



PHARMACIELO LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
MARCH 31, 2023**

**(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, 2023, and 2022 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 not been reviewed by an auditor.

May 29, 2023

"Bill Petron"

William B. Petron
Chairman and Chief Executive Officer

"Ian Atacan"

Ian D. Atacan
Director and Chief Financial Officer

PHARMACIELO LTD.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars, except as noted)

(unaudited)

| | Note Reference | As at March 31, 2023 | As at December 31, 2022 |
|---------------------------------------------------|-------------------|-------------------------|----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | 461,187 | 172,983 |
| Trade receivables | 4 | 214,773 | 611,488 |
| Marketable securities | 5 | - | 153,000 |
| Prepaid expenses and other receivables | 6 | 1,051,948 | 948,369 |
| Inventory and Biological assets | 7 | 2,160,358 | 2,132,349 |
| Total current assets | | 3,888,266 | 4,018,189 |
| Non-current assets | | | |
| Property, plant, and equipment | 8 | 20,931,276 | 20,595,637 |
| Investment in sublease | 9 | 214,933 | 268,962 |
| Right-of-use assets | 9 | 20,024 | 28,928 |
| Long-term Investment | 20 | 209,075 | 204,025 |
| Total non-current assets | | 21,375,308 | 21,097,552 |
| Total assets | | 25,263,574 | 25,115,741 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 6,575,446 | 6,110,591 |
| Current portion of lease obligations | 9 | 241,533 | 265,318 |
| RSU obligations | 15 | 25,930 | 25,930 |
| Current portion of debt | 10 | 468,008 | 450,742 |
| Current portion of debentures | 11 | 417,462 | 100,725 |
| Total current liabilities | | 7,728,379 | 6,953,306 |
| Non-current liabilities | | | |
| Non-current portion of lease obligations | 9 | - | 41,138 |
| Non-current portion of debt | 10 | 1,985,628 | 1,802,969 |
| Non-current portion of debentures | 11 | 11,168,883 | 9,926,340 |
| Total non-current liabilities | | 13,154,511 | 11,770,447 |
| Total liabilities | | 20,882,890 | 18,723,753 |
| Shareholders' Equity | | | |
| Share capital | 12 | 162,160,267 | 161,712,017 |
| Shares to be issued | 12 | 560,000 | 560,000 |
| Reserves | 13,14,15 | 35,716,669 | 35,226,154 |
| Accumulated other comprehensive loss | | (8,082,444) | (8,691,807) |
| Deficit | | (185,973,808) | (182,414,376) |
| Total shareholders' equity | | 4,380,684 | 6,391,988 |
| Total liabilities and shareholders' equity | | 25,263,574 | 25,115,741 |
| Nature of operations and Going concern | 1 | | |
| Commitments | 18 | | |
| Subsequent events | 21 | | |

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

On behalf of the Board

"William B. Petron"

"Douglas Bache"

PHARMACIELO LTD.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars, except as noted)

(unaudited)

| | | Three Months Ended | |
|------------------------------------------------------------|----------------|--------------------|--------------------|
| | | March 31, | |
| | Note Reference | 2023 | 2022 |
| Revenue: | | | |
| Sale of Cannabis derivative products | | 756,194 | 1,185,186 |
| Revenue from Telemedicine services | | 30,304 | 15,987 |
| Total revenue | | 786,498 | 1,201,173 |
| Cost of goods sold - Cannabis derivative products | | 752,697 | 739,606 |
| Cost of goods sold - Telemedicine services | | - | 419 |
| Gross profit before fair value adjustments | | 33,801 | 461,148 |
| Unrealized loss on fair value of biological assets | 7 | (227,260) | (358,085) |
| Gross profit (loss) | | (193,459) | 103,063 |
| Operating expenses | | | |
| Agricultural operating costs | 7 | - (1) | 43,416 |
| Selling, general, and administrative expenses | | | |
| General and administrative | | | |
| Consulting fees | | 58,273 | 105,406 |
| Office and general | | 354,934 | 387,573 |
| Professional fees | | 171,469 | 311,142 |
| Salaries and wages | | 1,176,105 | 1,357,297 |
| Travel and accommodation | | 25,546 | 68,696 |
| Share-based compensation | | 797,404 | 540,078 |
| Selling, marketing, and promotion | | 227,976 | 276,103 |
| Amortization and depreciation | 8,9 | 88,859 | 201,260 |
| Total selling, general, and administrative expenses | | 2,900,566 | 3,247,555 |
| Other (income) expense | | | |
| Bank charges | | 8,870 | 14,934 |
| Financing costs | 9,10,11 | 553,049 | 235,448 |
| Unrealized loss on marketable securities | | - | 53,500 |
| Loss on foreign exchange | | 18,899 | 63,152 |
| Other non-operating income | | (89,175) | (294,756) |
| Interest income | | (156) | - |
| Amortization of deferred income | | - | (136,632) |
| Unrealized gain on Xphyto investment | | - | (219,619) |
| Realized gain on sale of marketable securities | 5 | (26,080) | - |
| Loss on investment in joint ventures | | - | 8,078 |
| Total other (income) expense | | 465,407 | (275,895) |
| | | | - |
| Net loss for the period | | (3,559,432) | (2,912,013) |

(1) Agricultural operating costs for 2023 are included in Cost of goods sold - Cannabis derivative products.

