



**PHARMACIELO LTD.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE MONTHS ENDED
MARCH 31, 2021
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

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 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, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	4,004,482	8,859,714
Trade receivables (Note 3)	470,802	352,674
Marketable securities (Note 4)	706,000	71,152
Investment - XPhyto Therapeutics Corp. (Note 9)	510,370	678,898
Prepaid expenses and other receivable (Note 5)	1,128,327	1,303,476
Inventory and Biological assets (Note 6)	873,151	1,252,568
Total current assets	7,693,132	12,518,482
Non-current assets		
Property, plant, and equipment (Note 7)	27,375,680	29,754,630
Right-of-use assets (Note 8)	1,049,210	1,065,800
Investment in joint ventures (Note 19)	649,924	565,396
Intangible assets	39,440	120,113
Total non-current assets	29,114,254	31,505,939
Total assets	36,807,386	44,024,421
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	11,699,673	11,708,396
Current portion of lease obligations (Note 8)	143,870	150,046
RSU obligations (Note 14)	110,729	105,258
Current portion of debt (Note 10)	107,159	92,804
Total current liabilities	12,061,431	12,056,504
Non-current liabilities		
Non-current portion of lease obligations (Note 8)	1,164,359	1,171,344
Non-current portion of debt (Note 10)	2,817,767	3,058,880
Other non-current liabilities	332,137	997,689
Deferred income	356,378	493,010
Total non-current liabilities	4,670,641	5,720,923
Total liabilities	16,732,072	17,777,427
Shareholders' Equity		
Share capital (Note 11)	140,106,906	138,082,419
Shares to be issued	559,999	559,999
Reserves (Notes 12, 13, and 14)	32,132,867	31,456,069
Other comprehensive income (loss)	(4,914,070)	(2,583,161)
Retained earnings (deficit)	(147,810,388)	(141,268,332)
Total shareholders' equity	20,075,314	26,246,994
Total liabilities and shareholders' equity	36,807,386	44,024,421

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 17)

Events after the reporting period (Note 21)

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

	Three Months Ended	
	March 31, 2021	March 31, 2020
Revenue:		
Sale of Cannabis derivative products	656,841	494,032
Revenue from Telemedicine services	18,423	20,377
Total revenue	675,264	514,409
Cost of goods sold - Cannabis derivative products	747,583	461,235
Cost of goods sold - Telemedicine services	-	-
Cost of goods sold - Inventory impairment	607,512	-
Gross profit before fair value adjustments	(679,831)	53,174
Realized fair value on inventory sold	(63,211)	(98,869)
Unrealized gain (loss) on fair value of biological assets (Note 6)	(112,567)	(111,024)
Gross profit	(855,609)	(156,719)
Operating expenses		
Agricultural operating costs (Note 6)	157,237	-
Selling, general, and administrative expenses		
General and administrative		
Consulting fees	291,786	388,264
Office and general	644,628	821,224
Professional fees	1,072,277	1,898,363
Salaries and wages	1,397,034	1,612,402
Travel and accommodation	2,782	221,882
Share-based compensation	1,809,189	1,715,755
Selling, marketing, and promotion	309,484	317,335
Amortization and depreciation (Notes 7 and 8)	463,620	323,773
Expected credit losses	43,308	-
Total selling, general, and administrative expenses	6,034,108	7,298,998
Other (income) expense		
Bank charges and interest expense	141,333	42,419
Change in unrealized (gain) loss on marketable securities	11,500	48,000
Exchange (gain) loss	(111,008)	(144,339)
Other non-operating (income) expenses	-	-
Interest income	(1,411)	(11,497)
Change in fair value of consideration payable	-	(11,949)
Amortization of deferred income	(136,632)	-
Change in unrealized (gain) loss on Xphyto investment (Note 9)	(468,972)	-
Realized (gain) loss on sale of marketable securities	(35,937)	-
Unrealized gain on Xphyto investment	-	(1,060,353)
Share of (gain) loss of investment in joint ventures (Note 19)	96,229	-
Total other (income) expenses	(504,898)	(1,137,719)
Net income (loss) for the period	(6,542,056)	(6,317,998)

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

	Three Months Ended	
	March 31, 2021	March 31, 2020
Other comprehensive income (loss)		
Currency translation adjustment	(2,330,909)	(3,628,058)
Net comprehensive income (loss)	(8,872,965)	(9,946,056)
Basic and diluted loss per share (Note 15)	(0.05)	(0.06)
Weighted average number of common shares outstanding - basic and diluted	139,419,735	99,051,447

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)
(unaudited)

	Number of Common Shares	Share Capital	Shares to be issued	Reserves	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total
Balance at December 31, 2019	98,965,173	116,827,833	-	26,243,564	(93,573)	(97,512,523)	45,465,301
Common shares issued related to the acquisition of Ubiquo	18,967	45,900	-	-	-	-	45,900
Options exercised	50,000	62,724	-	(30,244)	-	-	32,480
Exercise of warrants	172	864	-	(659)	-	-	205
Vested RSUs	40,000	342,400	-	(342,400)	-	-	-
Share-based compensation	-	-	-	1,735,009	-	-	1,735,009
Currency translation adjustment for the period	-	-	-	-	(3,628,058)	-	(3,628,058)
Net income (loss) for the period	-	-	-	-	-	(6,317,998)	(6,317,998)
Balance at March 31, 2020	99,074,312	117,279,721	-	27,605,270	(3,721,631)	(103,830,521)	37,332,839

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	Number of Common Shares	Share Capital	Shares to be issued	Reserves	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total
Balance at December 31, 2020	138,747,660	138,082,419	559,999	31,456,069	(2,583,162)	(141,268,332)	26,246,993
Options exercised (Note 11(b)(viii))	760,835	1,056,818	-	(491,909)	-	-	564,909
Warrants exercised (Note 12(ii))	567,169	505,269	-	(136,610)	-	-	368,659
Vested RSUs (Note 11(b)(ix))	215,000	498,400	-	(498,400)	-	-	-
Issuance costs for April 2021 equity financing (Note 11(b)(vii))	-	(36,000)	-	-	-	-	(36,000)
Share-based compensation	-	-	-	1,803,717	-	-	1,803,717
Currency translation adjustment for the period	-	-	-	-	(2,330,908)	-	(2,330,908)
Net income (loss) for the period	-	-	-	-	-	(6,542,056)	(6,542,056)
Balance at March 31, 2021	140,290,664	140,106,906	559,999	32,132,867	(4,914,070)	(147,810,388)	20,075,314

