



PharmaCielo Ltd.

Management's Discussion and Analysis

For the Three and Six Months Ended June 30, 2019

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Introduction

PharmaCielo Ltd. (the "Company" or "PharmaCielo") is a publicly traded corporation, incorporated in Canada, with its head office located at 1 Toronto Street, Suite 805, Toronto, Ontario, M5C 2E3. Common shares of PharmaCielo trade on the TSX Venture Exchange ("TSXV") under the ticker symbol "PCLO".

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of PharmaCielo constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months ended June 30, 2019. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Information contained herein is presented as of August 22, 2019, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors ("the Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The unaudited condensed interim consolidated financial statements and this MD&A have been reviewed by the Company's Audit Committee and was approved by the Company's Board of Directors on August 22, 2019.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding PharmaCielo Ltd. is available on our website at www.pharmacielo.com or through the SEDAR website at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains certain "forward-looking information" and "forward-looking statements" (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve

known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors referenced in the "Risk Factors" section below. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Overview

Key Developments

Highlights

- On May 29, 2019, the Company geared up for U.S. market demand and enlisted former congressman and medical cannabis advocate, Dana Rohrabacher as a Special Advisor. Rep. Rohrabacher is a longstanding advocate for the legalization of medical cannabis and spearheaded historic U.S. legislation that protects medical cannabis patients.
- On June 6, 2019, the Company entered into a scheme implementation agreement to acquire international cannabis company, Creso Pharma for A\$122 Million. The acquisition will expand the Company's global sales reach and market presence in Canada, Switzerland, Europe, Australia, New Zealand, Israel, and Brazil.
- On June 21, 2019, the Company announced trading on the OTC Market. Trading on the OTC will increase access for U.S. and international investors, providing greater liquidity and better access to capital.
- On July 22, 2019, PharmaCielo Colombia Holdings S.A.S. appointed Andres Felipe Botero as Chief Operations Officer. Mr. Botero will help drive the growth of the Company's production capacity as it readies to feed global supply channels.
- On July 25, 2019, the Company was the first to receive Colombian government export approval for commercial sale of CBD isolate. Completion of commercial export permit process clears the way for the Company to initiate shipment of its medicinal-grade CBD extracts to wholesale distributors and product manufacturers.
- On July 26, 2019, the Company completed acquisition of Ubiquo Telemedicina S.A.S., a leading provider of telemedicine services in Colombia. The acquisition will enable the Company expanded access to medicinal cannabis expertise among the Colombian medical community.

- On August 1, 2019, the Company announced it had achieved a twelvefold increase in dried cannabis processing capacity to meet global demand for medicinal oil extracts.
- On August 2, 2019, PharmaCielo Colombia Holdings S.A.S. appointed a new and diversified Board of Directors. The new board consists of diversified experts with domestic and international business, academia, agriculture, trade and healthcare expertise. Half of new board members are businesswomen, reflecting the overall balance of Company's workforce and commitment to inclusivity.
- On August 8, 2019, the Company joined a Canadian market cannabis tracking and verification initiative. TruTrace's technology offers full transparency and traceability of medical cannabis from the plant's cultivar DNA through to the final product – ensuring quality, standardization and enhanced product safety.
- On August 13, 2019, the Company expanded further into Latin America with a sales agreement to supply CBD extracts, oils and veterinary products to Laboratorios Adler. The Company's CBD extracts and oils are to be used in Adler's portfolio of veterinary products for pain and cancer treatment in large and domestic animals. The agreement covers sales and distribution in Uruguay, Paraguay, Bolivia and Southern Brazil.
- On August 19, 2019, the Company completed its first commercial export of CBD from Colombia to Europe. The inaugural shipment of the high quality CBD isolate was delivered to the Swiss headquarters of Creso Pharma, a global pharmaceutical with expertise in cannabis- and hemp-derived products for human and veterinarian use.

Operations

- Additional processing equipment now in place complements technologies previously installed and will immediately increase annual dried flower processing capacity in support of previously announced strategies for the expansion of hectares under cultivation, with a corresponding increase in finished oil production.
- PharmaCielo has expanded its extraction processing capacity to 265 tonnes of dried flower to meet anticipated global demand for its high-grade medicinal cannabis oils, feeding international supply channels and product production lines.
- Recent achievement of Colombian government approval for commercial export of non-psychoactive (CBD) isolate.
- The Company continues to expand the land area under active cultivation, currently at 12.1 hectares (capable in annual cultivation in excess of 0.48 million kg) from 5.3 hectares at the beginning of the year, with additional cultivation expansion expected to continue throughout the balance of the year.
- Laboratory analysis conducted has demonstrated purity of CBD isolate extraction certified as greater than 99+%, and readily accommodating multiple international requirements for commercial import.

