



PHARMACIELO LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
MARCH 31, 2022**

**(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.

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of PharmaCielo Ltd. (the "Company" or "PharmaCielo") for the three months ended March 31, 2022, and 2021 have been prepared by the management of PharmaCielo, reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited interim consolidated financial statements have been reviewed by an auditor.

May 30, 2022

"Bill Petron"

William B. Petron
Chairman and Chief Executive Officer

"Ian D. Atacan"

Ian D. Atacan
Chief Financial Officer

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

	Note Reference	As at March 31, 2022	As at December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		1,419,669	5,338,371
Trade receivables	3	570,091	277,048
Marketable securities	4	237,500	291,000
Prepaid expenses and other receivables	5	1,224,484	1,009,436
Inventory and Biological assets	6	2,626,661	2,280,859
Total current assets		6,078,405	9,196,714
Non-current assets			
Property, plant, and equipment	7	25,869,939	25,189,968
Investment in sublease	8	440,115	-
Right-of-use assets	8	68,829	930,485
Investment in joint ventures	18	631,565	639,643
Total non-current assets		27,010,448	26,760,096
Total assets		33,088,853	35,956,810
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		6,860,362	7,732,631
Current portion of lease obligations	8	259,755	147,945
RSU obligations	14	110,599	111,780
Current portion of debt	9	62,491	79,330
Total current liabilities		7,293,207	8,071,686
Non-current liabilities			
Non-current portion of lease obligations	8	244,906	1,064,506
Non-current portion of debt	9	2,779,779	2,573,652
Debentures	10	4,712,091	4,564,646
Deferred income		-	356,378
Total non-current liabilities		7,736,776	8,559,182
Total liabilities		15,029,983	16,630,868
Shareholders' Equity			
Share capital	11	157,844,990	156,338,336
Shares to be issued	11	560,000	1,955,000
Reserves	12,13,14	35,648,985	35,136,180
Other comprehensive loss		(5,185,065)	(6,205,549)
Deficit		(170,810,040)	(167,898,025)
Total shareholders' equity		18,058,870	19,325,942
Total liabilities and shareholders' equity		33,088,853	35,956,810

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

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

		Three Months Ended	
	Note Reference	March 31, 2022	March 31, 2021
Revenue:			
Sale of Cannabis derivative products		1,185,186	656,841
Revenue from Telemedicine services		15,987	18,423
Total revenue		1,201,173	675,264
Cost of goods sold - Cannabis derivative products		739,606	747,583
Cost of goods sold - Telemedicine services		419	-
Cost of goods sold - Inventory impairment		-	607,512
Gross gain (loss) before fair value adjustments		461,148	(679,831)
Realized fair value on inventory sold		-	(63,211)
Unrealized loss on fair value of biological assets	6	(358,085)	(112,567)
Gain (loss) profit		103,063	(855,609)
Operating expenses			
Agricultural operating costs	6	43,416	157,237
Selling, general, and administrative expenses			
General and administrative			
Consulting fees		105,406	291,786
Office and general		387,573	644,628
Professional fees		311,142	1,072,277
Salaries and wages		1,357,297	1,397,034
Travel and accommodation		68,696	2,782
Share-based compensation		540,078	1,809,189
Selling, marketing, and promotion		276,103	309,484
Amortization and depreciation	7,8	201,260	463,620
Expected credit losses		-	43,308
Total selling, general, and administrative expenses		3,247,555	6,034,108
Other (income) expense			
Bank charges and interest expense		250,382	141,333
Change in unrealized loss on marketable securities		53,500	11,500
Exchange loss (gain)		63,152	(111,008)
Other non-operating (income)		(294,756)	(1,411)
Amortization of deferred income		(136,632)	(136,632)
Change in unrealized gain on Xphyto investment		(219,619)	(468,972)
Realized gain on sale of marketable securities		-	(35,937)
Share of loss of investment in joint ventures	19	8,078	96,229
Total other (income)		(275,895)	(504,898)
Net loss for the period		(2,912,013)	(6,542,056)

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 Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(unaudited)