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

	Three Months Ended	
	March 31, 2021	March 31, 2020
Operating Activities		
Net income (loss)	(6,542,056)	(6,317,998)
Items not affecting cash:		
Amortization and depreciation (Notes 7 and 8)	556,834	433,811
Expected credit losses	43,308	-
Unrealized (gain) loss on fair market value of biological assets	112,584	111,024
Unrealized (gain) loss on fair market value of XPhyto investment	(468,972)	(1,060,353)
Share of (gain) loss on investment in joint ventures	96,229	-
Amortization of deferred income	(136,632)	-
Fair value adjustment on sale of inventory	63,211	98,869
Change in fair value of consideration payable	-	(11,949)
Lease and loan interest expense	119,246	50,500
Share-based compensation	1,803,717	1,715,755
Inventory impairment	607,512	-
Exchange (gain) loss	(612,847)	(73,533)
Unrealized (gain) loss on marketable securities	11,500	48,000
Realized (gain)/loss on marketable securities	(35,937)	-
Changes in non-cash working capital items		
Trade receivables	118,565	(589,929)
Prepaid expenses and other receivables	175,149	312,567
Inventory and biological assets	(330,174)	(1,554,449)
Short-term investments	-	-
Accounts payable and accrued liabilities	(675,861)	1,967,953
Net cash and cash equivalents used in operating activities	(5,094,624)	(4,869,732)
Investing Activities		
Investment in joint ventures	(180,757)	-
Investment - XPhyto Therapeutics Corp.	(750,000)	(500,000)
Proceeds on sale of XPhyto marketable securities	777,089	-
Purchase of property, plant, and equipment	(427,580)	(1,266,200)
Advances for property, plant and equipment	-	(569,625)
Net cash and cash equivalents used in investing activities	(581,248)	(2,335,825)
Financing Activities		
Options and warrants exercised	933,568	32,685
Vested RSU	5,471	-
Share issue costs	(36,000)	-
Lease payments	(82,399)	(71,735)
Net cash and cash equivalents (used in) provided by financing activities	820,640	(39,050)
Net decrease in cash and cash equivalents	(4,855,232)	(7,244,607)
Cash and cash equivalents, beginning of period	8,859,714	13,673,299
Cash and cash equivalents, end of period	4,004,482	6,428,692

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

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2021

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1. Nature of operations

PharmaCielo Ltd. ("PharmaCielo" or the "Company") was incorporated pursuant to the *Business Corporations Act* (British Columbia) on May 30, 2017 under the name "AAJ Capital 1 Corp." Upon completion of its Qualifying Transaction (as such term is defined in Policy 2.4 – *Capital Pool Companies* of the TSX Venture Exchange ("TSXV") Corporate Finance Manual ("Policy 2.4")) in accordance with the policies of the TSXV, on January 15, 2019, the Company changed its name to "PharmaCielo Ltd." The Company carries on business under the name "PharmaCielo Ltd."

On January 18, 2019, PharmaCielo's common shares (the "Common Shares") started trading on the TSXV under the symbol "PCLO". On June 21, 2019, Common Shares started trading on the OTC Markets under the symbol "PCLOF". The head office is located at 1 Toronto Street, Suite 805, Toronto, Ontario, M5C 2V6.

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

2. Significant accounting policies

Basis of presentation

The unaudited condensed interim consolidated financial statements of the Company have been prepared under International Financial Reporting Standards ("IFRS") in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS' issued and outstanding as at May 28, 2021, the date the Board of Directors approved these unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements follow the same accounting policies and method of computation as the Company's annual audited consolidated financial statements for the year ended December 31, 2020, with the exception of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2020.

Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss ("FVTPL"). In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Principles of consolidation

The unaudited condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Subsidiaries are included in the consolidated financial results of the Company from the date of acquisition up to the date of disposition or loss of control. All intercompany balances and transactions are eliminated upon consolidation in preparing these financial statements.

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Notes to the Condensed Interim Consolidated Financial Statements

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As at March 31, 2021, the following companies have been included within the unaudited condensed interim consolidated financial statements:

Company	Location	Principal activity
PharmaCielo Ltd.	Toronto, Canada	Parent company
PharmaCielo Holdings Ltd. (1)	Toronto, Canada	Holding company
Ubiquo Telemedicina S.A.S. (2)	Medellin, Colombia	Telemedicine software company
PharmaCielo Colombia Holdings S.A.S. (2)	Medellin, Colombia	Cultivation and processing company

(1) 100% owned by PharmaCielo Ltd. and controlled and consolidated by the parent company. Any intercompany transactions are eliminated on consolidation

(2) 100% owned by PharmaCielo Holdings Ltd.

Significant accounting judgments and estimates

The preparation of these unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosures.

Judgment is used mainly in determining how a balance or transaction should be recognized in the unaudited condensed interim consolidated financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Estimates and judgements made by management in the preparation of these unaudited condensed interim consolidated financial statements are subject to a higher degree of measurement uncertainty due to the impacts of COVID-19.

These unaudited condensed interim consolidated financial statements follow the same significant accounting judgments and estimates as the Company's annual audited consolidated financial statements for the year ended December 31, 2020. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2020.

Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing these unaudited condensed interim consolidated financial statements. Management prepares the unaudited condensed interim consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The assessment of the Company's ability to execute its strategy and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through debt or equity financing involves judgments. Management monitors future cash requirements to assess the Company's ability to realize assets and discharge its liabilities in the normal course of operations.

Management believes that the going concern assumption is appropriate for these unaudited condensed interim consolidated financial statements and that the Company will be able to meet its budgeted administrative and development costs during the upcoming year and beyond when considering the Company's current financial forecast. PharmaCielo continues to enter into strategic agreements and finance offerings to source funds and maintain its operations. As outlined in Note 21, subsequent to March 31, 2021, the Company completed an overnight marketed offering of Common Shares for aggregate gross proceeds of \$13,549,012. The assessment of the appropriateness of the going concern assumption includes significant judgements. From the Company's perspective this includes the assumption that a significant portion of warrant and option holders will continue to

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exercise their instruments during the year and also that if the Company were required to limit its variable costs on cultivation and production, it would be able to do so in a short time frame with limited additional restructuring costs. The construction in progress on the Company's facility was completed subsequent to year end.

The Company may need to seek further financing in the future to maintain its current level of activity. To date, PharmaCielo has been successful in raising funds to sustain operations. However, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company.

Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these unaudited condensed interim consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities.

New, amended and future IFRS pronouncements

The following IFRS standards have been recently issued by the IASB but are not yet effective. The Company has assessed the impact of these new standards, and found they do not have a material impact on the financial statements of the Company as at March 31, 2021.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current ("Amendments to IAS 1"). The Amendments to IAS 1 aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The Amendments to IAS 1 include clarifying the classification requirements for debt a company might settle by converting it into equity. The Amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

In May 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract ("Amendments to IAS 37") amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

3. Trade receivables

	As at March 31, 2021	As at December 31, 2020
For sale of cannabis derivative products	2,661,906	2,684,017
For revenue from telemedicine services	9,408	11,192
Allowance for doubtful accounts	(2,200,512)	(2,342,535)
Closing balance	\$ 470,802	\$ 352,674

The majority of the Company's sales consist of bulk cannabis products sold internationally to various customers. Some of these companies may have been operational for a short period of time and may have limited working capital and have limited credit history. As such, the Company has considered these factors in establishing an expected credit loss.