Reverse Takeover

On January 15, 2019, the Company completed a reverse takeover ("RTO") transaction with AAJ Capital 1 Corp. ("AAJ"). Pursuant to the RTO:

- AAJ consolidated its then outstanding 4,640,000 common shares of AAJ ("AAJ Common Shares") on a 1:11.94 basis;

- Pursuant to the terms of an agreement dated August 17, 2018 in respect of a plan of arrangement (the "Arrangement") between AAJ, 10949469 Canada Inc. ("AAJ Sub"), a private company incorporated under the Canada Business Corporations Act (the "CBCA") and a wholly owned subsidiary of AAJ created for the purposes of the Arrangement, and PharmaCielo Holdings Ltd., a private corporation incorporated under the CBCA, AAJ acquired all of the issued and outstanding common shares (the "PharmaCielo Common Shares") of PharmaCielo Holdings Ltd. and indirectly, PharmaCielo Colombia Holdings S.A.S. ("PharmaCielo Colombia"), PharmaCielo Holdings Ltd.'s wholly owned Colombian operating subsidiary from the holders of PharmaCielo Common Shares in exchange for an aggregate of 81,747,811 AAJ Common Shares. In addition, 11,815,416 subscription receipts of PharmaCielo Holdings Ltd. were converted into PharmaCielo Common Shares and then immediately converted into common shares in the capital of the Company (the "Common Shares") on a one for one basis for gross proceeds of \$39,581,643.60;
- PharmaCielo Holdings Ltd. and the AAJ Sub amalgamated and continued as a wholly owned subsidiary of AAJ; and
- AAJ changed its name to "PharmaCielo Ltd." upon completion of the RTO on January 15, 2019.

Proposed Acquisition

On June 6, 2019, PharmaCielo announced that it entered into a scheme implementation agreement (the "Implementation Agreement") pursuant to which PharmaCielo has agreed to acquire all of the issued and outstanding shares and listed options of Creso Pharma Ltd. ("Creso Pharma") (ASX:CPH) (the "Acquisition"). Creso Pharma is a global medicinal cannabis company that specializes in research, development and production of therapeutic, nutraceutical and animal health products. PharmaCielo will pay A\$0.63 per Creso Pharma share. The purchase price for the Creso Pharma shares will be satisfied by the issuance of Common shares ("Common Shares") priced at \$7.6166 per Common Share being the 3-day volume weighted average trading price for the Common Shares representing an exchange ratio of a 0.0775 Common Shares per each Creso Pharma share.

The Implementation Agreement and related transactions have been unanimously approved by the Board of directors of each of PharmaCielo and Creso Pharma.

Pursuant to the Implementation Agreement, PharmaCielo and Creso Pharma have agreed to implement a share scheme (the "Share Scheme") and an option scheme (the "Option Scheme") whereby:

- Creso Pharma shareholders will receive 0.0775 Common Shares for each Creso Pharma share held, representing a price of A\$0.63 per Creso Pharma share.
- Each holder of listed Creso Pharma options will receive 0.0185 Common Shares for each listed Creso Pharma option held, reflecting a price of A\$0.15 per Creso Pharma listed option.
- Holders of vested unlisted Creso Pharma options with an exercise price equal to A\$0.80 will receive 0.0185 Common Shares for each unlisted Creso Pharma option held, reflecting a price of A\$0.15 per Creso Pharma unlisted option.
- Holders of vested unlisted Creso Pharma options with an exercise price below A\$0.63 will receive an amount of Common Shares with a value equal to the difference between A\$0.63 and the exercise price of their respective unlisted Creso Pharma options multiplied by the number of their respective unlisted Creso Pharma Options.

