



PHARMACIELO LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 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 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 and six months ended June 30, 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.

August 29, 2023

"Marc Lustig"

Marc E. Lustig
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 June 30, 2023	As at December 31, 2022
ASSETS			
Current assets			
Cash		105,459	172,983
Trade receivables	4	28,603	611,488
Marketable securities	5	-	153,000
Prepaid expenses and other receivables	6	1,115,762	948,369
Inventory and Biological assets	7	2,247,529	2,132,349
Total current assets		3,497,353	4,018,189
Non-current assets			
Property, plant, and equipment	8	21,964,814	20,595,637
Investment in sublease	9	158,998	268,962
Right-of-use assets	9	-	28,928
Long-term Investment	20	210,213	204,025
Total non-current assets		22,334,025	21,097,552
Total assets		25,831,378	25,115,741
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		6,872,626	6,110,591
Current portion of lease obligations	9	158,998	265,318
RSU obligations	15	25,930	25,930
Current portion of debt	10	505,201	450,742
Current portion of debentures	11	118,212	100,725
Total current liabilities		7,680,967	6,953,306
Non-current liabilities			
Non-current portion of lease obligations	9	-	41,138
Non-current portion of debt	10	2,017,318	1,802,969
Non-current portion of debentures	11	12,572,094	9,926,340
Total non-current liabilities		14,589,412	11,770,447
Total liabilities		22,270,379	18,723,753
Shareholders' Equity			
Share capital	12	163,179,549	161,712,017
Shares to be issued	12	560,000	560,000
Reserves	13,14,15	36,270,590	35,226,154
Accumulated other comprehensive loss		(6,890,787)	(8,691,807)
Deficit		(189,558,353)	(182,414,376)
Total shareholders' equity		3,560,999	6,391,988
Total liabilities and shareholders' equity		25,831,378	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

"Marc Lustig"

"Douglas Bache"

PHARMACIELO LTD.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars, except as noted)

(unaudited)

	Note Reference	Three Months Ended June 30,		Six Months Ended June 30,	
		2023	2022	2023	2022
Revenue:					
Sale of Cannabis derivative products		124,423	2,091,723	880,617	3,276,909
Revenue from Telemedicine services		35,116	27,071	65,420	43,058
Total revenue		159,539	2,118,794	946,037	3,319,967
Cost of goods sold - Cannabis derivative products		661,547	1,282,592	1,414,244	2,022,198
Cost of goods sold - Telemedicine services		6,281	2	6,281	421
Gross profit (loss) before fair value adjustments		(508,289)	836,200	(474,488)	1,297,348
Unrealized loss on fair value of biological assets	7	(100,965)	(1,386)	(328,225)	(359,471)
Gross profit (loss)		(609,254)	834,814	(802,713)	937,877
Operating expenses					
Agricultural operating costs	7	- (1)	35,943	- (1)	79,359
Selling, general, and administrative expenses					
General and administrative					
Consulting fees		50,626	98,074	108,899	203,480
Office and general		307,426	504,812	662,360	892,385
Professional fees		253,579	334,201	425,048	645,343
Salaries and wages		1,104,063	1,302,780	2,280,168	2,660,077
Travel and accommodation		15,300	57,460	40,846	126,156
Share-based compensation		502,833	398,115	1,300,237	938,193
Selling, marketing, and promotion		84,080	381,315	312,056	657,418
Amortization and depreciation	8,9	109,493	666,990	198,352	868,250
Expected credit losses		-	1,138	-	1,138
Total selling, general, and administrative expenses		2,427,400	3,744,885	5,327,966	6,992,440
Other (income) expense					
Bank charges		10,346	18,113	19,216	33,047
Financing costs	9,10,11	620,319	279,751	1,173,368	515,199
Unrealized loss on marketable securities		-	88,500	-	142,000
(Gain) loss on foreign exchange		(11,507)	100,791	7,392	163,943
Other non-operating (income) expense		(71,260)	83,431	(160,435)	(211,325)
Interest income		(7)	-	(163)	-
Amortization of deferred income		-	-	-	(136,632)
Unrealized gain on Xphyto investment		-	-	-	(219,619)
Realized gain on sale of marketable securities	5	-	-	(26,080)	-
(Gain) loss on investment in joint ventures		-	(9)	-	8,078
Total other (income) expense		547,891	570,577	1,013,298	294,691
Net loss for the period		(3,584,545)	(3,516,591)	(7,143,977)	(6,428,613)