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Notes to the Condensed Interim Consolidated Financial Statements

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4. Marketable securities

	Number of shares	Cost	Unrealized gain	Fair value
March 31, 2021				
Khiron Life Sciences Corp. ("Khiron")	100,000	\$ 12,500	\$ 43,500	\$ 56,000
XPhyto Therapeutics Corp. (Note 9)	250,000	680,000	(30,000)	650,000
Total marketable securities		\$ 692,500	\$ 13,500	\$ 706,000
December 31, 2020				
Khiron Life Sciences Corp. ("Khiron")	100,000	\$ 12,500	\$ 25,000	\$ 37,500
XPhyto Therapeutics Corp. (Note 9)	17,900	51,261	(17,609)	33,652
Total marketable securities		\$ 63,761	\$ 7,391	\$ 71,152

5. Prepaid expenses and other receivables

	As at March 31, 2021	As at December 31, 2020
Prepaid expenses	271,049	732,075
Other receivables	857,278	571,401
Closing balance	\$ 1,128,327	\$ 1,303,476

6. Inventory

	As at March 31, 2021	As at December 31, 2020
Agricultural supplies and other	332,020	308,665
Work-in-process	283,585	551,874
Finished products	257,546	392,029
Closing balance	\$ 873,151	\$ 1,252,568

During the three months ended March 31, 2021, inventory recognized as cost of goods sold was \$810,794 (March 31, 2020 - \$516,837), consisting of \$63,211 (March 31, 2020 - \$98,869) of realized fair value changes on inventory sold, \$607,512 (March 31, 2020 - \$nil) in impairment costs reducing the inventory value to its net realizable value, and \$747,583 (March 31, 2020 - \$417,968) of capitalized post-harvest costs expensed during the period as cannabis inventory is sold.

Biological assets

Determination of the fair values of the biological assets requires the Company to make various estimates and assumptions. The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy.

The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions as at March 31, 2021:

- Selling prices – selling prices are based on the Company's expected selling price per kilogram based on selling history, adjusted for current market conditions. A selling price of \$633 per kilogram of CBD isolate was used to calculate the biological assets at March 31, 2021 (December 31, 2020 - \$796).

PHARMACIELO LTD.**Notes to the Condensed Interim Consolidated Financial Statements****March 31, 2021****(Expressed in Canadian Dollars)****(Unaudited)**

- b. Post-harvest costs – the costs are based on actual processing costs incurred by drying, trimming, extracting, testing and packaging activities incurred in the period, including overhead allocations for these activities. Post-harvest processing costs averaged \$1,606 per kilogram of CBD isolate (December 31, 2020 - \$1,683).
- c. The stage of plant growth – the stage of plant growth is estimated by the number of days into the growing stage compared to the estimated growing time for a full harvest. The estimated stage of growth of the cannabis plants as at March 31, 2021 averaged 42% (December 31, 2020 - 42%).
- d. Expected yield – the expected yield per plant is based on the Company's historical adjusted average yield per plant. Expected yield per plant is 0.51 grams of CBD isolate (December 31, 2020 - 3.66).

As at March 31, 2021, the Company's biological assets consist of cannabis plants. The changes in the fair value of biological assets are as follows:

Carrying amount, December 31, 2020	-
Production costs capitalized	533,066
Changes in fair value less costs to sell due to biological transformation	(112,584)
Transferred to inventory upon harvest	(420,482)
Effect of foreign currency exchange differences	-
Balance, March 31, 2021	\$ -

The Company expects that a 10% increase or decrease in the wholesale market price per kilogram of dried cannabis would increase or decrease the fair value of biological assets by \$112,584. A 10% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets by \$58,957. Additionally, an increase or decrease of 10% in the post-harvest costs would decrease or increase the fair value of biological assets by \$78,450.

Net effect of changes in fair value of biological assets and inventory include:

Unrealized change in fair value of biological assets	(112,567)
Realized fair value on inventory sold	(63,211)

During the three months ended March 31, 2021, the Company incurred \$157,237 in agricultural operating costs (March 31, 2020 - \$nil).

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7. Property, plant and equipment

COST	Land	Construction in progress	Building	Machinery and equipment	Office furniture and fixtures	Computer and communication equipment	Vehicles	Equipment in transit	Total
Balance, December 31, 2019	\$ 7,868,503	\$ 6,346,102	\$ 3,607,128	\$ 7,368,767	\$ 994,403	\$ 1,064,741	\$ 141,137	\$ 2,247,612	\$ 29,638,393
Additions	-	3,322,558	43,199	1,074,030	67,659	124,525	-	801,809	5,433,780
Reclassification	-	681,772	-	118,047	-	-	-	(799,819)	-
Disposals	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	(333,957)	(393,055)	(119,316)	(456,394)	(17,505)	(62,164)	(8,741)	(141,183)	(1,532,315)
Balance, December 31, 2020	\$ 7,534,546	\$ 9,957,377	\$ 3,531,011	\$ 8,104,450	\$ 1,044,557	\$ 1,127,102	\$ 132,396	\$ 2,108,419	\$ 33,539,858
Additions	-	457,442	-	-	-	4,344	-	-	461,786
Reclassification	-	(7,948,296)	5,730,252	4,126,403	-	-	-	(1,908,359)	-
Disposals	-	-	-	-	-	-	(34,206)	-	(34,206)
Effect of foreign currency exchange differences	(474,736)	(940,795)	(173,670)	(924,334)	(26,261)	(100,057)	(12,427)	(34,240)	(2,686,520)
Balance, March 31, 2021	\$ 7,059,810	\$ 1,525,728	\$ 9,087,593	\$ 11,306,519	\$ 1,018,296	\$ 1,031,389	\$ 85,763	\$ 165,820	\$ 31,280,918

ACCUMULATED DEPRECIATION

Balance, December 31, 2019	\$ -	\$ -	\$ 876,528	\$ 708,297	\$ 227,302	\$ 481,612	\$ 60,370	\$ -	\$ 2,354,109
Additions	-	-	253,858	594,351	280,633	352,746	29,251	-	1,510,839
Disposals	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	(19,028)	(27,056)	(4,694)	(25,836)	(3,106)	-	(79,720)
Balance, December 31, 2020	\$ -	\$ -	\$ 1,111,358	\$ 1,275,592	\$ 503,241	\$ 808,522	\$ 86,515	\$ -	\$ 3,785,228
Additions	-	-	96,516	192,024	70,046	67,325	5,529	-	431,440
Disposals	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	(50,758)	(130,584)	(17,924)	(75,199)	(36,965)	-	(311,430)
Balance, December 31, 2020	\$ -	\$ -	\$ 1,157,116	\$ 1,337,032	\$ 555,363	\$ 800,648	\$ 55,079	\$ -	\$ 3,905,238

CARRYING AMOUNT

Balance, December 31, 2020	\$ 7,534,546	\$ 9,957,377	\$ 2,419,653	\$ 6,828,858	\$ 541,316	\$ 318,580	\$ 45,881	\$ 2,108,419	\$ 29,754,630
Balance, March 31, 2021	\$ 7,059,810	\$ 1,525,728	\$ 7,930,477	\$ 9,969,487	\$ 462,933	\$ 230,741	\$ 30,684	\$ 165,820	\$ 27,375,680

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Notes to the Condensed Interim Consolidated Financial Statements

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PharmaCielo Colombia Holdings S.A.S. is developing a farm and a processing plant, located in Rio Negro in 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.