- The Share Scheme will require approval by at least 75% of the number of votes casts and 50% of the number of voting shareholders at the meeting of Creso Pharma shareholders. The Option Scheme will require approval by at least 75% of the number of votes cast at the meeting of Creso Pharma option holders.
- The Share Scheme and Option Scheme are further subject to Australian Court approval and the approval of Australian Securities and Investments Commission.
- The Acquisition and the issuance of Common Shares are subject to the approval of the TSXV. Approval of PharmaCielo shareholders is not required.
- In connection with, and subject to entering into the Implementation Agreement, PharmaCielo has agreed to advance Creso Pharma a \$3,500,000 secured bridge loan (the "Secured Bridge Loan") that may be increased by an additional \$1,500,000 at PharmaCielo's sole discretion, all pursuant to an amendment to Creso Pharma's existing loan trust deed, originally entered into with an arm's length party to Creso Pharma on April 26, 2019. The Secured Bridge Loan will be secured by a general security agreement over the assets of Creso Pharma and a pledge by Creso Pharma to PharmaCielo, of the shares of Mernova Medicinal Inc., a subsidiary of Creso Pharma. The Secured Bridge Loan will bear interest at a rate of 15% per annum and will mature on November 30, 2019. In the event that the Share Scheme is not approved by shareholders of Creso Pharma, the Secured Bridge Loan will mature on the date that is four (4) months after the date of the meeting of the Creso Pharma Shareholders. The proceeds of the Secured Bridge Loan are expected to be used by Creso Pharma for its general working capital requirements. The Secured Bridge Loan is subject to the approval of the TSXV and the completion of a definitive loan amendment and security agreements.

The Implementation Agreement contains customary deal protections including a non solicitation provision of alternative transactions by Creso Pharma and provides for, among other things, the Creso Pharma board of directors being able to consider a superior proposal in certain circumstances and a right for PharmaCielo to match any such superior proposal. The Implementation Agreement also provides for the payment by Creso Pharma of a termination fee of A\$1,200,000 to PharmaCielo in certain circumstances. If the Share Scheme is not approved by Creso Pharma shareholders, Creso Pharma must reimburse PharmaCielo A\$450,000. In addition, the Implementation Agreement provides that where the Acquisition is not completed because of a failure to perform by PharmaCielo, PharmaCielo would be required to pay a reverse break fee to Creso Pharma in the amount of A\$1,200,000.

Subject to receipt of all regulatory, court, shareholder and other approvals, and the satisfaction or waiver of all conditions, it is anticipated that the acquisition of Creso will be completed in late 2019.

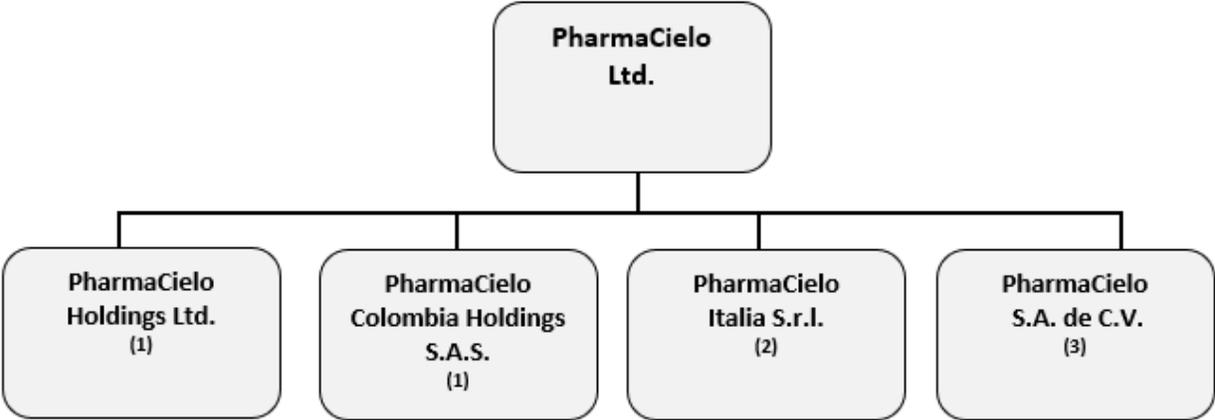
Description of the Business

PharmaCielo is a public company and commenced trading on the TSX Venture Exchange (the "TSXV") on January 18, 2019 under the ticker symbol "PCLO". PharmaCielo is headquartered in Toronto, Ontario, Canada, with a focus on cultivating, processing, and supplying all natural medicinal-grade cannabis oil extracts to large channel distributors, such as pharmacies, medical clinics, and cosmetic companies. PharmaCielo Ltd. ("PharmaCielo" or the "Company") was incorporated pursuant to the *Business Corporations Act* (British Columbia) on May 30, 2017 under the name "AAJ Capital 1 Corp.". Upon completion of its Qualifying Transaction (as such term is defined in Policy 2.4 – *Capital Pool Companies* of the TSX Venture Exchange ("TSXV") Corporate Finance Manual ("Policy 2.4")) in accordance with the