(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 June 30,		Six Months Ended June 30,	
	Note Reference	2023	2022	2023	2022
Other comprehensive loss					
Currency translation adjustment		1,191,657	(1,412,805)	1,801,020	(392,321)
Net comprehensive loss		(2,392,888)	(4,929,396)	(5,342,957)	(6,820,934)
Basic and diluted loss per share	16	(0.02)	(0.02)	(0.05)	(0.04)
Weighted average number of common shares outstanding - basic and diluted		156,854,649	150,667,191	155,989,911	150,091,625

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
Debtenture warrants issued	13	-	-	-	255,185	-	-	255,185
Vested RSUs	15	1,291,667	1,666,667	(1,395,000)	(271,667)	-	-	-
Shares issued for debtenture interest payment	12	474,058	265,703	-	-	-	-	265,703
Share-based compensation	12,13,14,15	-	-	-	1,031,073	-	-	1,031,073
Currency translation adjustment for the period		-	-	-	-	(392,321)	-	(392,321)
Net loss for the period		-	-	-	-	-	(6,428,613)	(6,428,613)
Balance at June 30, 2022		151,161,888	158,382,360	560,000	36,122,316	(6,597,870)	(174,326,640)	14,140,166
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
Debtenture warrants issued	13	-	-	-	359,116	-	-	359,116
Vested RSUs	15	166,667	166,667	-	(166,667)	-	-	-
Settled DSUs	15	275,000	448,250	-	(448,250)	-	-	-
Shares issued for debtenture interest payment	12	3,231,493	644,039	-	-	-	-	644,039
Shares issued for settlement of debt	12	840,352	208,576	-	-	-	-	208,576
Share-based compensation	12,13,14,15	-	-	-	1,300,237	-	-	1,300,237
Currency translation adjustment for the period		-	-	-	-	1,801,020	-	1,801,020
Net loss for the period		-	-	-	-	-	(7,143,977)	(7,143,977)
Balance at June 30, 2023		159,476,299	163,179,549	560,000	36,270,590	(6,890,787)	(189,558,353)	3,560,999

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)

		Six Months Ended June 30,	
	Note Reference	2023	2022
Operating Activities			
Net loss		(7,143,977)	(6,428,613)
Items not affecting cash:			
Amortization and depreciation	8,9	693,754	964,531
Disposal of property, plant and equipment	9	692	206,535
Expected credit losses		-	1,138
Unrealized loss on fair market value of biological assets	7	328,225	359,471
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	9,10,11	1,132,384	102,028
Share-based compensation		1,300,237	938,193
Loss on foreign exchange		(77,597)	56,515
Unrealized loss on marketable securities		-	142,000
Realized gain on marketable securities	5	(26,080)	-
Shares issued for debt settlement	12	208,576	-
Changes in non-cash working capital items			
Trade receivables	4	610,430	(496,304)
Prepaid expenses and other receivables	6	(59,663)	(114,974)
Inventory and biological assets	7	(208,155)	56,419
Investment in sublease	9	109,964	64,549
Accounts payable and accrued liabilities		507,248	(1,522,742)
Net cash used in operating activities		(2,623,962)	(6,269,876)
Investing Activities			
Long-term Investment	22	-	(313,362)
Proceeds from sale of marketable securities	5	179,080	-
Purchase of property, plant, and equipment	8	(9,453)	(140,307)
Net cash (used in) provided by investing activities		169,627	(453,669)
Financing Activities			
Warrants exercised	13	-	83,199
Cash received from debentures	11	2,780,000	2,600,000
Loan interest payments	10	(231,404)	(126,979)
Lease payments	9	(169,985)	(153,694)
Net cash provided by financing activities		2,378,611	2,402,526
Net decrease in cash		(75,724)	(4,321,019)
Effect of movements in exchange rates on cash held		8,200	-
Cash, beginning of period		172,983	5,338,371
Cash, end of period		105,459	1,017,352

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

June 30, 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 June 30, 2023, the Company's cash was \$105,459. The Company's current liabilities exceeded its current assets by \$4,183,614, a net loss for the three and six months ended June 30, 2023, of \$3,584,545 and \$7,143,977, respectively, and net cash used in operating activities of \$2,623,962.