No material commitments remain on this construction project. The Company continues to move forward on GMP certification for this facility.

For the three months ended March 31, 2021, depreciation costs of \$185,556 (March 31, 2020 - \$129,655) was capitalized to biological assets and inventory.

8. Leases

Right-of-use assets

Balance, December 31, 2020	1,065,800
Remeasurement adjustment	39,356
Depreciation	(44,224)
Foreign exchange adjustment	(11,722)
Balance, March 31, 2021	\$ 1,049,210

Right-of-use assets consist of office spaces. Right-of-use assets are depreciated over 48 to 122 months.

Maturity analysis - contractual undiscounted cash flows

As at March 31, 2021

Less than one year	314,332
One to three years	815,676
Three to five years	496,158
More than five years	475,485
Total undiscounted lease obligation	\$ 2,101,651

Lease obligations

On August 24, 2018, the Company entered into a sixty-month lease agreement (plus extension periods) 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 per month, 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%.

Upon initial recognition of a lease liability and right-of-use asset, the Company has elected to use the practical expedient not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

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The following table illustrates the lease agreements as at March 31, 2021:

	PharmaCielo Ltd.	PharmaCielo Colombia Holding S.A.S	
Country	Canada	Colombia	
City	Toronto	Rionegro	Medellín
Initial contract period	March 1, 2019 to February 29, 2024	March 1, 2016 to February 28, 2017	October 1, 2018 to September 30, 2021
Auto renewal	No	Yes	Yes
Monthly lease payments: CAD\$			
2021	\$ 19,910	\$ 1,922	\$ 6,176
2022	19,910	-	6,477
2023	19,910	-	6,592
2024	19,910	-	6,592
2025	19,910	-	6,592
Interest rate	13.95%	10.93%	10.71%

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

Balance, December 31, 2020	1,321,390
Remeasurement adjustments	39,356
Interest expense	45,698
Lease payments	(82,399)
Foreign exchange adjustment	(15,816)
Balance, March 31, 2021	\$ 1,308,229
As at March 31, 2021	
Lease obligations	1,308,229
Less current portion	(143,870)
Non-current portion	\$ 1,164,359

9. XPhyto agreement and investment

Supply agreement with XPhyto

On January 27, 2020, the Company entered into a three-year agreement (the "Agreement") with XPhyto, whereby PharmaCielo will supply medicinal-quality cannabis extract oils and isolates, including those containing THC, to XPhyto for analysis, further processing, product development and manufacturing at its European Union Good Manufacturing Practice-certified ("EU GMP") facility in Biberach in the state of Baden-Württemberg, and thereafter for sale into the German market.

As part of the Supply Agreement, on January 31, 2020 XPhyto granted the Company 500,000 Warrants with an exercise price of \$2.00 per Common Share. The warrants were valued at \$356,378 on the grant date using the Black-Scholes pricing model. The following assumptions were used: share price - \$1.59; expected annualized volatility - 95%, risk-free rate - 1.47%; and an expected life of 2 years.

Because no consideration was paid to XPhyto for the warrants, the Company recognized an initial gain of the full value of the warrants of \$356,378. As required under IFRS 9, this initial gain has been deferred and will be recognized into income based on kilograms delivered under the Supply Agreement. During the three months ended March 31, 2021, no product had yet been delivered to XPhyto, and therefore no deferred income was recognized.

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The following table illustrates the value at the transaction date and at March 31, 2021:

Supply agreement warrants	Warrants
Initial value	356,378
Unrealized gain/loss	(63,005)
Exercise	-
Balance, December 31, 2020	293,373
<hr/>	
Balance, December 31, 2020	293,373
Unrealized gain/loss	216,997
Exercise	-
Balance, March 31, 2021	\$ 510,370

Investment with XPhyto

On January 31, 2020, the Company purchased 500 convertible debenture units of XPhyto for \$500,000. Each debenture unit consisted of: (i) \$1,000 principal amount of 8.0% unsecured convertible debenture and (ii) 1,000 common share purchase warrants. The debenture bore interest at 8.0% per annum, calculated and payable semi-annually, and was scheduled to mature two years following the date of issuance. The debenture was convertible at the option of the Company into common shares of XPhyto (the "XPhyto shares") at a conversion price of \$1.00 per XPhyto share. Conversion of the debenture could be forced in part or in whole at the option of XPhyto if the 15-day volume-weighted average price of the XPhyto shares on the Canadian Securities Exchange ("CSE") exceeded \$2.50 per share. Each warrant was exercisable to acquire one XPhyto share at an exercise price of \$1.50 per share until January 31, 2022.

The initial fair value of the convertible debenture investment was calculated using a discounted cashflow model with a discount rate of 16%. The conversion feature and warrants were initially valued at January 31, 2020 using a Black-Scholes pricing model with a share price of \$1.59, risk free rate of 1.47%, 2 year conversion period and volatility of 95%.

On June 4, 2020, the Company converted 250 of the convertible debentures into 250,000 XPhyto shares at a fair value of \$599,784. On July 23, 2020, the Company converted the remaining 250 debentures into 250,000 XPhyto shares at a fair value of \$715,942. At March 31, 2021, the Company had sold all 500,000 of the XPhyto shares obtained through debenture conversion for proceeds of \$1,456,070.

During the three months ended March 31, 2021, the Company converted all 500,000 warrants issued as part of the convertible debenture units into shares. As at March 31, 2021, the Company had sold 250,000 shares for proceeds of \$723,332 and held 250,000 XPhyto shares (see note 4).

Based on the initial valuation of the debenture investment, conversion option, and warrants the Company recognized an initial gain of \$780,777. As required under IFRS 9, this initial gain was deferred and recognized into income over the life of each component of the investment. Because all debentures had been converted and all related warrants had been exercised at March 31, 2021, they had no remaining life and full recognition of their associated remaining deferred income amounts is appropriate. The Company recognized the remaining \$136,632 of deferred income as income in the consolidated statements of loss and comprehensive loss during the three months ended March 31, 2021.

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The following table illustrates the valuation at the grant date and as at March 31, 2021.