policies of the TSXV on January 15, 2019, the Company changed its name to “PharmaCielo Ltd.” Both PharmaCielo’s registered office and head office are located at 1 Toronto Street, Suite 805, Toronto, Ontario, M5C 2E3.

PharmaCielo has one operating subsidiary, PharmaCielo Colombia Holdings S.A.S. (“PharmaCielo Colombia”), that cultivates and processes the Company’s all-natural cannabis into standardized, medicinal-grade oil extracts and related products. PharmaCielo Colombia was incorporated under the laws of Colombia on July 28, 2014 and has its registered office at KM 4 Rionegro, La Ceja Vereda El Capiro Finca Sant Angelo, Rionegro, Antioquia, Colombia. In Colombia, PharmaCielo Colombia is a fully licensed cultivator, producer, and distributor of both THC and cannabidiol (“CBD”) medical cannabis for: (a) use in Colombia; (b) international export; and (c) research purposes. PharmaCielo’s main growing and processing operations are located at its facility in Rionegro, Colombia.

Intercorporate Relationship



(1) 100% owned by PharmaCielo Ltd.
(2) 70% owned by PharmaCielo Ltd.
(3) 50% owned by PharmaCielo Ltd.

Production Licenses

PharmaCielo Colombia holds the following licenses granted by the Colombian government: (i) the Cannabis Psychoactive License, granted on October 19, 2017; (ii) the Cannabis Non-Psychoactive Cultivation License, granted on October 19, 2017; and (iii) the Cannabis Manufacturing License, granted on April 16, 2018, all as described herein.

(i) Cannabis Psychoactive Cultivation License

This license is granted by the Colombian Ministry of Justice and Law (“Ministry of Justice”) and authorizes production of cannabis seed for cultivation, production of grain, fabrication, storage, commercialization, distribution or transportation of psychoactive cannabis and cultivation for scientific purposes. The applicant must comply with the specific requirements contemplated in article 2.8.11.2.4.2 of Decree 613 of 2017 (the “Decree”).

PharmaCielo Colombia has held this license since October 19, 2017.

The Cannabis Psychoactive Cultivation License grants PharmaCielo Colombia the right to cultivate psychoactive cannabis plants for: (a) seed sowing production, (i.e. cultivation to produce sowing seeds); (b) cultivation from sowing to harvest; and (c) scientific purposes.

The Ministry of Justice granted PharmaCielo Colombia a crop and manufacturing quota for the Cannabis Psychoactive Cultivation License for the 2019 calendar year for: (a) production; and (b) scientific purposes. PharmaCielo Colombia intends to renew this quota for 2020.

(ii) Cannabis Non-Psychoactive Cultivation License

This license is granted by the Ministry of Justice and is intended for authorizing production and cultivation of cannabis grain, derivatives fabrication, industrial or scientific purposes, or for storage and final disposition. The applicant must comply with the specific requirements contemplated in article 2.8.11.2.5.2 of the Decree.

PharmaCielo Colombia has held this license since October 19, 2017.

The Cannabis Non-Psychoactive Cultivation License grants PharmaCielo Colombia the right to cultivate nonpsychoactive cannabis plants for: (a) seed sowing production; (b) crops; and (c) scientific purposes.

The Cannabis Non-Psychoactive Cultivation License does not require a quota.

(iii) Cannabis Manufacturing License

The Cannabis Manufacturing License is granted by the Colombian Ministry of Health and Social Protection (“Ministry of Health”) and contains an authorization to manufacture derivatives of non-psychoactive cannabis for use inside Colombian territory, for scientific purposes or for exportation. The applicant must comply with the specific requirements provided by article 2.8.11.2.2.2 of the Decree.

PharmaCielo Colombia has held this license since April 16, 2018.

The Cannabis Manufacturing License grants PharmaCielo Colombia the right to produce and manufacture cannabis derivatives on the Sant Angelo/la Margarita estate for: (a) use within Colombia; (b) foreign export; and (c) scientific purposes.