		Three months Ended	
	Note Reference	March 31, 2022	March 31, 2021
Other comprehensive gain (loss)			
Currency translation adjustment		1,020,484	(2,330,909)
Net comprehensive loss		(1,891,529)	(8,872,965)
Basic and diluted loss per share	15	(0.02)	(0.05)
Weighted average number of common shares outstanding - basic and diluted		149,509,663	139,419,735

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)

	Note Reference	Number of Common Shares	Share Capital	Shares to be issued	Reserves	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at December 31, 2020		138,747,660	138,082,419	559,999	31,456,069	(2,583,161)	(141,268,332)	26,246,994
Options exercised	13	760,835	1,056,818	-	(491,909)	-	-	564,909
Warrants exercised	12	567,169	505,269	-	(136,610)	-	-	368,659
Vested RSUs	14	215,000	498,400	-	(498,400)	-	-	-
Issuance costs for April 2021 equity financing	11	-	(36,000)	-	-	-	-	(36,000)
Share-based compensation	11,12,13,14	-	-	-	1,803,717	-	-	1,803,717
Currency translation adjustment for the period		-	-	-	-	(2,330,908)	-	(2,330,908)
Net 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
Balance at December 31, 2021		149,268,163	156,338,334	1,955,000	35,136,180	(6,205,549)	(167,898,025)	19,325,941
Warrants exercised	12	128,000	111,656	-	(28,455)	-	-	83,201
Vested RSUs	14	1,125,000	1,395,000	(1,395,000)	-	-	-	-
Share-based compensation	11,12,13,14	-	-	-	541,260	-	-	541,260
Currency translation adjustment for the period		-	-	-	-	1,020,484	-	1,020,484
Net loss for the period		-	-	-	-	-	(2,912,013)	(2,912,013)
Balance at March 31, 2022		150,521,163	157,844,990	560,000	35,648,985	(5,185,065)	(170,810,040)	18,058,870

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)**

	Note Reference	Three Months Ended	
		March 31, 2022	March 31, 2021
Operating Activities			
Net loss		(2,912,013)	(6,542,056)
Items not affecting cash:			-
Amortization and depreciation	7,8	201,260	556,834
Expected credit losses		-	43,308
Unrealized loss on fair market value of biological assets	6	358,085	112,584
Unrealized (gain) on fair market value of XPhyto investment		(219,619)	(468,972)
Gain on revaluation of sublease		(250,449)	-
Share of loss on investment in joint ventures	19	8,078	96,229
Amortization of deferred income		(136,632)	(136,632)
Fair value adjustment on sale of inventory	6	-	63,211
Interest expense		218,726	119,246
Share-based compensation		540,079	1,803,717
Inventory impairment		-	607,512
Exchange gain (loss)		409,354	(612,847)
Unrealized loss on marketable securities		53,500	11,500
Remeasurement adjustment- ROU asset		1,089,007	-
Remeasurement adjustment- Lease liability		(652,900)	-
Realized gain on marketable securities		-	(35,937)
Changes in non-cash working capital items			
Trade receivables	3	(315,003)	118,565
Prepaid expenses and other receivables	5	(184,160)	175,149
Inventory and biological assets	6	(529,100)	(330,174)
Investment in sublease	8	(440,115)	-
Accounts payable and accrued liabilities		(1,016,258)	(675,861)
Net cash and cash equivalents used in operating activities		(3,778,160)	(5,094,624)
Investing Activities			
Investment in joint ventures		-	(180,757)
Investment - XPhyto Therapeutics Corp.		-	(750,000)
Proceeds from sale of XPhyto marketable securities		-	777,089
Purchase of property, plant, and equipment	7	(67,979)	(427,580)
Net cash and cash equivalents used in investing activities		(67,979)	(581,248)
Financing Activities			
Options and warrants exercised	12,13	83,199	933,568
Vested RSU		-	5,471
Share issue costs		-	(36,000)
Loan principal payments	9	(93,736)	-
Lease payments	8	(62,026)	(82,399)
Net cash and cash equivalents (used in) provided by financing activities		(72,563)	820,640
Net decrease in cash and cash equivalents		(3,918,702)	(4,855,232)
Cash and cash equivalents, beginning of period		5,338,371	8,859,714
Cash and cash equivalents, end of period		1,419,669	4,004,482

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, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

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 of May 30, 2022, 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, 2021, 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, 2021.

Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for 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.

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

As at March 31, 2022, 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, 2021. 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, 2021.

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. The assessment of the appropriateness of the going concern assumption includes significant judgements. From the Company's perspective this includes the assumption that a portion of warrant and option holders will continue to 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.

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 favorable 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, 2022.

Amendments to IFRS 9: Financial Instruments

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

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

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Amendments to IAS 41: Agriculture

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IAS 41. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flow when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

3. TRADE RECEIVABLES

	March 31, 2022	December 31, 2021
For sale of cannabis derivative products	741,324	453,089
For revenue from telemedicine services	13,645	16,206
Expected credit loss	(184,878)	(192,247)
Total trade receivables	\$ 570,091	\$ 277,048

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. During the three months ended March 31, 2022, the Company recorded an expected credit loss of \$184,878 (December 31, 2021- \$192,247).

4. MARKETABLE SECURITIES

	Number of shares	Cost	Unrealized gain / (loss)	Fair value
March 31, 2022				
Khiron Life Sciences Corp. ("Khiron")	100,000	\$ 12,500	\$ 12,500	\$ 25,000
XPhyto Therapeutics Corp.	250,000	680,000	(467,500)	212,500
Total marketable securities		\$ 692,500	\$ (455,000)	\$ 237,500
December 31, 2021				
Khiron Life Sciences Corp. ("Khiron")	100,000	\$ 12,500	\$ 8,500	\$ 21,000
XPhyto Therapeutics Corp.	250,000	680,000	(410,000)	270,000
		\$ 692,500	\$ (401,500)	\$ 291,000

5. PREPAID EXPENSES AND OTHER RECEIVABLES

	As at March 31, 2022	As at December 31, 2021
Prepaid expenses	1,152,782	721,296
Other receivables	91,568	288,140
Total prepaid expenses and other receivables	\$ 1,244,350	\$ 1,009,436

6. INVENTORY AND BIOLOGICAL ASSETS

Inventory

	As at March 31, 2022	As at December 31, 2021
Agricultural supplies and other	202,937	193,897
Work-in-progress	1,866,009	1,267,796
Finished products	557,715	819,166
Closing balance	\$ 2,626,661	\$ 2,280,859

During the three months ended March 31, 2022, inventory recognized as cost of goods sold was \$739,606 (three months ended March 31, 2021 - \$810,794), consisting of \$Nil of realized fair value changes on inventory sold (three months ended March 31, 2021 - \$63,211), \$Nil in impairment costs reducing the inventory value to its net realizable value (three months ended March 31, 2021 - \$607,512), and \$739,606 of capitalized post-harvest costs expensed during the period as cannabis inventory is sold (three months ended March 31, 2021 - \$747,583).

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

6. INVENTORY AND BIOLOGICAL ASSETS (continued)

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, 2022:

- a. 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 \$1,497 per kilogram of CBD isolate was used to calculate the biological assets at March 31, 2022 (December 31, 2021 - \$1,233).
- 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 \$571 per kilogram of CBD isolate (December 31, 2021 - \$1,322).
- 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, 2022 averaged 96% (December 31, 2021 - 49%).
- 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 0.68 grams of CBD isolate (December 31, 2021 - 0.63 grams).

As at March 31, 2022, 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, 2021	-
Production costs capitalized	358,085
Changes in fair value less costs to sell due to biological transformation	(358,085)
Balance, March 31, 2022	\$ -

As at March 31, 2022 the biological assets has been valued to be \$Nil (December 31, 2021 - \$Nil), therefore the Company has assessed the sensitivity analysis on selling price, yield and post-harvest costs to be immaterial to disclose.

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

Unrealized change in fair value of biological assets	(358,085)
Realized fair value on inventory sold	-

During the three months ended March 31, 2022, the Company incurred \$43,416 in non-capital related agricultural operating costs at the Company's cultivation facility in Colombia (three months ended March 31, 2021 - \$157,237).