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, except as noted)****(unaudited)**

| | | Three Months Ended | |
|-------------------------------------------------|-----------|--------------------|--------------------|
| | | March 31, | |
| | Note | 2023 | 2022 |
| | Reference | | |
| Other comprehensive loss | | | |
| Currency translation adjustment | | 609,363 | 1,020,484 |
| Net comprehensive loss | | (2,950,069) | (1,891,529) |
| Basic and diluted loss per share | 16 | (0.02) | (0.02) |
| Weighted average number of common shares | | | |
| outstanding - basic and diluted | | 155,115,565 | 149,509,663 |

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, except share amounts)
(unaudited)

| | Note Reference | Number of Common Shares | Share Capital | Shares to be issued | Reserves | Accumulated other comprehensive loss | Deficit | Total |
|------------------------------------------------|----------------|-------------------------|--------------------|---------------------|-------------------|--------------------------------------|----------------------|-------------------|
| 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 | 13 | 128,000 | 111,656 | - | (28,455) | - | - | 83,201 |
| Vested RSUs | 15 | 1,125,000 | 1,395,000 | (1,395,000) | - | - | - | - |
| Share-based compensation | | - | - | - | 541,260 | - | - | 541,260 |
| Currency translation adjustment for the period | 12,13,14,15 | - | - | - | - | 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 |
| Balance at December 31, 2022 | | 154,962,787 | 161,712,017 | 560,000 | 35,226,154 | (8,691,807) | (182,414,376) | 6,391,988 |
| Warrants issued for debentures | 13 | - | - | - | 141,361 | - | - | 141,361 |
| Settled DSUs | 15 | 275,000 | 448,250 | - | (448,250) | - | - | - |
| Share-based compensation | | - | - | - | 797,404 | - | - | 797,404 |
| Currency translation adjustment for the period | 12,13,14,15 | - | - | - | - | 609,363 | - | 609,363 |
| Net loss for the period | | - | - | - | - | - | (3,559,432) | (3,559,432) |
| Balance at March 31, 2023 | | 155,237,787 | 162,160,267 | 560,000 | 35,716,669 | (8,082,444) | (185,973,808) | 4,380,684 |

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

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

| | | Three Months Ended | |
|------------------------------------------------------------|----------------|--------------------|--------------------|
| | | March 31, | |
| | Note Reference | 2023 | 2022 |
| Operating Activities | | | |
| Net loss | | (3,559,432) | (2,912,013) |
| Items not affecting cash: | | | |
| Amortization and depreciation | 8,9 | 333,061 | 201,260 |
| Unrealized loss on fair market value of biological assets | 7 | 227,260 | 358,085 |
| Unrealized gain on fair market value of XPhyto investment | | - | (219,619) |
| Gain on lease modification | | - | (250,449) |
| Loss on investment in joint ventures | | - | 8,078 |
| Amortization of deferred income | | - | (136,632) |
| Financing costs | | 541,507 | 218,726 |
| Share-based compensation | | 797,404 | 540,079 |
| (Gain) Loss on foreign exchange | | (2,032) | 409,354 |
| Unrealized loss on marketable securities | | - | 53,500 |
| Realized gain on marketable securities | | (26,080) | - |
| Changes in non-cash working capital items | | | |
| Trade receivables | 4 | 408,248 | (315,003) |
| Prepaid expenses and other receivables | 6 | (69,805) | (184,160) |
| Inventory and biological assets | 7 | (179,328) | (529,100) |
| Investment in sublease | 9 | 54,029 | (4,008) |
| Accounts payable and accrued liabilities | | 380,213 | (1,016,258) |
| Net cash used in operating activities | | (1,094,955) | (3,778,160) |
| Investing Activities | | | |
| Proceeds from sale of marketable securities | | 179,080 | - |
| Purchase of property, plant, and equipment | 8 | (12,187) | (67,979) |
| Net cash (used in) provided by investing activities | | 166,893 | (67,979) |
| Financing Activities | | | |
| Warrants exercised | 13 | - | 83,199 |
| Cash received from debentures | 11 | 1,280,000 | - |
| Loan principal payments | 10 | (14) | (93,736) |
| Lease payments | 9 | (76,882) | (62,026) |
| Net cash (used in) provided by financing activities | | 1,203,104 | (72,563) |
| Net increase (decrease) in cash | | 275,042 | (3,918,702) |
| Effect of movements in exchange rates on cash held | | 13,162 | - |
| Cash, beginning of period | | 172,983 | 5,338,371 |
| Cash, end of period | | 461,187 | 1,419,669 |

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

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

PharmaCielo Ltd. ("PharmaCielo" or the "Company") was incorporated pursuant to the Business Corporations Act (British Columbia) on May 30, 2017. The Company's common shares (the "Common Shares") are listed on the TSXV under the symbol "PCLO" and 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.