On January 30, 2019, the Ministry of Health approved an amendment to the Cannabis Manufacturing License, authorizing PharmaCielo’s new Rionegro facility as the authorized location of the licensed activities pursuant to Resolution 227.

With respect to this license, the Ministry of Justice granted PharmaCielo Colombia a crop and manufacturing quota for the year 2019 for scientific purposes. PharmaCielo Colombia intends to renew this quota for 2020.

Duration of Licenses

All the licenses are valid for up to five (5) years. The Colombian government maintains the right to monitor the activities performed by the corresponding licensee.

Industry Overview

The global cannabis industry is experiencing significant changes as various governments embrace regulatory reform, with many nations liberalizing the production and consumption of cannabis. It is possible that foreign corporations may enter the Colombian market as a result of Colombia's regulatory regime, creating the prospect of Colombia becoming a hub for future industry development.

The market for medicinal cannabis in Colombia is characterized by a structural shortage of supply, with few authorized producers of THC dominant cannabis strains. There are comparatively more producers of CBD dominant cannabis strains as the production of CBD cannabis is not subject to the quota system in Colombia thereby allowing for higher levels of unregulated production. Although competition in the market is growing, management of PharmaCielo believes the Company is competitively positioned to capitalize on its first mover status and satisfy a significant portion of the market's demand for medicinal cannabis. PharmaCielo's management expects that its fundamental understanding of Colombia's regulatory framework, and its experience with the agricultural and scientific processes necessary to develop high quality and consistent medicinal cannabis products, will allow the Company to be a leader in the Colombian and Global medicinal cannabis marketplace.

Operations

Facilities

PharmaCielo's nursery and propagation center, located in the municipality of Rionegro in the department of Antioquia, consists of 12 hectares of open-air greenhouses situated on a 27 hectare property, along with a manmade lake (natural water reservoir), ample cold storage, and industrial "plugging" systems customized to handle large-scale cutting operations. Each hectare of greenhouse contains 180 planting beds, each bed is 40.5 sq. meters (1.35 m x 30 m). The total bedding area per hectare is 7,290 sq. meters and the entire nursery and propagation center contains approximately 1.3 million square feet of planting beds. This nursery and propagation center is capable of producing on a weekly basis, significantly more than 12 million cuttings (e.g., clones) that would be required to supply 600 hectares of contract cultivation.

PharmaCielo is also currently constructing a research technology and processing center ("Research Technology and Processing Centre"), with the anticipated completion of construction in late 2019. Once complete, the Colombian National Food and Drug Surveillance Institute ("INVIMA") must certify the center to ensure that it meets Colombian good and manufacturing standards. The Research Technology and Processing Centre will contain facilities to: (i) dry flowers naturally and by using drying machines; (ii) a milling area; (iii) extraction areas; and (iv) an area designed for testing for levels of THC and CBD levels in cannabis as well as for general compliance. To date, the Research Technology and Processing Centre costs have been USD\$9 million and management projects that the completion of facility will require an additional USD\$6 million.

Production

The nursery and propagation center have one primary function, to develop and propagate a steady stream of genetically stable cuttings, i.e., clones, that could supply a scalable 600 hectare network of contracted cultivation centers. In turn, these cultivations centers will root and cultivate the cuttings into flowering plants that will eventually yield the harvested cannabis flower that is going to be sent for

processing into standardized, medicinal grade oil extracts. This last step will take place at PharmaCielo's planned state-of-the-art oil processing center. The 600-hectare contract cultivation network will, conservatively, require a weekly supply of approximately 12.2 million fresh cuttings from PharmaCielo's nursery and propagation center, which can be comfortably supplied at approximately 86% operating capacity.

These outbound cuttings, destined for contract cultivation, are hand-culled from populations of mother plants, that will occupy a percentage of approximately 75% of the overall nursery and propagation center's open-air greenhouse planting capacity. The mother plants supply all the feeder stock cannabis cuttings to be delivered to and cultivated by PharmaCielo's highly experienced network of contract cultivation and harvest farms. Not only do the mother plants supply genetically stable varieties of cuttings, they themselves also originated as harvested cuttings from grandmother plants. Since the cloning process perfectly replicates plant genetics, the genetics of the mother plants mirror those of the grandmother plants from which they were harvested.