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 \$20,000,000. 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 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 June 30, 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 August 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

June 30, 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, 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 and six months ended June 30, 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

June 30, 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

June 30, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

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

	June 30, 2023	December 31, 2022
For sale of cannabis derivative products	90,080	669,427
For revenue from telemedicine services	24,729	22,184
Expected credit loss	(86,206)	(80,123)
Total trade receivables	\$ 28,603	\$ 611,488

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

As at June 30, 2023, based on an assessment of the amounts due from the Company's specific clients, the Company has recorded an expected credit loss of \$86,206 (December 31, 2022- \$80,123) as follows

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 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	3,344
Effect of foreign exchange differences	(9,427)
Balance, June 30, 2023	\$ (86,206)

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.)	-	-	-	-
June 30, 2023		\$ -	\$ -	\$ -

During the first half of 2023, the Company sold all the shares held in BioNxt Solutions Inc (BNXT) and Khiron for net proceeds of \$179,020. The Company recorded a gain of \$26,080 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 June 30, 2023	As at December 31, 2022
VAT receivable	841,359	664,205
Prepaid expenses	126,305	224,992
Other receivables	148,098	59,172
Total prepaid expenses and other receivables	\$ 1,115,762	\$ 948,369

7. INVENTORY AND BIOLOGICAL ASSETS

Inventory

	As at June 30, 2023	As at December 31, 2022
Agricultural supplies and other	102,387	122,366
Work-in-progress	1,855,124	1,527,263
Finished products	212,158	430,360
Closing balance	\$ 2,169,669	\$ 2,079,989

During the three and six months ended June 30, 2023, inventory recognized as cost of goods sold consisted of capitalized post-harvest costs expensed during the period as cannabis inventory is sold of \$661,547 and \$1,414,244, respectively (three and six months ended June 30, 2022 - \$1,282,592 and \$2,022,198, respectively).

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 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 June 30, 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 June 30, 2023 averaged 73% (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 1.02 grams of CBD isolate (December 31, 2022 – 1.09 grams).

As at June 30, 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	487,130
Changes in fair value less costs to sell due to biological transformation	(328,225)
Transferred to inventory upon harvest	(141,084)
Effect of foreign exchange differences	7,679
Balance, June 30, 2023	\$ 77,860

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 \$14,757. 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 \$6,798. Additionally, an increase or decrease of 10% in the post-harvest costs would decrease or increase the fair value of biological assets by \$7,280.

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

Unrealized change in fair value of biological assets	\$ (328,225)
--	--------------

PHARMACIELO LTD.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)
(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	-	-	3,791	5,662	-	-	-	-	9,453
Disposals	-	-	-	(535)	(55,701)	(9,377)	-	-	(65,613)
Effect of foreign exchange differences	451,012	-	883,601	1,084,963	38,105	87,758	7,399	-	2,552,838
Balance, June 30, 2023	\$ 6,660,502	\$ -	\$ 9,881,393	\$ 10,070,026	\$ 897,781	\$ 760,093	\$ 68,641	\$ -	\$ 28,338,436
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	-	-	189,591	384,584	66,127	22,046	-	-	662,348
Disposals	-	-	-	(535)	(55,701)	(8,685)	-	-	(64,921)
Effect of foreign exchange differences	-	-	150,261	258,750	29,120	84,544	7,399	-	530,074
Balance, June 30, 2023	\$ -	\$ -	\$ 2,311,220	\$ 2,542,582	\$ 713,009	\$ 738,170	\$ 68,641	\$ -	\$ 6,373,622
CARRYING AMOUNT									
Balance, December 31, 2022	\$ 6,209,490	\$ -	\$ 7,022,633	\$ 7,080,153	\$ 241,914	\$ 41,447	\$ -	\$ -	\$ 20,595,637
Balance, June 30, 2023	\$ 6,660,502	\$ -	\$ 7,570,173	\$ 7,527,444	\$ 184,772	\$ 21,923	\$ -	\$ -	\$ 21,964,814

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

8. PROPERTY, PLANT AND EQUIPMENT (continued)

PharmaCielo Colombia 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 and six months ended June 30, 2023, depreciation costs of \$233,187 and \$477,389, respectively (three and six months ended June 30, 2022 - \$229,566 and \$540,639, respectively) was capitalized to biological assets and inventory.