PHARMACIELO LTD.
Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian Dollars)
(Unaudited)

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, 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	-	929,326	140,188	239,415	21,903	69,323	12,441	-	1,412,596
Reclassification	-	(9,389,518)	6,070,138	5,084,766	96,249	3,129	-	(1,864,764)	-
Disposals	(118,896)	(40,851)	-	(35,772)	-	(36,804)	(32,268)	(9,996)	(274,587)
Effect of foreign currency exchange differences	(734,361)	(1,445,707)	(268,647)	(1,429,837)	(40,622)	(154,777)	(19,223)	(52,965)	(4,146,139)
Balance, December 31, 2021	\$ 6,681,289	\$ 10,627	\$ 9,472,690	\$ 11,963,022	\$ 1,122,087	\$ 1,007,973	\$ 93,346	\$ 180,694	\$ 30,531,728
Additions	-	74,584	-	4,720	-	1,706	-	-	81,010
Reclassification	-	(8,610)	6,828	16,744	(3,281)	(27,420)	(24,639)	-	(40,378)
Disposals	-	(2,958)	-	(223,979)	(164,775)	(116,767)	(951)	-	(509,430)
Effect of foreign currency exchange differences	211,545	535	392,027	601,233	17,977	47,211	4,696	9,736	1,284,960
Balance, March 31, 2022	\$ 6,892,834	\$ 74,178	\$ 9,871,545	\$ 12,361,740	\$ 972,008	\$ 912,703	\$ 72,452	\$ 190,430	\$ 31,347,890
ACCUMULATED DEPRECIATION									
Balance, December 31, 2020	\$ -	\$ -	\$ 1,111,358	\$ 1,275,592	\$ 503,241	\$ 808,522	\$ 86,515	\$ -	\$ 3,785,228
Additions	-	-	627,129	910,439	243,954	214,374	28,089	-	2,023,985
Disposals	-	-	-	-	-	(31,714)	(27,973)	-	(59,687)
Effect of foreign currency exchange differences	-	-	(99,986)	(144,447)	(30,638)	(120,128)	(12,567)	-	(407,766)
Balance, December 31, 2021	\$ -	\$ -	\$ 1,638,501	\$ 2,041,584	\$ 716,557	\$ 871,054	\$ 74,064	\$ -	\$ 5,341,760
Additions	-	-	146,465	244,301	43,687	28,565	71	-	463,089
Disposals	-	-	(854)	(215,931)	(167,192)	(147,544)	(5,256)	-	(536,777)
Effect of foreign currency exchange differences	-	-	50,061	103,564	12,209	40,472	3,573	-	209,879
Balance, March 31, 2022	\$ -	\$ -	\$ 1,834,173	\$ 2,173,518	\$ 605,261	\$ 792,547	\$ 72,452	\$ -	\$ 5,477,951
CARRYING AMOUNT									
Balance, December 31, 2021	\$ 6,681,289	\$ 10,627	\$ 7,834,189	\$ 9,921,438	\$ 405,530	\$ 136,919	\$ 19,282	\$ 180,694	\$ 25,189,968
Balance, March 31, 2022	\$ 6,892,834	\$ 74,178	\$ 8,037,372	\$ 10,188,222	\$ 366,747	\$ 120,156	\$ -	\$ 190,430	\$ 25,869,939

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

PharmaCielo Colombia Holdings S.A.S. farm and 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.

For the three months ended March 31, 2022, depreciation costs of \$311,073 (three months ended March 31, 2021 - \$185,556) was capitalized to biological assets and inventory.

8. LEASES

Right-of-use assets

Balance as at December 31, 2021	930,485
Lease revaluation	(652,900)
Transfer to recognition of investment in sublease	(436,107)
Gain on revaluation of sublease	250,449
Depreciation	(26,614)
Foreign exchange adjustment	3,516
Balance, March 31, 2022	\$ 68,829

Right-of-use assets consist of office spaces. Right-of-use assets are depreciated over 12 to 48 months.