After extensive laboratory and field propagation testing, only a select few plants that have been determined to possess superior genetics are selected to be grandmothers. To ensure the genetic consistency of future generations of grandmother plants (and by extension future mother plants), tissue culture harvested from the grandmother plants is stored in an onsite tissue culture lab. In other words, when the entire population of grandmother plants needs to be replaced with new grandmothers, required approximately every six months, it is replaced with its own genetic offspring via tissue culture propagation.

PHARMACIELO LTD.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

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

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

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

Assets by Geography

	June 30, 2019	December 31, 2018
Total assets		
Canada	\$ 39,067,770	\$ 49,028,742
Colombia	19,513,798	17,234,321
Italy	14,887	-
Total	\$ 58,596,455	\$ 66,263,063

Loss by Geography

Net loss for the period	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Canada	\$ 7,703,502	\$ 2,531,842	\$ 13,445,911	\$ 11,620,078
Colombia	2,982,415	1,285,733	4,978,385	2,244,981
Total	\$ 10,685,917	\$ 3,817,575	\$ 18,424,296	\$ 13,865,059

Discussion of Operations

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

This net loss was primarily due to Share-based expense of \$4.8 million and \$6.2 million for the three and six months ended June 30, 2019, respectively (compared to \$394,810 and \$8.0 million in the three and six months ended June 30, 2018, respectively), Agricultural pre-operational costs of \$1.4 million and \$2.3 million for the three and six months ended June 30, 2019, respectively (compared to \$529,389 and \$861,155 in the three and six months ended June 30, 2018, respectively), Salaries and wages of \$987,750 and \$1.8 million for the three and six months ended June 30, 2019, respectively (compared to \$206,415 and \$378,478 in the three and six months ended June 30, 2018, respectively), and Professional fees of \$600,652 and \$1.3 million for the three and six months ended June 30, 2019, respectively (compared to \$1.2 million and \$1.8 million in the three and six months ended June 30, 2018, respectively).

Liquidity and Capital Resources

The principal focus of the Company is cultivating, processing, and supplying all-natural medicinal-grade cannabis oil extracts to the Colombian market. These activities are financed through equity offerings of securities of the Company on an ongoing basis. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Risk Factors" below.

The Company has no operating revenues and therefore must utilize its current cash reserves, and funds obtained from the issuance of share capital to maintain its capacity to meet ongoing operating activities. As of June 30, 2019, the Company's working capital is \$29.8 million (compared to \$43.7 million as of

December 31, 2018 and \$14.3 million as of January 1, 2018). As of June 30, 2019, the Company had 96,442,373 Common Shares issued and outstanding, 13,993,000 options outstanding that could raise approximately \$20 million, and 38,205 warrants that could raise approximately \$0.1 million if exercised in full. This is not anticipated in the immediate future.

Accounts payable and accrued liabilities decreased by \$1.3 million as at June 30, 2019 (compared to \$279,302 decrease as at June 30, 2018) and consist of amounts that are to be extinguished in due course. The Company's cash and cash equivalents as of June 30, 2019 are sufficient to pay these liabilities.

At June 30, 2019, the Company had working capital of \$29.8 million (compared to \$43.7 million as at December 31, 2018 and \$14.3 million as of January 1, 2018) as the Company had cash and short term investments of \$33.2 million (compared to \$45.9 million as at December 31, 2018 and \$16.0 million as of January 1, 2018).

Net cash used in operating activities was \$11.6 million for the six months ended June 30, 2019 (compared to \$6.0 million net cash used for the six months ended June 30, 2018). Operating activities were affected by a net decrease in non-cash working capital balances of \$1.7 million for the six months ended June 30, 2019 (compared to a decrease of \$175,572 for the six months ended June 30, 2018) due to a decrease in accounts payable and accrued liabilities of \$1.3 million for the six months ended June 30, 2019 (compared to \$279,302 for the six months ended June 30, 2018), and an increase in accounts receivables of \$187,268 for the six months ended June 30, 2019 (compared to a decrease of \$64,680 for the six months ended June 30, 2018). The Company also recorded share-based compensation of \$6.2 million for the six months ended June 30, 2019 (compared to share-based compensation of \$8.0 million for the six months ended June 30, 2018), and recorded a RTO listing expense of \$2.1 million for the six months ended June 30, 2019 (compared to \$Nil for the six months ended June 30, 2018). Net cash used in investing activities was \$20.5 million during the six months ended June 30, 2019 (compared to \$2.3 million net cash used for the six months ended June 30, 2018), as a result of investment in property and equipment of \$4.7 million for the six months ended June 30, 2019 (compared to \$2.3 million for the six months ended June 30, 2018) and the purchase of short-term investments \$16.0 million for the six months ended June 30, 2019 (compared to \$Nil for the six months ended June 30, 2018). Short-term investments include an \$8 million 1 year GIC at 2.50% and a \$8 million 1 year GIC at 2.65%.