	Initial value	March 31, 2021
Convertible Debenture Investment (Receivable Component)	438,271	-
Convertible Debenture Investment (Conversion Component)	428,727	-
Total Value	866,998	-
Warrants	413,779	-
Total Valuation of Convertible Debenture Investment	1,280,777	-

	Convertible debt - receivable component	Convertible debt - conversion feature	Warrants	Total
Initial value	438,271	428,727	413,779	1,280,777
Unrealized gain/loss	11,213	437,515	(28,254)	420,474
Conversion of convertible debentures	(449,484)	(866,242)	-	(1,315,726)
Exercise of warrants	-	-	(385,525)	(385,525)
Balance, March 31, 2021	-	-	-	-

10. Loans and Borrowings

As at March 31, 2021 the company had the following loans and borrowings:

	Term loan	Revolving Loan	Total
Balance, December 31, 2020	\$ 2,966,076	\$ 185,608	\$ 3,151,684
Accrued interest	159	-	159
Accretion	69,904	3,485	73,389
Foreign exchange adjustment	(282,668)	(17,638)	(300,306)
Balance, March 31, 2021	2,753,471	171,455	2,924,926
Current portion of debt	-	(107,159)	(107,159)
Non-current portion of debt	\$ 2,753,471	\$ 64,296	\$ 2,817,767

In December 2020, the Company entered into a loan agreement with Banco Agrario de Colombia S.A. ("Banco Agrario"), consisting of term and revolving components for a total value of \$8,500,000,000 COP (\$3,151,684 CAD). The term loan is for seven (7) years and makes up \$8,000,000,000 COP (\$2,966,076 CAD) of the initial loan proceeds received. Per the details of the agreement, the term loan will bear interest at a variable rate of IBR + 7.85%, payable semi-annually during the first 24 months, and quarterly thereafter. The term loan is subject to a capital amortization grace period of up to 24-months. The revolving loan consists of \$500,000,000 COP (\$185,608 CAD) available to be drawn down by the Company. As at December 31, 2020, the Company had drawn the full amount down. The revolving loan is payable semi-annually, over a period of 24 months. The revolving loan bears interest at a variable rate of IBR + 6%, payable semi-annually. There are certain externally imposed capital requirements as a result of the loan. The Loan is secured against part of the Company's La Margarita property.

11. Share capital

a) Authorized share capital

The authorized share capital consists of an unlimited number of Common Shares. The Common Shares do not have a par value. All currently issued and outstanding Common Shares are fully paid.

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b) Common Shares issued and outstanding

140,290,664 Common Shares (December 31, 2020 - 138,747,660 Common Shares).

For the year ended December 31, 2020

- (i) On February 19, 2020, the Company issued the remaining 18,967 Common Shares owed on the Ubiquo Telemedicina S.A.S transaction issued at a price of \$2.42 per share.
- (ii) On January 3, 2020, cash proceeds for \$32,480 (USD\$25,000) were received towards 50,000 options that were exercised, resulting in the issuance of 50,000 Common Shares. In addition, the Company issued 172 Common Shares for net proceeds of \$205 upon the exercise of warrants.
- (iii) During the year ended December 31, 2020, 1,347,166 RSUs were fully vested, which resulted in the issuance of 671,500 Common Shares, with 666,666 shares pending issuance at year end and the remaining 9,000 RSUs to be settled in cash.
- (iv) On April 15, 2020, the Company settled an outstanding debt in the amount of \$54,681 with two former Medical Advisory Board members. As a result, the Company issued an aggregate of 74,906 Common Shares at a fair value of \$0.73 per Common Share, with all such issued Common Shares being subject to a statutory hold period of four months plus a day from the date of issuance.
- (v) On April 15, 2020, the Company closed its first 2020 private placement financing by issuing 12,578,002 special warrants of the Company (the "Special Warrants") at \$0.65 per Special Warrant. Each Special Warrant entitled the holder thereof to receive one Common Share upon exercise. The Company issued 12,246,190 Special Warrants for cash, raising gross proceeds of \$7,960,024. The Company incurred related costs of \$1,178,780, including 181,812 Special Warrants issued as agents' fees (valued at \$118,178) and 150,000 Special Warrants as a finder's fee (valued at \$97,500). On May 20, 2020, all 12,578,002 Special Warrants were converted to Common Shares by the Company.
- (vi) On July 3, 2020, the Company closed its second 2020 private placement financing by issuing 6,388,940 Common Shares of the Company at a price of \$0.72 per Common Share, raising gross proceeds of \$4,600,037. The Company incurred related costs of \$568,884.
- (vii) On November 20, 2020, the Company closed its third 2020 private placement financing by issuing 20,000,000 units at a price of \$0.50 per unit, raising gross proceeds of \$10,000,000. Each unit consists of one Common Share and one-half a warrant with an exercise price of \$0.65 and a life of 2 years. The warrant fair value was determined based on a Black-Scholes model (see note 12(i)(c)). The Company has allocated \$7,800,910 of the private placement to share capital and \$2,199,090 to warrants. Related issuance costs of \$1,254,946, including 1,000,000 broker warrants to purchase one unit each at a price of \$0.50 issued as agents' fees (valued at \$250,418), were allocated to share capital (\$978,972) and warrants (275,974).

For the three months ended March 31, 2021

- (viii) During the three months ended March 31, 2021, cash proceeds of \$509,708 were received towards 760,835 options that were exercised, resulting in the issuance of 760,835 Common Shares. In addition, the Company issued 567,169 Common Shares for cash proceeds of \$368,659 upon the exercise of warrants.
- (ix) During the three months ended March 31, 2021, 215,000 RSUs were fully vested, which resulted in the issuance of 215,000 Common Shares.

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12. Warrants

The following table reflects the continuity of warrants for the periods ended March 31, 2021 and December 31, 2020:

	Number of warrants	Weighted average exercise price (USD)	Weighted average exercise price (CAD)
Balance, December 31, 2019	37,054	2.06	1.19
April 15 Private Placement ^{(i)(a)}	190,212	-	0.65
November 20 Private Placement ^{(i)(b)}	10,000,000	-	0.65
November 20 Private Placement - Broker warrants ^{(i)(c)}	1,000,000	-	0.50
Exercised ^{(i)(d)}	(172)	-	1.194
Expired	(27,882)	2.00	-
Balance, December 31, 2020	11,199,212	2.25	0.64
Balance, December 31, 2020	11,199,212	2.25	0.64
Exercised ^{(ii)(a)}	(567,170)	-	0.65
Balance, March 31, 2021	10,632,042	2.25	0.64

(i) Warrants issued in the year ended December 31, 2020 include the following:

- a. The Company paid a portion of the broker fees on the Special Warrants in the form of 190,212 broker warrants (the "Broker Warrants"). The Broker Warrants are separate instruments from the Special Warrants. Each Broker Warrant is exercisable for one Common Share at an exercise price of \$0.65 for a period of 24 months. The Broker Warrants were valued using a Black-Scholes pricing model with the following assumptions: share price of \$0.73, exercise price of \$0.65, expected stock price volatility of 91%, expected dividend yield of 0%, risk-free interest rate of 0.33%, and term of 24 months. As at December 31, 2020, none of the Broker Warrants had been exercised.
- b. As part of the November private placement, the Company issued 10,000,000 warrants exercisable at \$0.65 per warrant. The Company used a Black-Scholes pricing model to value the warrants, with the following assumptions: share price of \$0.84, exercise price of \$0.65, expected stock price volatility of 95%, expected dividend yield of 0%, risk-free interest rate of 0.69%, and term of 24 months.
- c. Also as part of the November private placement, the Company issued 1,000,000 broker warrants exercisable at \$0.50 per unit. Each warrant is exercisable for one unit, consisting of one Common Share and one half warrant, with each full warrant exercisable for one Common Share at an exercise price of \$0.65 for a period of 24 months. The broker warrants were valued using a Black-Scholes pricing model, with the following assumptions: share price of \$0.84, exercise price of \$0.50, expected stock price volatility of 95%, expected dividend yield of 0%, risk-free interest rate of 0.69%, and term of 24 months.
- d. A total of 172 other warrants were exercised at an exercise price of \$1.194 each.