9. LEASES

Investment in sublease

Balance as at December 31, 2022	268,962
Interest income	15,607
Rental income	(125,571)
Balance, June 30, 2023	\$ 158,998

Investment in sublease consist of the office space in Toronto.

Right-of-use assets

Balance as at December 31, 2022	28,928
Termination of Medellín office lease	(18,012)
Depreciation	(13,394)
Effect of foreign exchange differences	2,478
Balance, June 30, 2023	\$ -

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

Maturity analysis - contractual undiscounted cash flows

Balance, June 30, 2023

Less than one year	167,428
Total undiscounted lease obligation	\$ 167,428

Lease obligations

On August 29, 2018, the Company entered into a five-year lease agreement (plus a five-year extension option) for office space to serve as 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.

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

9. LEASES (continued)

The following table illustrates the lease agreements as at June 30, 2023:

	PharmaCielo Ltd
Country	Canada
City	Toronto
Initial contract period	March 1, 2019 to February 29, 2024
Auto renewal	No
Annual lease payments: CAD\$	
2023	\$ 251,142
2024	41,857
Interest rate	13.95%

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

Balance as at December 31, 2022	306,456
Termination of Medellín office lease	(24,126)
Interest expense	17,828
Lease payments	(145,859)
Effect of foreign exchange differences	4,699
Balance, June 30, 2023	\$ 158,998
Balance, June 30, 2023	
Lease obligations	158,998
Less current portion	(158,998)
Non-current portion	\$ -

10. LOANS AND BORROWINGS

The company had the following loans and borrowings:

	Term loan
Balance, December 31, 2022	\$ 2,253,711
Interest expense	228,160
Principal payment	(29)
Interest payment	(231,375)
Effect of foreign exchange differences	272,052
Balance, June 30, 2023	2,522,519
Current portion of debt	(505,201)
Non-current portion of debt	\$ 2,017,318

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

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.

11. DEBENTURES

The following table is a summary of the Company's debentures as at June 30, 2023:

Balance as at December 31, 2022	\$	10,027,065
Debentures issued by maturity date:		
December 24, 2024		2,030,000
June 30, 2026		750,000
Accrued interest		661,526
Accretion		224,870
Less: Interest paid		(644,039)
Less: Fair value allocated to warrants		(359,116)
Debentures balance, June 30, 2023	\$	12,690,306
Current portion of the Debentures		118,212
Non current portion of the Debentures	\$	12,572,094

On December 24, 2021, the Company issued debenture units ("Unit") in a non-brokered private placement ("Offering"). Each Unit consisted of \$1,000 principal amount of 11% secured debentures ("Debenture") and 250 non-transferable common share purchase warrants ("Debenture Warrant"). Each Debenture Warrant entitles 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 bear interest at a rate of 11.0% per annum, mature on December 24, 2024, and are guaranteed by PharmaCielo Colombia. PharmaCielo Colombia's guarantee of the Debentures are secured by mortgages on the real property of PharmaCielo Colombia.

On June 29, 2023, the Company closed the final tranche of the Offering. Under the Offering, PharmaCielo issued 12,825 debenture units, for aggregate proceeds of \$12,825,000.

Following the closure of the Offering, the Company announced new debenture units ("New Unit") in a non-brokered private placement (the "New Offering"). The New Units will be issued at a price of \$1,000 per New Unit. Each New Unit will consist of \$1,000 principal amount of 11% secured debentures ("New Debenture") and 1,000 non-transferable common share purchase warrants ("New Debenture Warrant"). Each New Debenture Warrant will entitle the holder for a period of 60 months from the initial closing date to acquire one common share of the Company at an exercise price of \$0.22. The New Debentures bear interest at a rate of 11.0% per annum, will mature on June 30, 2026, and carry the same guarantee as the Debenture.