These unaudited condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to raise the necessary capital on terms acceptable to the Company and be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future.

As at March 31, 2023, the Company's cash was \$461,187. The Company's current liabilities exceeded its current assets by \$3,840,113, a net loss for the three months ended March 31, 2023 of \$3,559,432 and net cash used in operating activities of \$1,094,955.

The Company has not yet been able to generate the sales volumes required to create positive cash flows from operations. Management believes that the Company will be able to meet its budgeted administrative and development costs during the current 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 11, the Company's private placement financing has been continuing since December 2021, up to aggregate gross proceeds of \$15,000,000. 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 and also that if the Company were required to limit its costs on general management, cultivation and production, it would be able to do so in a short time frame with limited restructuring costs.

While the Company has been able to demonstrate the ability to raise capital to fund its operations, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due after March 31, 2023, is uncertain. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not include necessary adjustments to reflect the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. 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 29, 2023, the date the Board of Directors approved these unaudited condensed interim consolidated financial statements.

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

2. BASIS OF PRESENTATION (continued)

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, 2022, 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, 2022.

a) *Basis of measurement*

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss and biological assets, which are measured at their fair value. These unaudited condensed interim consolidated financial statements are presented in Canadian dollars except where otherwise indicated.

b) *Principles of consolidation*

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, PharmaCielo Holdings Ltd., PharmaCielo Colombia Holdings S.A.S., and Ubiquo Telemedicina S.A.S ("Ubiquo"). The financial results of PharmaCielo's subsidiaries are included in the unaudited condensed interim consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to benefit from its activities. In assessing control, potential voting rights that are currently exercisable are considered. All inter-company balances and transactions have been eliminated in preparing the unaudited condensed interim consolidated financial statements.

For the three months ended March 31, 2023 and 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. | Toronto, Canada | Subsidiary of Parent company |
| Ubiquo Telemedicina S.A.S. | Medellin, Colombia | Telemedicine software company |
| PharmaCielo Colombia Holdings S.A.S. | Medellin, Colombia | Cultivation and processing |

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

a) *Significant accounting judgments and estimates*

The preparation of the unaudited condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these unaudited condensed interim consolidated financial statements are outlined below.

Property, plant and equipment impairment indicators

The Company reviews the carrying amounts of its finite-life intangible assets and property, plant and equipment, carried at cost to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. As part of the impairment testing, estimations would be involved in establishing the recoverable amount, including but not limited to, cash flow forecasts.

Biological Assets

Determination of the fair values of the biological assets requires the Company to make various estimates and assumptions. These assumptions primarily relate to the costs required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle. 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 are discussed in Note 7.

Deferred Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Share-based Compensation

The Company uses the Black-Scholes pricing model to estimate the fair value of the warrants and options granted at the grant date. This model requires the input of a number of assumptions including expected dividend yields, expected stock volatility, expected time until exercise, expected forfeitures, and risk-free interest rates. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based upon market conditions generally outside the control of the Company. If other assumptions were used, share-based compensation expense could be significantly impacted.

Convertible Debentures

Convertible debentures are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian Dollars, except as noted)

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. Where the conversion option has a variable conversion rate, the conversion option is recognized as a derivative liability measured at fair value through profit and loss. The residual amount is recognized as a financial liability and subsequently measured at amortized cost. The determination of the fair value is also an area of significant judgment given that it is subject to various inputs, assumptions and estimates including contractual future cash flows, discount rates, credit spreads and volatility. Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds.

b) New, amended and future IFRS pronouncements

The Company plans to adopt all applicable IFRS standards issued by the IASB. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

The following amendments are effective for the year beginning 1 January 2023:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
Definition of Accounting Estimates (Amendments to IAS 8); and

Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The following amendments are effective for the year beginning 1 January 2024:

IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)

IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)

IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

4. TRADE RECEIVABLES

| | March 31, 2023 | December 31, 2022 |
|------------------------------------------|-------------------|----------------------|
| For sale of cannabis derivative products | 278,931 | 669,427 |
| For revenue from telemedicine services | 19,106 | 22,184 |
| Expected credit loss | (83,264) | (80,123) |
| Total trade receivables | \$ 214,773 | \$ 611,488 |

Most of the Company's sales consist of bulk cannabis products sold internationally to various customers.

As of March 31, 2023, based on an assessment of the amounts due from the Company's specific clients, the Company recorded an expected credit loss of \$83,264 (December 31, 2022- \$80,123).