Maturity analysis - contractual undiscounted cash flows

Balance, March 31, 2022

Less than one year	312,050
One to three years	261,134
Total undiscounted lease obligation	\$ 573,184

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 \$13,875 per month. 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.

On March 1, 2022, the Company entered into a sublease agreement for the Toronto office space, mentioned above. As a result of the sublease, the Company has revalued the lease obligation due to a reduction in the lease term from 10 to 5 years, derecognized the Right-of-use asset, and recognized an investment in sublease.

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8. LEASES (continued)

The following table illustrates the lease agreements as at March 31, 2022:

	PharmaCielo Ltd.	PharmaCielo Colombia Holding S.A.S
Country	Canada	Colombia
City	Toronto	Medellín
Initial contract period	March 1, 2019 to February 29, 2024	October 1, 2018 to September 30, 2021
Auto renewal	No	Yes
Annual lease payments: CAD\$		
2023	\$ 248,079	\$ 58,878
2024	248,079	-
Interest rate	13.95%	10.71%

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

Lease liability continuity

Balance as at December 31, 2021	1,212,451
Lease revaluation	(652,900)
Interest expense	2,422
Lease payments	(62,026)
Foreign exchange adjustment	4,714
Balance, March 31, 2022	\$ 504,661
Balance, March 31, 2022	
Lease obligations	504,661
Less current portion	(259,755)
Non-current portion	\$ 244,906

9. LOANS AND BORROWINGS

As at March 31, 2022 the company had the following loans and borrowings:

	Term loan	Revolving loan	Total
Balance, December 31, 2021	\$ 2,666,275	\$ 208,303	\$ 2,874,578
Accrued interest	-	-	-
Accretion	65,959	5,092	71,051
Principal payment	-	(93,736)	(93,736)
Interest payment	-	(2,192)	(2,192)
Foreign exchange adjustment	(7,219)	(212)	(7,431)
Balance, March 31, 2022	2,725,015	117,255	2,842,270
Current portion of debt	-	(62,491)	(62,491)
Non-current portion of debt	\$ 2,725,015	\$ 54,764	\$ 2,779,779

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9. LOANS AND BORROWINGS (continued)

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 bears 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. La Margarita is the location of the Company's nursery and propagation center consisting of 12 hectares of open-air greenhouses situated on a 26.3-hectare property, located in the municipality of Rio Negro in the department of Antioquia, Colombia.

10. DEBENTURES

The following table is a summary of the Company's debentures as at March 31, 2022:

Balance as at December 31, 2021	\$	5,000,000
Value allocated to warrants		(435,354)
Balance as at March 31, 2022	\$	4,564,646
Accrued interest payable included in accounts payable and accrued liabilities		147,445
Debentures balance, March 31, 2022	\$	4,712,091

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.

b) Common Shares issued and outstanding

150,521,163 Common Shares (December 31, 2020 - 149,268,163 Common Shares).

For the year ended December 31, 2021

- (i) During the year ended December 31, 2021, cash proceeds of \$670,037 were received towards 870,835 options that were exercised, resulting in the issuance of 870,035 Common Shares. In addition, the Company issued 1,016,969 Common Shares for cash proceeds of \$661,030 upon the exercise of warrants.
- (ii) During the year ended December 31, 2021, 3,464,834 RSUs were fully vested, which resulted in the issuance of 2,330,833 Common Shares including 666,666 RSUs vested in 2020 that were previously recorded as shares to be issued, with 1,791,667 shares pending issuance at December 31, 2021 and recorded as shares to be issued in the statement of changes in shareholders' equity, and the remaining 9,000 RSUs to be settled in cash.
- (iii) During April 2021, the Company completed an overnight marketed offering of Common Shares by issuing 6,301,866 shares at a stock price of \$2.15 for aggregate gross proceeds of \$13,549,012. The Company incurred related costs of \$1,278,352.