The Company's liquidity risk from financial instruments is minimal as excess cash is held in current bank accounts.

While the Company is not yet revenue producing, it believes it has sufficient cash resources to meet its future operating costs. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company. See "Risk Factors" below and "Caution Regarding Forward-Looking Statements" above.

Commitments

- On April 12, 2018, the Company signed a nonbinding letter of intent to purchase the assets of Ubiquo Telemedicina S.A.S. ("Ubiquo Telemedicina"). Ubiquo Telemedicina is the only telemedicine service in Colombia with over 400 medical practitioners and 80,000 patients using the service.
- The Company has an agreement with CNV Construcciones S.A.S. ("CNV"), a Colombian construction

company, to pay CNV USD\$1 million to complete the construction of the Research Technology and Processing Centre in 2019. The construction of the Research Technology and Processing Centre is progressing with the anticipated completion of construction in late 2019. Once completed, the Research Technology and Processing Centre must be certified by INVIMA in order to ensure that it meets GMP Standards.

- On June 6, in connection with, and subject to entering into the Implementation Agreement, PharmaCielo has agreed to advance Creso Pharma a \$3,500,000 secured bridge loan (the "Secured Bridge Loan") that may be increased by an additional \$1,500,000 at PharmaCielo's sole discretion, all pursuant to an amendment to Creso Pharma's existing loan trust deed, originally entered into with an arm's length party to Creso Pharma on April 26, 2019. The Secured Bridge Loan will be secured by a general security agreement over the assets of Creso Pharma and a pledge by Creso Pharma to PharmaCielo, of the shares of Mernova Medicinal Inc., a subsidiary of Creso Pharma. The Secured Bridge Loan will bear interest at a rate of 15% per annum and will mature on November 30, 2019. In the event that the Share Scheme is not approved by shareholders of Creso Pharma, the Secured Bridge Loan will mature on the date that is four (4) months after the date of the meeting of the Creso Pharma Shareholders. The proceeds of the Secured Bridge Loan are expected to be used by Creso Pharma for its general working capital requirements. The Secured Bridge Loan is subject to the approval of the TSXV and the completion of a definitive loan amendment and security agreements.

Transactions with Related Parties

During the three and six months ended June 30, 2019, the Company has the following related party transactions:

- i. Incurred subcontractor expense of \$6,692 and \$15,001, respectively (three and six months ended June 30, 2018 of \$14,455 and \$30,753, respectively) from Tahami & Cultiflores S.A.C.I a company controlled by a Director of the Company, Federico Cock-Correa. As of June 30, 2019, the amount of \$Nil (June 30, 2018 - \$Nil) is owing to Tahami & Cultiflores S.A.C.I. and recorded in accounts payable and accrued liabilities.
- ii. Management fee of \$Nil and \$Nil, respectively (three and six months ended June 30, 2018 of \$1,082,766 and \$1,158,270, respectively) to the Company's former Chief Executive Officer. As of June 30, 2019, the amount of \$Nil (June 30, 2018 - \$Nil) is owing and recorded in accounts payable and accrued liabilities.
- iii. Consulting fees (Grupo Jaque) of \$Nil and \$53,174, respectively (three and six months ended June 30, 2018 of \$77,887 and \$158,863, respectively) to the Company's former Chief Executive Officer. As of June 30, 2019, the amount of \$Nil (June 30, 2018 - \$Nil) is owing and recorded in accounts payable and accrued liabilities.
- iv. Consulting fees (Laitinen Consulting Inc) of \$1,000 and \$1,500, respectively (three and six months ended June 30, 2018 of \$75,000 and \$150,000, respectively) to an Officer of the Company. As of June 30, 2019, the amount of \$Nil (June 30, 2018 - \$Nil) is owing and recorded in accounts payable and accrued liabilities.
- v. \$884,095 and \$995,423, respectively (three and six months ended June 30, 2018 of \$271,205 and \$7,001,611, respectively) of share based payment expense for the stock options and RSUs

issued to certain Company officer's, directors and key management personnel.