As at March 31, 2023, the Company had recorded the following expected credit loss:

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

4. TRADE RECEIVABLES (continued)

| | |
|----------------------------------------|--------------------|
| Carrying amount, December 31, 2022 | (80,123) |
| Increase or decrease during period | (71) |
| Effect of foreign exchange differences | (3,070) |
| Balance, March 31, 2023 | \$ (83,264) |

5. MARKETABLE SECURITIES

| | Number of shares | Cost | Unrealized gain / (loss) | Fair value |
|------------------------------------------------------------|------------------|-------------------|--------------------------|-------------------|
| Khiron Life Sciences Corp. | 100,000 | \$ 12,500 | \$ (7,000) | \$ 5,500 |
| BioNxt Solutions Inc. (formerly XPhyto Therapeutics Corp.) | 250,000 | 680,000 | (532,500) | 147,500 |
| December 31, 2022 | | \$ 692,500 | \$ (539,500) | \$ 153,000 |
| Shares sold during the period | | | | |
| Khiron Life Sciences Corp. | (100,000) | \$ (12,500) | \$ 7,000 | \$ (5,500) |
| BioNxt Solutions Inc. (formerly XPhyto Therapeutics Corp.) | (250,000) | \$ (680,000) | \$ 532,500 | \$ (147,500) |
| Khiron Life Sciences Corp. | - | \$ - | \$ - | \$ - |
| BioNxt Solutions Inc. (formerly XPhyto Therapeutics Corp.) | - | - | - | - |
| March 31, 2023 | | \$ - | \$ - | \$ - |

During the three months ended March 31, 2023, the Company sold all the shares held in BioNxt Solutions Inc (BNXT) and Khiron for net proceeds of \$179,020. The Company recorded \$26,080 a gain on the sale of marketable securities in the unaudited interim consolidated statement of loss and comprehensive loss.

6. PREPAID EXPENSES AND OTHER RECEIVABLES

| | As at March 31, 2023 | As at December 31, 2022 |
|-----------------------------------------------------|----------------------|-------------------------|
| VAT receivable | 750,308 | 664,205 |
| Prepaid expenses | 223,149 | 224,992 |
| Other receivables | 78,491 | 59,172 |
| Total prepaid expenses and other receivables | \$ 1,051,948 | \$ 948,369 |

7. INVENTORY AND BIOLOGICAL ASSETS

Inventory

| | As at March 31, 2023 | As at December 31, 2022 |
|---------------------------------|----------------------|-------------------------|
| Agricultural supplies and other | 110,533 | 122,366 |
| Work-in-progress | 1,718,549 | 1,527,263 |
| Finished products | 165,887 | 430,360 |
| Closing balance | \$ 1,994,969 | \$ 2,079,989 |

During the three months ended March 31, 2023, inventory recognized as cost of goods sold consisted of capitalized post-harvest costs expensed during the period as cannabis inventory is sold of \$752,697 (three months ended March 31, 2022 - \$739,606).

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

7. 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 estimates and inputs used to assess the fair value of biological assets include the following assumptions as at March 31, 2023:

- 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. To calculate the fair value of the biological assets, the selling price of a kilogram of CBD isolate is not directly used, it's used as an input to determine the estimated selling price of plants.
- 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.
- 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, 2023 averaged 47% (December 31, 2022 - 46%).
- 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 1.03 grams of CBD isolate (December 31, 2022 – 1.09 grams).

As at March 31, 2023, 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, 2022 | 52,360 |
| Production costs capitalized | 335,142 |
| Changes in fair value less costs to sell due to biological transformation | (227,260) |
| Effect of foreign exchange differences | 5,147 |
| Balance, March 31, 2023 | \$ 165,389 |

The Company expects that a 10% increase or decrease in the wholesale market price per kilogram of CBD isolate would increase or decrease the fair value of biological assets by \$29,143. 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 \$18,054. Additionally, an increase or decrease of 10% in the post-harvest costs would decrease or increase the fair value of biological assets by \$12,895.

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

| | |
|------------------------------------------------------|--------------|
| Unrealized change in fair value of biological assets | \$ (227,260) |
|------------------------------------------------------|--------------|

PHARMACIELO LTD.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2023
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(Unaudited)