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11. SHARE CAPITAL (continued)

For the three months ended March 31, 2022

- (iv) During the three months ended March 31, 2022, the Company issued 128,000 Common Shares for cash proceeds of \$83,200 upon the exercise of warrants.
- (v) During the three months ended March 31, 2022, the issuance of 1,125,000 Common Shares from RSUs vested in 2021 that were previously recorded as shares to be issued, with 666,667 shares still pending issuance at March 31, 2022.

12. WARRANTS

The following table reflects the continuity of warrants for the periods ended March 31, 2022 and December 31, 2021:

	Number of warrants	Weighted average exercise price (USD)	Weighted average exercise price (CAD)
Balance, December 31, 2020	11,199,212	2.25	0.64
December 24 Debenture (i)(a)	1,250,000	-	1.44
Exercised (i)(b)	(1,016,969)	-	0.65
Balance, December 31, 2021	11,432,243	2.25	0.73
Balance, December 31, 2021	11,432,243	2.25	0.73
Exercised (ii)(a)	(128,000)	-	0.65
Balance, March 31, 2022	11,304,243	2.25	0.73

(i) Warrants issued in the year ended December 31, 2021 include the following:

- a. As part of the December Non-Brokered Private Placement, the Company issued 1,250,000 warrants exercisable at \$1.44 per Warrant Share.
- b. A total of 1,016,969 warrants were exercised for cash proceeds for \$661,030.

(ii) Warrants exercised in the three months ended March 31, 2022 include the following:

- a. A total of 128,000 warrants were exercised for cash proceeds for \$83,200.

The following table reflects the warrants issued and outstanding as at March 31, 2022:

Number of warrants outstanding	Exercise price (USD)	Exercise price (CAD)	Expiry date
38,043	-	0.65	April 15, 2022
1,000,000	-	0.50	November 20, 2022
9,007,200	-	0.65	November 20, 2022
9,000	2.25	-	December 15, 2022
1,250,000	-	1.44	December 24, 2022
11,304,243			

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13. STOCK OPTIONS

The following table reflects the continuity of options for the periods ended March 31, 2022 and December 31, 2021:

	Number of options	Weighted average exercise price (USD)	Weighted average exercise price (CAD)
Balance, December 31, 2020	13,622,336	1.51	1.69
Granted (i)	2,806,748	-	1.80
Exercised	(870,835)	0.58	0.82
Expired/Forfeited	(925,000)	-	-
Balance, December 31, 2021	14,633,249	1.75	1.78
Balance, December 31, 2021	14,633,249	1.75	1.78
Expired/Forfeited (ii)	(100,000)	2.25	-
Balance, March 31, 2022	14,533,249	1.74	1.78

(i) Options issued in the year ended December 31, 2021 include the following:

- a. On April 7, 2021, the Company granted a total of 314,163 incentive stock options as broker options, issued as part of the April 7th capital raise. Each option is exercisable for one Common Share at a price of \$2.15 on or before April 7, 2026. All options vest immediately. The fair value of each option has been estimated at \$1.41 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$1.90, exercise price of \$2.15, expected stock price volatility of 103%, risk-free rate of 1.50%, and expected life of 5 years. During the year ended December 31, 2021, the Company recorded \$443,441 as share capital issuance cost related to these stock options in the consolidated statements of financial position.
- b. On April 29, 2021, the Company granted a total of 212,585 incentive stock options to a consulting company as part of their agreement. Each option is exercisable for one Common Share at a price of \$1.47 on or before April 29, 2026. The options vest as follows: 70,862 on the first anniversary of the grant date; 70,862 on the second anniversary of the grant date; 70,862 on the third anniversary of the grant date. The fair value of each option has been estimated at \$1.17 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$1.54, exercise price of \$1.47, expected stock price volatility of 102%, risk-free rate of 1.56%, and expected life of 5 years. During the year ended December 31, 2021, the Company recorded \$64,236 in share-based payments expense related to these stock options in the consolidated statement of loss and comprehensive loss.
- c. On May 13, 2021, the Company granted a total of 200,000 incentive stock options to the Board of Directors. Each option is exercisable for one Common Share at a price of \$2.15 on or before May 13, 2026. The options vest as follows: 66,667 on the first anniversary of the grant date; 66,667 on the second anniversary of the grant date; 66,666 on the third anniversary of the grant date. The fair value of each option has been estimated at \$1.05 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$1.49, exercise price of \$2.15, expected stock price volatility of 101%, risk-free rate of 1.56%, and expected life of 5 years. During the year ended December 31, 2021, the Company recorded \$49,205 in share-based payments expense related to these stock options in the consolidated statement of loss and comprehensive loss.