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

11. DEBENTURES (continued)

The Company has the right to redeem any or all of the Debentures and New 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. Upon a change of control of the Company, the holders will have the right to have their Debentures and New Debentures repurchased at 105% of face value plus accrued and unpaid interest to, but not including the date of repurchase.

For the six months ending June 30, 2023, the Company issued 2,030 Units for total proceeds of \$2,030,000 and 507,500 Debenture Warrants (Note 13). The fair value of the Debenture Warrants was determined by using an effective interest rate of 17.92% and a discount rate of 19.0%.

For the six months ending June 30, 2023, the Company issued 750 New Units for total proceeds of \$750,000 and 750,000 New Debenture Warrants (Note 13). The fair value of the New Debenture Warrants was determined by using an effective interest rate of 19.53% and a discount rate of 19.0%.

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

159,476,299 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 six months ended June 30, 2023

- (vi) During the six months ended June 30, 2023, 166,667 Common Shares were issued upon vesting of 166,667 RSUs, with 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.

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

12. SHARE CAPITAL (continued)

- (vii) During the six months ended June 30, 2023, the Company issued 275,000 Common Shares upon the settlement of 275,000 DSUs.
- (viii) During the six months ended June 30, 2023, the Company issued 3,231,493 Common Shares for debenture interest payment of \$644,039.
- (ix) During the six months ended June 30, 2023, the Company issued 840,352 Common Shares for debt settlement of \$208,576 with a former employee and officer of the Company.

13. WARRANTS

The following table reflects the continuity of warrants for the periods ended June 30, 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)	507,500	-	1.44
Issued (ii)(b)	750,000	-	0.22
Balance, June 30, 2023	12,963,450	-	0.82

- (i) Warrants issued, exercised or expired/forfeited in the year ended December 31, 2022 include the following:
- 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.
 - A total of 128,000 warrants were exercised for cash proceeds for \$83,200.
 - 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 six months ended June 30, 2023, include the following:
- As part of the December 24, 2021 Non-Brokered Private Placement, the Company issued 507,500 warrants exercisable at \$1.44 per Warrant Share.
 - As part of the June 30, 2023, Non-Brokered Private Placement, the Company issued 750,000 warrants exercisable at \$0.22 per Warrant Share.

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

13. WARRANTS (continued)

The following table reflects the warrants issued and outstanding as at June 30, 2023:

Number of warrants outstanding	Exercise price	Expiry date
9,007,200	0.65	November 20, 2024
3,206,250	1.44	December 24, 2024
750,000	0.22	June 30, 2028
12,963,450		

14. STOCK OPTIONS

The following table reflects the continuity of options for the periods ended June 30, 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	(1,367,748)	2.25	1.41
Balance, June 30, 2023	16,624,200	1.49	1.17

(i) Options granted in the year ended December 31, 2022, 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,
- 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 six months ended June 30, 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 six months ended June 30, 2023, the Company recorded \$414,065 in share-based payments expense related to these stock options in the unaudited interim consolidated statement of loss and comprehensive loss.