8. 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, 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 | - | 437,499 | 808 | 40,964 | 2,288 | 36,132 | 4,171 | - | 521,862 |
| Reclassification | - | (446,933) | 395,633 | 97,144 | (1,841) | (23,177) | (20,826) | - | - |
| Disposals | - | - | (808) | (204,403) | (167,063) | (233,924) | (4,975) | - | (611,173) |
| Impairment | - | - | - | (1,575,887) | - | - | - | (158,980) | (1,734,867) |
| Effect of foreign exchange differences | (471,799) | (1,193) | (874,322) | (1,340,904) | (40,094) | (105,292) | (10,474) | (21,714) | (2,865,792) |
| Balance, December 31, 2022 | \$ 6,209,490 | \$ - | \$ 8,994,001 | \$ 8,979,936 | \$ 915,377 | \$ 681,712 | \$ 61,242 | \$ - | \$ 25,841,758 |
| Additions | - | 3,430 | 3,512 | 5,245 | - | - | - | - | 12,187 |
| Disposals | - | - | - | - | - | (7,014) | - | - | (7,014) |
| Effect of foreign exchange differences | 142,991 | - | 280,141 | 343,981 | 12,081 | 27,823 | 2,346 | - | 809,363 |
| Balance, March 31, 2023 | \$ 6,352,481 | \$ 3,430 | \$ 9,277,654 | \$ 9,329,162 | \$ 927,458 | \$ 702,521 | \$ 63,588 | \$ - | \$ 26,656,294 |
| ACCUMULATED DEPRECIATION | | | | | | | | | |
| Balance, December 31, 2021 | \$ - | \$ - | \$ 1,638,501 | \$ 2,041,584 | \$ 716,557 | \$ 871,054 | \$ 74,064 | \$ - | \$ 5,341,760 |
| Additions | - | - | 466,826 | 810,461 | 152,892 | 91,085 | 68 | - | 1,521,332 |
| Disposals | - | - | (808) | (204,403) | (167,063) | (233,924) | (4,975) | - | (611,173) |
| Impairment | - | - | - | (466,812) | - | - | - | - | (466,812) |
| Effect of foreign exchange differences | - | - | (133,151) | (281,047) | (28,923) | (87,950) | (7,915) | - | (538,986) |
| Balance, December 31, 2022 | \$ - | \$ - | \$ 1,971,368 | \$ 1,899,783 | \$ 673,463 | \$ 640,265 | \$ 61,242 | \$ - | \$ 5,246,121 |
| Additions | - | - | 92,561 | 185,562 | 33,074 | 12,135 | - | - | 323,332 |
| Disposals | - | - | - | - | - | (7,014) | - | - | (7,014) |
| Effect of foreign exchange differences | - | - | 46,252 | 78,184 | 9,177 | 26,620 | 2,346 | - | 162,579 |
| Balance, March 31, 2023 | \$ - | \$ - | \$ 2,110,181 | \$ 2,163,529 | \$ 715,714 | \$ 672,006 | \$ 63,588 | \$ - | \$ 5,725,018 |
| CARRYING AMOUNT | | | | | | | | | |
| Balance, December 31, 2022 | \$ 6,209,490 | \$ - | \$ 7,022,633 | \$ 7,080,153 | \$ 241,914 | \$ 41,447 | \$ - | \$ - | \$ 20,595,637 |
| Balance, March 31, 2023 | \$ 6,352,481 | \$ 3,430 | \$ 7,167,473 | \$ 7,165,633 | \$ 211,744 | \$ 30,515 | \$ - | \$ - | \$ 20,931,276 |

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8. 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, 2023, depreciation costs of \$248,079 (three months ended March 31, 2022 - \$311,073) was capitalized to biological assets and inventory.

9. LEASES

Investment in sublease

| | |
|----------------------------------------|-------------------|
| Balance as at December 31, 2022 | 268,962 |
| Interest income | 8,757 |
| Rental income | (62,786) |
| Balance, March 31, 2023 | \$ 214,933 |

Investment in sublease consist of the office space in Toronto.

Right-of-use assets

| | |
|----------------------------------------|------------------|
| Balance as at December 31, 2022 | 28,928 |
| Depreciation | (9,729) |
| Effect of foreign exchange differences | 825 |
| Balance, March 31, 2023 | \$ 20,024 |

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, 2023

| | |
|--------------------------------------------|------------------|
| Less than one year | 72,502 |
| Total undiscounted lease obligation | \$ 72,502 |

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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9. LEASES (continued)

The following table illustrates the lease agreements as at March 31, 2023:

| | 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 | \$ 251,142 | \$ 38,930 |
| 2024 | 41,857 | - |
| Interest rate | 13.95% | 20.25% |

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

| | |
|----------------------------------------|-------------------|
| Balance as at December 31, 2022 | 306,456 |
| Interest expense | 10,472 |
| Lease payments | (76,882) |
| Effect of foreign exchange differences | 1,487 |
| Balance, March 31, 2023 | \$ 241,533 |
| Balance, March 31, 2023 | |
| Lease obligations | 241,533 |
| Less current portion | (241,533) |
| Non-current portion | \$ - |

10. LOANS AND BORROWINGS

The company had the following loans and borrowings:

| | Term loan | Revolving loan | Total |
|----------------------------------------|---------------------|-------------------|---------------------|
| Balance, December 31, 2022 | \$ 2,253,711 | \$ - | \$ 2,253,711 |
| Interest expense | 110,394 | - | 110,394 |
| Principal payment | (14) | - | (14) |
| Effect of foreign exchange differences | 89,545 | - | 89,545 |
| Balance, March 31, 2023 | 2,453,636 | - | 2,453,636 |
| Current portion of debt | (468,008) | - | (468,008) |
| Non-current portion of debt | \$ 1,985,628 | \$ - | \$ 1,985,628 |

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10. 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). The term loan is for seven (7) years and makes up \$8,000,000,000 COP (\$2,966,076) 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) available to be drawn down by the Company. 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.

