBD isolate from Colombia, and completed our first commercial export to Europe. The next 12 months will be an exciting time to be a PharmaCielo shareholder as we begin to leverage the platform in Colombia that has been built over the past six years to drive first commercial revenue and a significant step-up in growth during 2020.”

“Over the past several months PharmaCielo has been transitioning from our founding stage as we finalize the operational infrastructure and are now entering into a more mature operational phase with inventory, finished products (oils and isolate), distribution channels, sales agreements and most recently, our announcements of international sales relationships and successful export.”

Mr. Attard continued, “Our pending acquisition of Creso Pharma will enable PharmaCielo to accelerate the development of global sales channels and rapidly move up the value chain from bulk oil sales to a mix of bulk oil sales and proprietary branded products. PharmaCielo distribution in key South and Latin American markets, and joint venture relationships are complimented by Creso Pharma established sales channels in Europe and the Oceania region. This acquisition represents a perfect union between PharmaCielo’s world class cultivation and processing expertise and facilities with Creso Pharma’s proven sales and product development capabilities. The combined expertise and assets of both companies will bring PharmaCielo closer than ever to achieving its vision of becoming the *world’s preferred brand of naturally grown, sustainably developed, medicinal-grade cannabis extracts & wellness-related products.*”

Financial Highlights – Q2 – 2019

Operating Results

All comparisons below are to the quarter ended June 30, 2018, unless otherwise noted

- Total operating expenses of \$8.8 million as compared to \$3.1 million

- Net loss of \$10.7 million as compared to \$3.8 million

Balance Sheet

All comparisons below are to December 31, 2018, unless otherwise noted

- Cash and short-term investments of \$33.2 million as compared to \$45.9 million
- Total assets of \$58.6 million as compared to \$66.3 million
- Total liabilities of \$6.5 million as compared to \$3.0 million

Q2 Highlights and Recent Developments

For a more comprehensive overview of these highlights and recent developments, please refer to PharmaCielo's *Management's Discussion and Analysis of the Financial Condition and Results of Operations for the Three and Six Months Ended June 30, 2019* (the "MD&A").

- On May 29, 2019, PharmaCielo geared up for U.S. market demand and enlisted former congressman and medical cannabis advocate, Dana Rohrabacher as a Special Advisor.
- On June 6, 2019, PharmaCielo entered into a scheme implementation agreement to acquire international cannabis company, Creso Pharma for A\$122 Million.
- On June 21, 2019, PharmaCielo announced trading on the OTC Market.
- On July 22, 2019, PharmaCielo Colombia Holdings S.A.S. appointed Andres Felipe Botero as Chief Operations Officer.
- On July 25, 2019, PharmaCielo was the first to receive Colombian government export approval for commercial sale of CBD isolate.
- On July 26, 2019, PharmaCielo completed acquisition of Ubiquo Telemedicina.
- On August 1, 2019, PharmaCielo achieved twelvefold increase in dried cannabis processing capacity to meet global demand for medicinal oil extracts.
- On August 2, 2019, subsidiary firm PharmaCielo Colombia Holdings S.A.S. appointed a new and diversified Board of Directors.
- On August 8, 2019, PharmaCielo joined a Canadian market cannabis tracking and verification initiative.
- On August 13, 2019, PharmaCielo expanded further into Latin America with a sales agreement to supply CBD extracts, oils and veterinary products to Laboratorios Adler.
- On August 19, 2019, PharmaCielo completed its first commercial export of CBD from Colombia to Europe.

Discussion of Operations

The Company's net loss totaled \$10.7 million and \$18.4 million for the three and six months ended June 30, 2019, respectively (compared to \$3.8 million and \$13.9 million for the three and six months ended June 30, 2018, respectively), with a basic loss per share of \$0.11 and \$0.19 for the three and six months ended June 30, 2019, respectively versus a basic loss per share of \$0.05 and \$0.18 for the three and six months ended June 30, 2018, respectively.

This net loss was primarily due to Share-based expense of \$4.8 million and \$6.2 million for the three and six months ended June 30, 2019, respectively (compared to \$394,810 and \$8.0 million in the three and six months ended June 30, 2018, respectively), Agricultural pre-operational costs of \$1.4 million and \$2.3 million for the three and six months ended June 30, 2019, respectively (compared to \$529,389 and

\$861,155 in the three and six months ended June 30, 2018, respectively), Salaries and wages of \$987,750 and \$1.8 million for the three and six months ended June 30, 2019, respectively (compared to \$206,415 and \$378,478 in the three and six months ended June 30, 2018, respectively), and Professional fees of \$600,652 and \$1.3 million for the three and six months ended June 30, 2019, respectively (compared to \$1.2 million and \$1.8 million in the three and six months ended June 30, 2018, respectively).