(ii) Warrants exercised in the three months ended March 31, 2021 include the following:

- a. A total of 567,169 other warrants were exercised at an exercise price of \$0.65 each.

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The following table reflects the warrants issued and outstanding as at March 31, 2021:

Number of warrants outstanding	Exercise price (USD)	Exercise price (CAD)	Expiry date
38,042	-	0.65	April 15, 2022
1,000,000	-	0.50	November 20, 2022
9,585,000	-	0.65	November 20, 2022
9,000	2.25	-	December 15, 2022
10,632,042			

13. Stock options

The following table reflects the continuity of options for the periods ended March 31, 2021 and 2020:

	Number of options	Weighted average exercise price (USD)	Weighted average exercise price (CAD)
Balance, December 31, 2019	12,606,000	1.18	3.33
Granted ⁽ⁱ⁾	5,183,336	-	0.80
Exercised	(50,000)	0.50	-
Expired/Forfeited	(4,117,000)	1.32	3.35
Balance, December 31, 2020	13,622,336	1.51	1.69
Balance, December 31, 2020	13,622,336	1.51	1.69
Exercised	(760,835)	0.59	0.72
Balance, March 31, 2021	12,861,501	1.61	1.71

(i) Options issued in the year ended December 31, 2020 include the following:

- On May 4, 2020, the Company granted incentive stock options to an officer of the Company of 1,500,000 Common Shares exercisable at a price of \$1.02 per Common Share on or before May 4, 2030. The options vest as follows: 500,000 immediately; 333,333 after the first anniversary of the date of grant; 333,333 after the second anniversary of the date of grant; and 333,334 after the third anniversary of the date of grant. The fair value of each option has been estimated at \$0.85 as at the date of the grant using the Black-Scholes option pricing model. The following assumptions were used: share price - \$0.99; expected annualized volatility - 93.13%, risk-free rate - 0.57%; and an expected life of 10 years. During the year ended December 31, 2020, the Company recorded \$866,808 in share-based payments expense related to these stock options in the consolidated statements of loss and comprehensive loss.
- On July 2, 2020, the Company granted a total of 383,336 compensation stock options (the "Compensation Options") to the underwriters of the July 2, 2020 private placement. Each option is exercisable for one Common Share at a price of \$0.72 on or before July 2, 2022. All options vest immediately. The fair value of each option has been estimated at \$0.34 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$0.71, exercise price of \$0.72, expected stock price volatility of 90%, risk-free rate of 0.56%, and expected life of 24 months. During the year ended December 31, 2020, the Company recorded \$129,184 in share-based payments expense related to these stock options in the consolidated statements of loss and comprehensive loss.
- On November 20, 2020, the Company granted a total of 3,000,000 incentive stock options to a director of the Company. Each option is exercisable for one Common Share at a price of \$0.63 on or before November 20, 2025.

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The options vest as follows: 1,000,000 immediately; 1,000,000 on the six-month anniversary of the grant date; and the remaining 1,000,000 on the one-year anniversary of the grant date. The fair value of each option has been estimated at \$0.63 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$0.84, exercise price of \$0.63, expected stock price volatility of 95%, risk-free rate of 0.56%, and expected life of 5 years. During the year ended December 31, 2020, the Company recorded \$847,891 in share-based payments expense related to these stock options in the consolidated statements of loss and comprehensive loss.

- d. On December 2, 2020, the Company granted a total of 200,000 incentive stock options to an officer of the Company. Each option is exercisable for one Common Share at a price of \$1.11 on or before December 2, 2030. All options vest immediately. The fair value of each option has been estimated at \$1.19 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$1.23, exercise price of \$1.11, expected stock price volatility of 101%, risk-free rate of 0.76%, and expected life of 10 years. During the year ended December 31, 2020, the Company recorded \$237,942 in share-based payments expense related to these stock options in the consolidated statement of loss and comprehensive loss.

- e. On December 17, 2020, the Company granted a total of 100,000 incentive stock options to a consultant of the Company. Each option is exercisable for one Common Share at a price of \$2.18 on or before December 17, 2023. The options vest as follows: 25,000 immediately; 25,000 on the four-month anniversary of the grant date; 25,000 on the eight-month anniversary of the grant date, and the remaining 25,000 on the one-year anniversary of the grant date. The fair value of each option has been estimated at \$1.44 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$2.18, exercise price of \$2.18, expected stock price volatility of 103%, risk-free rate of 0.74%, and expected life of 3 years. During the year ended December 31, 2020, the Company recorded \$43,549 in share-based payments expense related to these stock options in the consolidated statement of loss and comprehensive loss.

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Details of the stock options outstanding as at March 31, 2021 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price (USD)	Exercise price (CAD)	Weighted-average life (years)	Expiry date
172,501	172,501	-	0.72	1.26	July 2, 2022
100,000	100,000	0.50	-	1.33	July 31, 2022
40,000	40,000	2.25	-	1.33	July 31, 2022
100,000	25,000	-	2.18	2.71	December 17, 2023
500,000	500,000	2.25	-	3.75	January 1, 2025
2,035,000	2,035,000	2.25	-	3.83	January 29, 2025
39,000	39,000	2.25	-	3.84	February 4, 2025
550,000	550,000	0.25	-	4.13	May 15, 2025
50,000	50,000	-	3.35	4.17	June 1, 2025
25,000	25,000	0.50	-	4.58	October 27, 2025
3,000,000	1,000,000	-	0.63	4.64	November 20, 2025
50,000	50,000	1.00	-	5.42	September 1, 2026
550,000	366,667	-	3.10	5.60	November 5, 2026
450,000	450,000	1.00	-	5.76	January 2, 2027
100,000	100,000	1.00	-	5.83	January 27, 2027
850,000	850,000	1.00	-	6.17	June 1, 2027
300,000	300,000	2.00	-	6.26	July 5, 2027
2,250,000	1,750,000	-	3.35	7.25	July 1, 2028
1,500,000	833,334	-	1.02	9.09	May 4, 2030
200,000	200,000	-	1.11	9.67	December 2, 2030
12,861,501	9,436,502	1.61	1.71	5.64	

14. Restricted share units ("RSUs")

	Number of unvested RSUs outstanding
Balance, December 31, 2020	1,639,834
Granted ⁽ⁱ⁾	200,000
Vested ⁽ⁱⁱ⁾	(215,000)
Forfeited	-
Balance, March 31, 2021	1,624,834

- (i) On February 1, 2021, the Company issued 200,000 RSUs to a consultant of the company. The RSUs vested immediately as of the grant date.
- (ii) During the three months ended March 31, 2021, 215,000 RSUs were fully vested, which resulted in the issuance of 215,000 common shares.

As at March 31, 2021, there were 1,624,834 unvested RSUs outstanding.

15. Net loss per Common Share

The calculation of basic and diluted loss per share for the three months ended March 31, 2021 was based on the net loss of \$6,542,056 (three months ended March 31, 2020 - \$6,317,998) and the weighted average number of Common Shares outstanding of 139,419,735 (three months ended March 31, 2020 - 99,051,447). Diluted loss per share is equal to basic diluted

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loss per share as any effects of the potential convertible securities would be anti-dilutive.