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13. STOCK OPTIONS (continued)

- d. On June 10, 2021, the Company granted a total of 620,000 incentive stock options to the Board of Directors. Each option is exercisable for one Common Share at a price of \$2.10 on or before June 10, 2026. The options vest as follows: 206,667 on the first anniversary of the grant date; 206,667 on the second anniversary of the grant date; 206,666 on the third anniversary of the grant date. The fair value of each option has been estimated at \$1.16 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$1.63, exercise price of \$2.10, expected stock price volatility of 100%, risk-free rate of 1.38%, and expected life of 5 years. During the year ended December 31, 2021, the Company recorded \$149,186 in share-based payments expense related to these stock options in the consolidated statement of loss and comprehensive loss.
- e. On July 2, 2021, the Company reinstated 10,000 stock options held by a consultant of the Company, previously cancelled December 31, 2020.
- f. On September 14, 2021, the Company granted a total of 550,000 incentive stock options to a director and employee of the Company. Each option is exercisable for one Common Share at a price of \$1.25 on or before September 14, 2026. The options vest as follows: 183,334 on the first anniversary of the grant date; 183,334 on the second anniversary of the grant date; 183,332 on the third anniversary of the grant date. The fair value of each option has been estimated at \$0.91 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$1.24, exercise price of \$1.17, expected stock price volatility of 100%, risk-free rate of 1.38%, and expected life of 5 years. During the year ended December 31, 2021, the Company recorded \$13,388 in share-based payments expense related to these stock options in the consolidated statement of loss and comprehensive loss.
- g. On November 11, 2021, the Company granted a total of 500,000 incentive stock options to employees of the Company. Each option is exercisable for one Common Share at a price of \$1.10 on or before November 11, 2026. The options vest as follows: 166,667 on the grant date; 166,667 on the first anniversary of the grant date; 166,666 on the second anniversary of the grant date. The fair value of each option has been estimated at \$0.72 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$1.00, exercise price of \$1.10, expected stock price volatility of 100%, risk-free rate of 1.68%, and expected life of 5 years. During the year ended December 31, 2021, the Company recorded \$103,536 in share-based payments expense related to these stock options in the consolidated statement of loss and comprehensive loss.
- h. On December 20, 2021, the Company granted a total of 400,000 incentive stock options to a former Director of the Company. The options vested on the grant date. The fair value of each option has been estimated at \$0.61 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$0.89, exercise price of \$1.10, expected stock price volatility of 100%, risk-free rate of 1.38%, and expected life of 5 years. During the year ended December 31, 2021, the Company recorded \$245,946 in share-based payments expense related to these stock options in the consolidated statement of loss and comprehensive loss.
- (ii) During the three months ended March 31, 2022 the Company cancelled 100,000 stock options.

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14. RESTRICTED SHARE UNITS (“RSUs”) and DEFERRED SHARE UNITS (“DSUs”)

As at March 31, 2022, there were 2,525,000 unvested RSUs and DSUs outstanding.

15. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three months ended March 31, 2022 was based on the loss attributable to common shareholders of \$2,912,013 (three months ended March 31, 2021 - \$6,542,056) and the weighted average number of Common Shares outstanding of 149,509,663 (three months ended March 31, 2021- 139,419,735). Diluted loss per share is equal to basic diluted loss per share as any effects of the potential convertible securities would be anti-dilutive.