Clarification of RSU Grant Vesting Terms

On April 17, 2019 the Company issued a press releasing announcing the grant of Restricted Share Units ("RSUs") as follows (i) 20,000 to Doug Bache, a director of the Company; half of which vest six months from the grant date and half of which vest one year from the grant date; (ii) 75,000 to Carlos Manuel Uribe, a director of the Company; half of which vest six months from the grant date and half of which vest one year from the grant date; and (iii) 913,000 to employees and consultants of the Company; half of which vest one year from the grant date and half of which vest two years from the grant date (collectively, the "April RSUs"). Each April RSU entitles the holder thereof to receive one common share of the Company. The RSU's are governed by the RSU plan of the Company.

Effective August 22, 2019, the Board clarified and ratified that each of the April RSUs vest at their specified times tracked from the date of commencement of their employment, directorship, or consultancy arrangement with the Company as opposed to commencing from the date of grant as was stated in the April 17, 2019 press release.

About PharmaCielo

PharmaCielo Ltd. (TSXV:PCLO, OTC:PHCEF) is a global company, headquartered in Canada, with a focus on ethical and sustainable processing and supplying of all natural, medicinal-grade cannabis oil extracts and related products to large channel distributors. PharmaCielo's principal (and wholly owned) subsidiary is PharmaCielo Colombia Holdings S.A.S., headquartered at its cultivation and processing centre located in Rionegro, Colombia.

The boards of directors and executive teams of both PharmaCielo and PharmaCielo Colombia Holdings are comprised of a diversely talented group of international business executives and specialists with relevant and varied expertise. PharmaCielo recognized the significant role that Colombia's ideal location will play in building a sustainable business in the medical cannabis industry, and the Company, together with its directors and executives, is executing on a business plan focused on supplying the international marketplace.

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Forward Looking Statements:

Certain statements contained in this news release, such as those relating to anticipated commercial sales in 2019, growing sales channels, expansion of sales in 2020, product development, the completion of the Colombian processing facility and progressing toward production, the U.S. market as a prospective market for CBD products in the near-term, the acquisition of Creso Pharma by PharmaCielo, and the vesting of the April RSUs may contain “forward-looking information” as such term is used in applicable Canadian securities laws. Forward-looking information is based on plans, expectations and estimates of management at the date the information is provided and is subject to certain factors and assumptions, including the ability to obtain all necessary governmental regulatory and TSXV approval related to the exportation of PharmaCielo CBD products from Colombia, that the Company’s financial condition and development plans do not change as a result of unforeseen events, and the ability of PharmaCielo and Creso Pharma to satisfy or waive the conditions precedent to the acquisition of Creso Pharma. Forward-looking information is subject to a variety of risks and uncertainties and other factors that could cause plans, estimates and actual results to vary materially from those projected in such forward-looking information. Factors that could cause the forward-looking information in this news release to change or to be inaccurate include, but are not limited to, the risk that any of the assumptions referred to prove not to be valid or reliable, that occurrences such as those referred to above are realized and result in delays, or cessation in planned work, that the Company’s financial condition and development plans change, failure to obtain necessary TSXV approval, the acquisition of Creso Pharma may not be able to be completed, or that anticipated synergies for the combined entity will not be as anticipated, risks associated with operating in Colombia, and currency exchange risk, as well as the other risks and uncertainties applicable to cannabis producing companies and to the Company. The Company undertakes no obligation to update these forward-looking statements, other than as required by applicable law.

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

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

	As at June 30, 2019	As at December 31, 2018	As at January 1, 2018
ASSETS			
Current assets			
Cash and cash equivalents	\$ 17,021,835	\$ 7,350,169	\$ 15,984,352
Restricted cash	-	38,323,900	-
Short-term investments	16,215,000	215,001	-
Marketable securities	228,000	153,000	12,500
Prepaid expenses and other receivables	810,522	623,254	377,216
Supplies	245,326	84,580	-
Total current assets	34,520,683	46,749,904	16,374,068
Non-current assets			
Other assets	-	-	8,169
Property, plant and equipment	22,714,582	19,513,159	14,941,059
Right-of-use assets	1,361,190	-	-
Total non-current assets	24,075,772	19,513,159	14,949,228
Total assets	\$ 58,596,455	\$ 66,263,063	\$ 31,323,296
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	\$ 1,703,395	\$ 3,019,522	\$ 2,065,519
Lease obligations	129,894	-	-
RSU obligations	2,854,598	-	-
Total current liabilities	4,687,887	3,019,522	2,065,519
Non-current liabilities			
Lease obligations	1,292,682	-	-
RSU obligations	559,862	-	-
Total non-current liabilities	1,852,544	-	-
Total liabilities	6,540,431	3,019,522	2,065,519
Shareholders' equity			
Share capital	107,940,200	64,355,186	50,949,160
Shares to be issued	88,831	35,556,574	3,464,686
Reserves	24,425,270	23,932,929	5,712,795
Other comprehensive loss	867,454	2,244,032	349,055
Deficit	(81,269,476)	(62,845,180)	(31,217,919)
Total attributable to parent	52,052,279	63,243,541	29,257,777
Non-controlling interest	3,745	-	-
Total shareholders' equity	52,056,024	63,243,541	29,257,777
Total liabilities and shareholders' equity	\$ 58,596,455	\$ 66,263,063	\$ 31,323,296