16. Transactions with related parties

During the three months ended March 31, 2021, the Company had the following related party transactions:

- a) The Company incurred consulting fees of \$1,500 (compared to the three months ended March 31, 2020 of \$1,500) from Laitinen Consulting Inc., a company controlled by the Company's Chief Financial Officer, Scott Laitinen. As of March 31, 2021, the amount of \$500 (December 31, 2020 - \$500) is owing to Laitinen Consulting Inc. Mr. Laitinen was employed early in 2019, and since then his remuneration is included as part of Management salaries. Laitinen Consulting Inc. continues to provide payroll services, T4 processing & filing, and government remuneration for the payroll in Canada.
- b) The Company incurred consulting fees of \$Nil (compared to the three months ended March 31, 2020 of \$50,000) from Konssult Assessoria Empresarial Ltda, a company controlled by the CEO of the Company, Henning von Koss.

Compensation of Key Management

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and the Board of Directors, as well as certain key officers and board members of the Company's subsidiary.

For the three months ended March 31	2021	2020
Management compensation	\$ 186,893	\$ 355,518
Directors' fees ⁽¹⁾	27,500	-
Share-based compensation ⁽²⁾	802,957	1,505,958
Total management compensation	\$ 1,017,350	\$ 1,861,476

(1) Includes meeting fees and commitment chair fees.

(2) Share-based compensation represents the fair value of options and RSUs granted and vested to key management personnel and directors of the Company under the Company's share-based compensation plans.

The above related party transactions were in the normal course of operations and have been valued in the unaudited condensed interim 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.

17. Commitments and Contingencies

Commitments

- a) The Company has a technology license agreement with Harmony Grove Services, LLC, to exploit the extraction technology on biomass. The Company will pay to Harmony Grove Services, LLC a royalty fee for cannabis oil processed with the Technology-enabled process scale chromatography and Technology-enabled process scale crystallization. The agreement dated May 15, 2019 is for two years and royalties will be paid on a quarterly basis. Royalties are calculated based on a fixed fee (USD\$) per kilogram of oil processed with the Technology-enabled process scale chromatography and Technology-enabled process scale crystallization.
- b) The Company has supply agreement with Tahami & Cultiflores SA en Reorganización to supply destemmed and pre-dried cannabis flower from their non-psychoactive Tahami & Cultiflores SA en Reorganización cannabis crops. The Company will

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pay to Tahami & Cultiflores SA en Reorganización a set price per kilogram of plant material that will supplied to the Company. The agreement dated July 27, 2020 is for one year and the total cost of the contract is estimated to be \$1.7 million. As of the date of these financial statements, the company has paid Tahami & Cultiflores SA en Reorganización \$851,525 for the supply of plant material.

- c) Included in accounts payable and accrued liabilities, and other non-current liabilities are accruals for certain provisions, including termination related commitments to former officers and directors of approximately \$1.5 million. In addition, the company had a commitment to issue 1.25 million Deferred Stock Units (“DSU”) once a DSU plan has been approved. As of the date of these financial statements, accounts payable and accrued liabilities includes a liability of \$2.6M relating to the DSU commitment.

Legal

The Company is involved in claims that arise in the ordinary course of business. Accruals for the claims are provided to the extent that losses are deemed both probable and estimable. Although the ultimate outcome of this claim or lawsuit cannot be ascertained, based on present information and advice received from counsel, the Company recognized a provision as of December 31, 2020 in accounts payable and accrued liabilities. As of the date of these financial statements, the provision remains in accounts payable and accrued liabilities.

A former director of the Company, and his company have filed a Statement of Claim in Ontario’s Superior Court of Justice against the Company in connection with the director’s alleged employment by the Company and the consulting relationship between the Company and the director’s company. The Company filed a Statement of Defence on February 4, 2021. The reply of the director and his company was served on March 8, 2021.

On March 6, 2020 and April 24, 2020, two proposed securities class actions were filed against the Company, David Attard and Scott Laitinen in the United States District Court for the Central District of California (the “Court”). In June 2020, the Court consolidated the two lawsuits into one case and assigned lead plaintiffs (“Plaintiffs”) and lead counsel to represent the proposed class in the litigation. On August 21, 2020, Plaintiffs filed an amended complaint and named David Gordon and Andres Botero as additional defendants (together with the Company, David Attard, and Scott Laitinen, “Defendants”). The proposed class action is comprised of stockholders who purchased or acquired publicly-traded PCLO securities from June 21, 2019 to March 2, 2020. The amended complaint alleges violations of the U.S. Securities Exchange Act of 1934 (the “Securities Exchange Act”) against Defendants. Plaintiffs contend that the market price of the Company’s securities were artificially inflated due to misrepresentations Plaintiffs allege were made by the Company and Defendants, and that the senior officers of the Company are liable due to their control and authority over the Company’s public statements. The amended complaint seeks damages and an award of Plaintiffs’ costs, including attorneys’ fees and expenses. On October 22, 2020, Defendants filed a motion to dismiss the U.S. action. On December 21, 2020, Plaintiffs filed opposition to the motion to dismiss. On February 5, 2021, Defendants filed a reply in support of their motion to dismiss. On April 16, 2021, the Court issued an order granting the Defendants’ motion to dismiss and granting the Plaintiffs leave to amend the complaint by May 21, 2021. On May 21, 2021, Plaintiffs filed an amended complaint alleging substantially the same violations of the Securities Exchange Act and seeking the same relief.

The Company believes the class action to be without merit.

18. Segmented information

An operating segment is a component of the Company (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. The Company is considered to be operating in one segment based on its business nature and strategic decision- making method.

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(Unaudited)

The Company is located and operates in Canada and Colombia, as well as having joint control over ventures in Italy and Mexico.

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

Net loss for the three months ended March 31,	2021	2020
Canada	\$ 3,650,606	\$ 4,313,706
Colombia	2,891,450	2,004,292
Total	\$ 6,542,056	\$ 6,317,998

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

Total assets as at	March 31, 2021	December 31, 2020
Canada	\$ 11,083,839	\$ 12,728,282
Colombia	25,723,548	31,296,139
Total	\$ 36,807,387	\$ 44,024,421

Operating segment - March 31, 2020	Corporate	Cannabis	Total
Revenues	\$ -	\$ 514,409	\$ 514,409
Cost of sales	-	461,235	461,235
Loss for the period	3,882,019	2,435,979	6,317,998

Operating segment - March 31, 2021	Corporate	Cannabis	Total
Revenues	\$ -	\$ 675,264	\$ 675,264
Cost of sales	-	747,583	747,583
Loss for the period	3,650,606	2,891,450	6,542,056

Revenues by country	Cannabis	Total
United Kingdom	\$ 433,936	\$ 433,936
Czech Republic	129,172	129,172
Paraguay	47,235	47,235
Colombia	33,115	33,115
Brazil	26,894	26,894
Italy	3,034	3,034
Canada	1,878	1,878
Total Revenue	\$ 675,264	\$ 675,264

Revenue Concentration

The Company's business is such that, at any given time, it sells its products and services to a relatively small number of customers. During the three months ended March 31, 2021, one customer accounted for 100% of cannabis revenue in the United Kingdom, which represents 67% of total revenue.