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

14. STOCK OPTIONS (continued)

Details of the stock options outstanding as at June 30, 2023 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price (USD)	Exercise price (CAD)	Weighted-average life (years)	Expiry date
100,000	100,000	\$ 2.00	-	0.14	August 19, 2023
125,000	125,000	\$ 2.25	-	0.14	August 19, 2023
1,400,000	1,400,000	-	\$ 1.02	0.14	August 19, 2023
200,000	200,000	-	\$ 1.11	0.14	August 19, 2023
20,000	13,334	-	\$ 2.10	0.14	August 19, 2023
610,000	610,000	\$ 2.25	-	1.58	January 29, 2025
13,000	13,000	\$ 2.25	-	1.59	February 4, 2025
50,000	50,000	\$ 0.25	-	1.88	May 15, 2025
50,000	50,000	-	\$ 3.35	1.92	June 1, 2025
3,000,000	3,000,000	-	\$ 0.63	2.39	November 20, 2025
100,000	66,667	-	\$ 2.15	2.87	May 13, 2026
560,000	373,336	-	\$ 2.10	2.94	June 10, 2026
850,000	850,000	\$ 1.00	-	3.01	July 4, 2026
50,000	16,667	-	\$ 1.25	3.21	September 14, 2026
550,000	550,000	-	\$ 3.10	3.35	November 5, 2026
250,000	170,000	-	\$ 1.10	3.36	November 11, 2026
400,000	400,000	-	\$ 1.10	3.47	December 20, 2026
300,000	300,000	\$ 1.00	-	3.51	January 2, 2027
100,000	100,000	\$ 1.00	-	3.58	January 27, 2027
100,000	100,000	\$ 2.00	-	4.01	July 5, 2027
1,536,200	512,066	-	\$ 0.46	4.16	August 29, 2027
4,010,000	2,005,000	-	\$ 0.22	4.75	March 31, 2028
2,250,000	2,250,000	-	\$ 3.35	5.00	July 1, 2028
16,624,200	13,255,070	\$ 1.49	\$ 1.17	3.36	

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

	Number of unvested RSUs and DSUs outstanding
Balance, December 31, 2022	3,280,533
Vested RSUs (i)	(166,667)
Settled DSUs (ii)	(275,000)
Balance, June 30, 2023	2,838,866

(i) During the six months ended June 30, 2023, the Company issued 166,667 Common Shares upon the vesting of 166,667 RSUs.

(ii) During the six months ended June 30, 2023, the Company issued 275,000 Common Shares upon the settlement of 275,000 vested DSUs.

As at June 30, 2023, there were 2,838,866 unvested RSUs and DSUs outstanding.

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

16. NET LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2023, was based on the loss attributable to common shareholders of \$3,584,545 and \$7,143,977, respectively (three and six months ended June 30, 2022 - \$3,516,591 and \$6,428,613, respectively) and the weighted average number of Common Shares outstanding of 156,854,649 and 155,989,911, respectively (three and six months ended June 30, 2022 – 150,667,191 and 150,091,625, respectively). 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 six months ended June 30, 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 \$3.1 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 who have 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		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Management compensation	\$ 331,609	\$ 342,519	\$ 626,863	\$ 618,674
Directors' fees ⁽¹⁾	29,375	40,625	67,460	94,375
Share-based compensation ⁽²⁾	452,501	361,430	1,011,355	761,344
Total management compensation	\$ 813,485	\$ 744,574	\$ 1,705,678	\$ 1,474,393

(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.

18. 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 \$1.3 million.
- The Company has lease commitments for office space rented in Toronto, Canada. Payments occur on a monthly basis in accordance with the table presented in Note 9.
- \$115,560 (80,000 EURO) of the \$190,674 (132,000 EURO) settlement payment to PharmaCielo Italia S.R.L. remains payable and is recorded in accounts payable and accrued liabilities.

PHARMACIELO LTD.

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2023

(Expressed in Canadian Dollars, except as noted)

(Unaudited)

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 six months ended June 30, 2023

Americas	\$	946,037
Total Revenue	\$	946,037

Revenues by region - for the six months ended June 30, 2022

Americas	\$	3,319,967
Total Revenue	\$	3,319,967

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 six months ended June 30, 2023, one customer accounted for 67% of cannabis revenue (During the six months ended June 30, 2022, one customer accounted for 94% of cannabis revenue).

20. LONG-TERM INVESTMENT

During the six months ended June 30, 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 as at June 30, 2023, was \$210,213 (December 31, 2022 - \$204,025), as follows:

Balance, December 31, 2022	\$	204,025
Investment in Soteria Holdings		-
Effect of foreign exchange differences		6,188
Balance, June 30, 2023	\$	210,213

21. SUBSEQUENT EVENTS

During the period of July 1, 2023, to August 29, 2023, the Company raised \$500,000 as part of the New Offering, consisting of an aggregate of 500 New Units, under the terms disclosed in Note 11.