PHARMACIELO LTD.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Operating expenses				
Agricultural pre-operational costs	\$ 1,396,809	\$ 529,389	\$ 2,303,034	\$ 861,155
Selling, general and administrative expenses				
General and administrative				
Consulting fees	640,897	375,040	964,240	816,144
Consulting fees - Creso Pharma Acquisition	393,330	-	393,330	-
Office and general	608,523	360,329	1,116,710	738,540
Professional fees	600,652	1,169,126	1,307,820	1,793,631
Salaries and wages	987,750	206,415	1,838,153	378,478
Travel and accommodation	226,790	209,767	631,515	376,929
Rent and lease payments	62,481	25,428	105,087	40,638
Share-based compensation	4,816,274	394,810	6,197,455	7,954,151
Selling, marketing and promotion	244,719	326,603	647,742	452,011
Amortization and depreciation	193,078	84,975	335,033	160,000
Total selling, general and administrative expenses	8,774,494	3,152,493	13,537,085	12,710,522
Other expenses				
Bank charges and interest expense	22,319	30,144	50,508	30,960
Unrealized loss (gain) on marketable securities	165,000	-	(75,000)	-
Exchange loss	256,609	105,549	53,821	262,422
Other non-operating expenses	70,686	-	121,161	-
Listing expense	-	-	2,433,687	-
Total other expenses	514,614	135,693	2,584,177	293,382
Net loss for the period	\$ 10,685,917	\$ 3,817,575	\$ 18,424,296	\$ 13,865,059
Other comprehensive loss for the period:				
Currency translation adjustment for the period	782,755	774,558	1,376,578	(136,123)
Net comprehensive loss for the period	\$ 11,468,672	\$ 4,592,133	\$ 19,800,874	\$ 13,728,936
Basic and diluted net loss per common share	\$ (0.11)	\$ (0.05)	\$ (0.19)	\$ (0.18)
Weighted average number of common shares outstanding - basic and diluted	96,264,358	77,792,185	94,503,683	77,460,802

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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Operating activities		
Net loss for the period	\$(18,424,296.00)	\$(13,865,059.00)
Items not affecting cash:		
Depreciation	688,247	160,000
Interest expense	81,710	-
Share-based payments	6,197,455	7,954,151
Exchange gain	(517,728)	(30,672)
Unrealized gain on marketable securities	(75,000)	-
Listing expense	2,098,638	-
Changes in non-cash working capital items:		
Prepaid expenses and other receivables	(187,268)	64,680
Supplies	(160,746)	39,050
Other assets	-	-
Accounts payable and accrued liabilities	(1,330,204)	(279,302)
Net cash and cash equivalents used in operating activities	(11,629,192)	(5,957,152)
Investing activities		
Cash acquired on RTO	183,729	-
Purchase of property, plant and equipment	(4,655,507)	(2,279,114)
Purchase of short-term investments	(15,999,999)	-
Non-controlling interest	3,745	-
Net cash and cash equivalents used in investing activities	(20,468,032)	(2,279,114)
Financing activities		
Options and warrants exercised	4,046,798	181,469
Cash received for shares to be issued	88,831	-
Share issue costs	(577,302)	-
Lease payments	(113,337)	-
Net cash and cash equivalents provided by financing activities	3,444,990	181,469
Net change in cash and cash equivalents	(28,652,234)	(8,054,797)
Cash and cash equivalents, beginning of period	45,674,069	15,984,352
Cash and cash equivalents, end of period	\$ 17,021,835	\$ 7,929,555
Cash and cash equivalents	\$ 17,021,835	\$ 7,929,555
Restricted cash	-	-
Cash and cash equivalents for cash flow purposes	\$ 17,021,835	\$ 7,929,555