For the three months ending March 31, 2023, the Company had drawn the full amount down on the term loan and paid in full the amount of the revolving loan.

11. DEBENTURES

The following table is a summary of the Company's debentures as at March 31, 2023:

| | | |
|----------------------------------------------|-----------|-------------------|
| Balance as at December 31, 2022 | \$ | 10,027,065 |
| Debentures issued | | 1,280,000 |
| Less: Fair value allocated to warrants | | (141,361) |
| Accrued interest | | 316,737 |
| Accretion | | 103,904 |
| Debentures balance, March 31, 2023 | \$ | 11,586,345 |
| Current portion of the Debentures | | 417,462 |
| Non current portion of the Debentures | \$ | 11,168,883 |

On December 24, 2021, the Company issued debenture units in a non-brokered private placement. Each will Unit consist of \$1,000 principal amount of 11% secured debentures and 250 non-transferable common share purchase warrants. Each Debenture Warrant will entitle the holder for a period of 36 months from the initial closing date to acquire one common share of the Company at an exercise price of \$1.44. The Debentures will bear interest at a rate of 11.0% per annum, will mature on December 24, 2024, and will be guaranteed by PharmaCielo Colombia Holdings S.A.S (Holding's). Holdings' guarantee of the Debentures will be secured by mortgages on the real property of the Company and its subsidiaries.

The Company will have the right to redeem any or all of the Debentures from time to time at the following percentages of face value: (i) 105% at any time prior to the first anniversary of the initial closing date; (ii) 103% at any time on or after the first anniversary of the initial closing date and prior to the second anniversary of the initial closing date; and (iii) 101% thereafter, in each case together with accrued and unpaid interest to, but not including, the date of redemption.

For the three months ending March 31, 2023, the Company issued 1,280 debenture units for total proceeds of \$1,280,000 and the Company issued 320,000 warrants exercisable at \$1.44 per Warrant Share (note 13). The fair value of the warrants was determined by using an effective interest rate of 17.90% and a discount rate of 19.0%.

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12. 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

155,237,787 Common Shares (December 31, 2022 - 154,962,787 Common Shares).

For the year ended December 31, 2022

- (i) During the year ended December 31, 2022, the Company issued 128,000 Common Shares for cash proceeds of \$83,200 upon the exercise of warrants.
- (ii) During the year ended December 31, 2022, 1,791,667 Common Shares were issued upon vesting of 666,667 RSUs and the conversion of 1,125,000 RSUs that vested in 2021 previously recorded as shares to be issued. As at December 31, 2022, 666,667 RSUs vested in 2021 were pending share issuance and \$560,000 was recorded as shares to be issued in the statement of changes in shareholders' equity.
- (iii) During the year ended December 31, 2022, 1,250,000 Common Shares were issued upon the settlement of 1,250,000 DSUs.
- (iv) During the year ended December 31, 2022, the Company issued 1,823,014 shares for debenture interest payment of \$765,360.
- (v) During the year ended December 31, 2022, the Company issued 701,943 shares for debt settlement of \$260,000.

For the three months ended March 31, 2023

- (vi) As at March 31, 2023, 666,667 RSUs vested in 2021 were pending share issuance and \$560,000 was recorded as shares to be issued in the Company's statement of changes in shareholders' equity.
- (vii) During the three months ended March 31, 2023, the Company issued 275,000 Common Shares upon the settlement of 275,000 DSUs.

13. WARRANTS

The following table reflects the continuity of warrants for the periods ended March 31, 2023 and December 31, 2022:

| | Number of warrants | Weighted average exercise price (USD) | Weighted average exercise price |
|-----------------------------------|-----------------------|---------------------------------------------|------------------------------------|
| Balance, December 31, 2022 | 11,705,950 | - | 0.83 |
| Issued (ii)(a) | 320,000 | - | 1.44 |
| Balance, March 31, 2023 | 12,025,950 | - | 0.85 |

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13. WARRANTS (continued)

(i) Warrants issued, exercised or expired/forfeited in the year ended December 31, 2022 include the following:

- a. As part of the December 24, 2021 Non-Brokered Private Placement, the Company issued 1,448,750 warrants exercisable at \$1.44 per Warrant Share.
- b. A total of 128,000 warrants were exercised for cash proceeds for \$83,200.
- c. A total of 1,047,043 warrants were expired, consisting of 9,000 warrants at an exercise price of USD\$2.25, 38,043 warrants at an exercise price of \$0.65, and 1,000,000 warrants at an exercise price of \$0.50.

On November 22, 2022, the Company announced that the TSX Venture Exchange ("TSXV") approved the extension of 9,007,200 warrants originally issued on November 20, 2020 under the TSX-Venture Symbol PCLO.WT. In accordance with the TSXV's rules for warrant amendments set out in section 3 of Policy 4.1 of the TSXV's Corporate Finance Policies, amendments to warrants listed for trading are not permitted. As such, the Warrants were delisted from trading at market close on November 21, 2022, and will be exercisable until November 20, 2024.