16. TRANSACTIONS WITH RELATED PARTIES

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	
	2022	2021
Management compensation	\$ 272,677	\$ 186,893
Directors' fees ⁽¹⁾	53,750	27,500
Share-based compensation ⁽²⁾	399,914	802,957
Total management compensation	\$ 726,341	\$ 1,017,350

(1) Includes meeting fees and committee 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

- Included in accounts payable and accrued liabilities, and other non-current liabilities are accruals for certain provisions, including termination related commitments to former officers, directors and employees of \$2.1 million.
- The Company has lease commitments for office space rented in Toronto, Canada and Medellín, Colombia. Payments occur on a monthly basis in accordance with the table presented in Note 8.

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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.

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 period ended	For the three months ended March 31		
	December 31, 2021	2022	2021
Canada	\$ 14,896,469	\$ 1,306,979	\$ 3,650,606
Colombia	11,447,001	1,605,034	2,891,450
Total	\$ 26,343,470	\$ 2,912,013	\$ 6,542,056

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

Total assets	March 31, 2022	December 31, 2021
Canada	\$ 6,446,958	\$ 10,873,965
Colombia	26,641,895	25,082,845
Total	\$ 33,088,853	\$ 35,956,810

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

Operating segment - March 31, 2022	Corporate	Cannabis	Total
Revenues	\$ -	\$ 1,201,173	\$ 1,201,173
Cost of sales	-	740,025	740,025
Loss for the period	1,306,979	1,605,034	2,912,013

Revenues by continent	Cannabis	Total
Americas	\$ 1,201,173	\$ 1,201,173
Total Revenue	\$ 1,201,173	\$ 1,201,173

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 year ended March 31, 2022, one customer accounted for 96% of cannabis revenue in Americas, which represents 96% 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, 2022, was \$631,565 (December 31, 2021 - \$639,643) and consisted of the following amounts:

Balance, December 31, 2021	\$ 639,643
Share of loss on investment in joint ventures	(8,078)
Balance, March 31, 2022	\$ 631,565

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

As at March 31, 2022

	PharmaCielo Italia SRL	PharmaCielo S.A. de C.V.
Cash and cash equivalents	\$ 63	\$ 2,872
Other current assets	23,254	132,616
Total current assets	23,317	135,488
Non-current assets	321,267	-
Total assets	\$ 344,584	\$ 135,488
Current liabilities	355,512	75,560
Total liabilities	\$ 355,512	\$ 75,560
Net assets/Equity⁽¹⁾	\$ (10,928)	\$ 59,928

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

For the three months ended March 31, 2022

	PharmaCielo Italia SRL	PharmaCielo S.A. de C.V.
Selling, general, and administrative expenses	\$ 10,142	\$ 1,687
Other expense	192	-
Net loss⁽¹⁾	10,334	1,687

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20. COVID-19

In 2021, Colombia experienced four waves of COVID 19 with accumulation of five million cases by the end of December 2021. At the beginning of the year, the country started with the vaccination rollout and the national government simultaneously decided to carry out a social and economic reactivation, where biosafety measures and protocols were maintained to minimize the spread of this virus. The reopening encourages PharmaCielo to strengthen measures and allocate the necessary resources to guarantee the well-being and health of its employees and stakeholders. Day to day, programs, activities, and campaigns were performed and led by a Special Situation Committee ensuring social distancing, personal protection equipment's, regular hand washing, permanent use of masks, cleaning and disinfection in common areas, weekly inspections, capacity control in closed places adapting the infrastructure to fulfill biosafety standards.

In addition, an immunization day was promoted and held within the Company's facilities and permanent monitoring was carried out on positive cases by the in-house doctor.

Above mentioned countrywide and Company specific measures contributed to having a low infection rate (20%) without complex cases or fatalities. By the end of year, 95% of PharmaCielo employees were vaccinated.

The Ministry of Health, through Resolution 913 of 2021, decided to extend the health emergency measures until April 30, 2022. Accordingly, the Company will continue with the biosafety protocols following regulatory requirements in order to preserve the employees' health and the business continuity.

21. SUBSEQUENT EVENTS

In May 2022, the Company raised \$350,000 as part of the second tranche of its non-brokered private placement, consisting of an aggregate of 350 debenture units. This tranche of the Debentures matures in May 2025 and have the same terms as the first tranche.