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19. Investment in joint ventures

The Company has two investments in Italy and Mexico, PharmaCielo Italia S.R.L. (70% owned) ("Italia") and PharmaCielo S.A. de C.V. (50% owned).

Management assessed that the Company's investment in Italia and PharmaCielo S.A. de C.V., was a joint venture in accordance with IFRS 11 - Joint Arrangements. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 - Investments in Associates and Joint Ventures.

Investment in joint ventures at March 31, 2021 was \$649,924 (March 31, 2020 - \$nil) and consisted of the following amounts:

Balance, December 31, 2020	\$ 565,396
Investment in joint ventures	180,757
Share of loss on investment in joint ventures	(96,229)
Balance, March 31, 2021	\$ 649,924

The following tables summarize the financial information of Italia and PharmaCielo S.A. de C.V. joint ventures:

As at March 31, 2021

	PharmaCielo Italia SRL	PharmaCielo S.A. de C.V.
Cash and cash equivalents	\$ 14,982	\$ 46,523
Other current assets	36,156	101,757
Total current assets	51,138	148,280
Non-current assets	3,922	-
Total assets	\$ 55,060	\$ 148,280
Current liabilities	188,286	3,188
Total liabilities	\$ 188,286	\$ 3,188
Net assets⁽¹⁾	\$ (133,226)	\$ 145,092

(1) Balances represent 100% share of Italia and PharmaCielo S.A. de C.V.

For the three months ended March 31, 2021

	PharmaCielo Italia SRL	PharmaCielo S.A. de C.V.
Selling, general, and administrative expenses	\$ 100,949	\$ 50,682
Other expense	319	-
Net loss⁽¹⁾	101,268	50,682

(1) Balances represent 100% share of Italia and PharmaCielo S.A. de C.V.

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20. COVID-19

In order to protect the health of PharmaCielo's staff and the community during the global outbreak of COVID-19, during 2020, PharmaCielo adjusted operations at the Rionegro, Colombia facilities of its subsidiary PharmaCielo Colombia Holdings S.A.S. ("PharmaCielo Colombia"). The Company's measures supported President Duque and the Colombian government's proactive COVID-19 mitigation efforts. The new workplace procedures reflected the Colombian government's nation-wide essential business policy (Decree 457), that came into effect at 12:00 am on March 25, 2020 requiring certain quarantining measures (the "Decree"). While as an agricultural enterprise PharmaCielo Colombia is excluded from the Decree, all agronomic operations at the greenhouses, lab and processing facility that include breeding, tissue culture, propagation, cultivation, harvest, drying, separation and storage continued to operate in rotating shifts with reduced staff and onsite adjustments to enable the important practice of social distancing. Voluntarily PharmaCielo Colombia temporarily ceased activities at the processing facility, and temporarily halted construction of the processing and extraction centre in the interests of employee health in the enclosed facilities. These decisions took into consideration the ability to minimize losses and to ensure a fast recovery of normal operation. The reduction in the use of ethanol, reduced processing costs and eliminated the Company use of a commodity required for the production of hand sanitizers by the health industry. As a result, the monthly burn rate for expenses declined.

Since initiation of reduced activity, and as consistent with the allowances of the decree, the Company has sought to gradually increase operations within the agriculture and industrial teams, while maintaining proper safety measures and being mindful of employee health and wellness. While operations have returned to normal levels, COVID-19 pandemic lockdowns in Colombia or other countries could reduce the quantity of product produced by the Company and / or limit the Company's ability to ship product to end customers. International border shutdowns have affected international shipping to/from various markets and the Company is assessing the impact of potential delays in both equipment import and product export.

Following the COVID-19 pandemic, PharmaCielo's Health Safety Protocol remains in line with the national guidelines Decree. Thus, governmental health entities carried out a verification of the biosafety protocols adopted by the company in the facilities where 100% compliance with the measures generated by the government were evidenced. Furthermore, the Special Situation Committee continues to review and update actions around the COVID protocol, providing resources to ensure social distancing, delivery of appropriate personal protection equipment and infrastructure that fulfill defined standards.

At the beginning of July 2020, PharmaCielo conducted a simulated employee positive case drill in order to validate that proper systems, procedures and measurements have been put in place. It is important to mention that the rate of contagion in the company has been lower than 10% (May 2021), with no outbreaks in the processes, serious cases or fatalities. On the other hand, several infrastructure investments have been carried out to ensure social distancing in common areas (dressing rooms and cafeteria) and additional points for hand washing and disinfection were installed in the location.

In addition, measures have been implemented to reinforce prevention, such as sessions with epidemiologists to clarify doubts and raise awareness about good practices to be implemented to combat the third wave of the disease. Therefore, we have reinforced the alternate work, to avoid occupational exposure during the peaks of the pandemic, supporting the process needs at all times.

Finally, the Committee implemented Gemba Walks to improve safety behavior and further encourage employee adherence to standards and protocols.

21. Events after the reporting period

Overnight Marketed Equity Financing

On April 7, 2021, the Company closed an overnight marketed offering of Common Shares conducted through a syndicate of agents led by Cormark Securities Inc. and including Stifel GMP. The Company issued 6,301,866 Common Shares at a price of \$2.15 per share pursuant to the offering, for aggregate gross proceeds of \$13,549,012, inclusive of proceeds from the exercise in part of the agents' over-allotment option to purchase 840,698 additional Common Shares, and \$50,000 from a non-brokered portion of the Offering.

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Warrants exercised

As of the date of these financial statements, 327,200 warrants were exercised resulting in proceeds of \$212,680 and the issuance of 327,200 Common Shares, subsequent to March 31, 2021.

Options granted

On May 13, 2021, the Board approved and granted 200,000 Stock Options to certain board members. The Stock Option is exercisable to acquire one Common Share of the Company at a price of \$2.15 per Common Share. The Stock Options granted are subject to a three-year vesting period and expire on the date that is five years from the Grant Date.

Options and RSUs granted to nominee for Chairman of the Board

On May 13, 2021, the Board approved and granted 500,000 Stock Options and 500,000 Restricted Share Units ("RSUs") to the nominee for Chairman of the Board effective as of the date of the Company's Annual General and Special Meeting of Shareholders, to be held on June 10, 2021 and subject to the nominee receiving applicable TSX Venture Exchange (the "TSXV") and Company shareholder approvals to join the Board.

The stock Option is exercisable to acquire one common share of the Company at a price of \$2.15 per Common Share. The stock options conditionally granted are subject to a three-year vesting period and expire on the date that is five years from the Grant Date.

The RSUs conditionally granted are also subject to a three-year vesting period and expire on the date that is five years from the Grant Date. Each RSU entitles the holder to receive one Common Share upon vesting.

RSUs vested

As of the date of these financial statements, a total of 799,167 RSUs fully vested and the Common Shares had not been issued, subsequent to March 31, 2021.