(ii) Warrants issued in the three months ended March 31, 2023 include the following:

- a. As part of the December 24, 2021 Non-Brokered Private Placement, the Company issued 320,000 warrants exercisable at \$1.44 per Warrant Share.

The following table reflects the warrants issued and outstanding as at March 31, 2023:

| Number of warrants outstanding | Exercise price | Expiry date |
|--------------------------------|----------------|-------------------|
| 9,007,200 | 0.65 | November 20, 2024 |
| 3,018,750 | 1.44 | December 24, 2024 |
| 12,025,950 | | |

14. STOCK OPTIONS

The following table reflects the continuity of options for the periods ended March 31, 2023 and December 31, 2022:

| | Number of options | Weighted average exercise price (USD) | Weighted average exercise price (CAD) |
|-----------------------------------|-------------------|---------------------------------------|---------------------------------------|
| Balance, December 31, 2022 | 13,981,948 | 1.49 | 1.52 |
| Granted (ii) | 4,010,000 | - | 0.22 |
| Expired/Forfeited | (1,053,585) | 2.25 | 1.19 |
| Balance, March 31, 2023 | 16,938,363 | 1.49 | 1.19 |

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

- a. On August 29, 2022, the Company granted a total of 1,626,200 incentive stock options to the Board of Directors and Officers of the Company. Each option is exercisable for one Common Share at a price of \$0.46 on or before August 29, 2027. The options vest as follows: 542,066 immediately on the grant date; 542,066 on the first anniversary of the grant date; 542,068 on the second anniversary of the grant date. The fair value of each option has been estimated at \$0.33 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$0.46, exercise price of \$0.46,

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14. STOCK OPTIONS (continued)

b. expected stock price volatility of 100%, risk-free rate of 3.02%, and expected life of 5 years. During the year ended December 31, 2022, the Company recorded \$273,594 in share-based payments expense related to these stock options in the consolidated statement of loss and comprehensive loss.

(ii) Options granted in the three months ended March 31, 2023 include the following:

a. On March 31, 2023, the Company granted a total of 4,010,200 incentive stock options to the Board of Directors, Officers and Employees of the Company. Each option is exercisable for one Common Share at a price of \$0.22 on or before March 31, 2028. The options vest as follows: 2,005,000 immediately on the grant date; 1,002,500 on the first anniversary of the grant date; 1,002,500 on the second anniversary of the grant date. The fair value of each option has been estimated at \$0.17 as at the date of the grant based on the Black-Scholes option pricing model. The following assumptions were used: share price of \$0.24, exercise price of \$0.22, expected stock price volatility of 100%, risk-free rate of 2.90%, and expected life of 5 years. During the three months ended March 31, 2023, the Company recorded \$348,962 in share-based payments expense related to these stock options in the unaudited interim consolidated statement of loss and comprehensive loss.

Details of the stock options outstanding as at March 31, 2023 are as follows:

| Number of options outstanding | Number of options exercisable | Exercise price (USD) | Exercise price (CAD) | Weighted-average life (years) | Expiry date |
|-------------------------------|-------------------------------|----------------------|----------------------|-------------------------------|--------------------|
| 314,163 | 314,163 | - | \$ 2.15 | 0.02 | April 7, 2023 |
| 100,000 | 100,000 | \$ 2.00 | - | 0.39 | August 19, 2023 |
| 125,000 | 125,000 | \$ 2.25 | - | 0.39 | August 19, 2023 |
| 1,400,000 | 1,400,000 | - | \$ 1.02 | 0.39 | August 19, 2023 |
| 200,000 | 200,000 | - | \$ 1.11 | 0.39 | August 19, 2023 |
| 20,000 | 6,667 | - | \$ 2.10 | 0.39 | August 19, 2023 |
| 610,000 | 610,000 | \$ 2.25 | - | 1.83 | January 29, 2025 |
| 13,000 | 13,000 | \$ 2.25 | - | 1.84 | February 4, 2025 |
| 50,000 | 50,000 | \$ 0.25 | - | 2.13 | May 15, 2025 |
| 50,000 | 50,000 | - | \$ 3.35 | 2.17 | June 1, 2025 |
| 3,000,000 | 3,000,000 | - | \$ 0.63 | 2.64 | November 20, 2025 |
| 100,000 | 33,334 | - | \$ 2.15 | 3.12 | May 13, 2026 |
| 560,000 | 186,668 | - | \$ 2.10 | 3.19 | June 10, 2026 |
| 850,000 | 850,000 | \$ 1.00 | - | 3.26 | July 4, 2026 |
| 50,000 | 16,667 | - | \$ 1.25 | 3.46 | September 14, 2026 |
| 550,000 | 550,000 | - | \$ 3.10 | 3.60 | November 5, 2026 |
| 250,000 | 170,000 | - | \$ 1.10 | 3.61 | November 11, 2026 |
| 400,000 | 400,000 | - | \$ 1.10 | 3.72 | December 20, 2026 |
| 300,000 | 300,000 | \$ 1.00 | - | 3.76 | January 2, 2027 |
| 100,000 | 100,000 | \$ 1.00 | - | 3.83 | January 27, 2027 |
| 100,000 | 100,000 | \$ 2.00 | - | 4.26 | July 5, 2027 |
| 1,536,200 | 512,066 | - | \$ 0.46 | 4.41 | August 29, 2027 |
| 4,010,000 | - | - | \$ 0.22 | 5.00 | March 31, 2028 |
| 2,250,000 | 2,250,000 | - | \$ 3.35 | 5.25 | July 1, 2028 |
| 16,938,363 | 11,337,565 | \$ 1.49 | \$ 1.19 | 3.54 | |

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

| | Number of unvested RSUs and DSUs outstanding |
|--------------------------------|-------------------------------------------------|
| Balance, December 31, 2022 | 3,280,533 |
| Settled DSUs (i) | (275,000) |
| Balance, March 31, 2023 | 3,005,533 |

(i) During the three months ended March 31, 2023, the Company issued 275,000 Common Shares upon the settlement of 275,000 vested DSUs.

As at March 31, 2023, there were 3,005,533 unvested RSUs and DSUs outstanding.

16. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three months ended March 31, 2023 was based on the loss attributable to common shareholders of \$3,559,432 (three months ended March 31, 2022 - \$2,912,013) and the weighted average number of Common Shares outstanding of 155,115,565 (three months ended March 31, 2022 - 149,509,663). Diluted loss per share is equal to basic diluted loss per share as any effects of the potential convertible securities would be anti-dilutive.

17. TRANSACTIONS WITH RELATED PARTIES

For the three months ended March 31, 2023, certain directors and senior officers of the Company have units issued for non-brokered private placement of debenture units in an aggregate principal amount totaling \$2.3 million (December 31, 2022 - \$2.3 million). Each debenture unit consists of \$1,000 principal amount of 11% secured debentures and 250 non-transferable warrants to purchase one common share of the Company at \$1.44 per share (note 13). The debentures mature and the warrants expire on December 24, 2024.

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, | 2023 | 2022 |
|-----------------------------------------|-------------------|-------------------|
| Management compensation | \$ 302,878 | \$ 272,677 |
| Directors' fees ⁽¹⁾ | 38,085 | 53,750 |
| Share-based compensation ⁽²⁾ | 558,854 | 399,914 |
| Total management compensation | \$ 899,817 | \$ 726,341 |

(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 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, unless otherwise disclosed.

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18. COMMITMENTS

- a) 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 \$1.5 million.
- b) 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 9.
- c) \$117,664 (80,000 EURO) of the \$189,186 (132,000 EURO) settlement payment to PharmaCielo Italia S.R.L. remains payable and is recorded in accounts payable and accrued liabilities.

19. SEGMENTED INFORMATION

The Company is engaged in the growth, cultivation and development of medicinal cannabis with operations in Colombia. The Company is considered to be operating in one segment based on its business nature and strategic decision-making method. The Company has operations in Rionegro, Colombia, with corporate offices in Toronto, Canada and Medellín, Colombia.

Revenues by region - for the three months ended March 31, 2023

| | | |
|---------------|----|---------|
| Americas | \$ | 786,498 |
| Total Revenue | \$ | 786,498 |

Revenues by region - for the three months ended March 31, 2022

| | | |
|---------------|----|-----------|
| Americas | \$ | 1,201,173 |
| Total Revenue | \$ | 1,201,173 |

The Company's revenues by region is based on where the customer is located.

Revenue Concentration

The Company's business is currently 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, 2023, one customer accounted for 67% of cannabis revenue (During the three months ended March 31, 2022, one customer accounted for 96% of cannabis revenue).

20. LONG-TERM INVESTMENT

During the three months ended March 31, 2023, the Company held 69,446 shares at 1.80 GBP/share in Soteria Holdings Limited, ("Soteria") a UK based portfolio company of Artemis Growth Partners, under the terms of a term sheet. Soteria's Polish operating subsidiary is in the business of import and wholesale medical cannabis flower and extracts in the Polish market.

Investment in Soteria Holdings Limited as at March 31, 2023, was \$209,075 (December 31, 2022 - \$204,025), as follows:

| | |
|----------------------------------------|-------------------|
| Balance, December 31, 2022 | \$ 204,025 |
| Investment in Soteria Holdings | - |
| Effect of foreign exchange differences | 5,050 |
| Balance, March 31, 2023 | \$ 209,075 |

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21. SUBSEQUENT EVENTS

During the period of April 1, 2023, to May 29, 2023, the Company raised \$500,000 as part of the third tranche of its previously announced non-brokered private placement (the "Offering"), consisting of an aggregate of 500 debenture units (each a "Unit"). The Units were issued at a price of \$1,000 per Unit for aggregate proceeds of \$500,000.