These transactions are in the normal course of operations and have been valued in these 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.

Change in Accounting Policy

Change in Functional currency

The Company changed its functional currency from US dollars to Canadian dollars as of January 1, 2019. The change in functional currency is due to financings denominated in Canadian dollars while there were denominated in US dollars before. All assets, liabilities, share capital and other components of shareholders' equity were translated into Canadian dollars at the exchange rate of \$1.3642 as at the date of change. These changes have been accounted for prospectively. Prior period comparable information is restated to reflect the change in presentation currency using exchange rate of \$1.245 as at January 1, 2018.

The functional currency of PharmaCielo Italia S.r.l. is the Euro.

Capital Resources

The Company has raised capital in the private markets to fund its capital expenditures. The Company has yet to generate revenue and as such relies on capital raises to fund its expenses. The Company believes it will be able to raise capital as required in the long term but recognizes there are risks to this pre-revenue. The Company has enough funds to finance its immediate capital needs for the Research Technology and Processing Centre which requires USD\$6 million to complete the facility.

Financial risks

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. All the Company's cash is held at financial institutions that are Colombian Chartered Banks or fund held in trust with legal counsel in which management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2018, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the year.

Foreign currency risk

PharmaCielo's functional currency is denominated in Canadian dollars. PharmaCielo currently expects that sales will be denominated in Colombian pesos and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, PharmaCielo incurs most of its operating expenses in Colombia Pesos. In the future, the proportion of PharmaCielo's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition and results of operations. PharmaCielo has not previously engaged in foreign currency hedging. If the Company decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide PharmaCielo from foreign currency fluctuations and can themselves result in losses.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Share Capital

As of the date of this MD&A, the Company had 97,440,373 Common Shares issued and outstanding.

As of the date of this MD&A, the Company has 13,128,000 stock options exercisable to purchase Common Shares issued and outstanding.

As of the date of this MD&A, the Company has 1,258,000 Restricted Share Units ("RSU") Common Shares issued and outstanding that can be settled in Cash or Common Shares.

As of the date of this MD&A, the Company has 38,205 Common Share purchase warrants issued and outstanding.

Risk Factors

Where used in this "Risk Factors" section, "PharmaCielo" refers to either to PharmaCielo Ltd., PharmaCielo Colombia, as the context may require. Due to the nature of PharmaCielo's business, the legal and economic climate in which it operates and its present stage of development, PharmaCielo is subject to significant risks. The risks presented below should not be considered exhaustive and may not be all the risks that the PharmaCielo may face. Additional risks and uncertainties not presently known to PharmaCielo or that PharmaCielo currently considers immaterial may also impair the business and operations of PharmaCielo and cause the value of the Common Shares to decline. If any of the following or other risks occur, PharmaCielo's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of the Common shares could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

Business Risks

Limited Operating History

PharmaCielo is an early stage company having been founded in 2014 and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. PharmaCielo will be subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. For PharmaCielo to meet future operating and debt service requirements, PharmaCielo will need to be successful in its growing, marketing and sales efforts. Additionally, where PharmaCielo experiences increased sales, PharmaCielo's current operational infrastructure may require changes to scale PharmaCielo's business efficiently and effectively to keep pace with demand and achieve long-term profitability. If PharmaCielo's products and services are not accepted by new customers, PharmaCielo's operating results may be materially and adversely affected.

Regulatory Compliance Risks

Achievement of PharmaCielo's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. PharmaCielo may not be able to obtain or maintain the necessary licences, permits, quotas, authorizations or accreditations, or may only be able to do so at great cost, to operate its business. PharmaCielo cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities. To date, PharmaCielo has received the licences relating to both the psychoactive and non-psychoactive cultivation of cannabis from the Colombian government. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of PharmaCielo.

The officers and directors of PharmaCielo must rely, to a great extent, on PharmaCielo's Colombian legal counsel and local consultants retained by PharmaCielo in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect PharmaCielo's business operations, and to assist PharmaCielo with its governmental relations. PharmaCielo must rely, to some extent, on those members of management and the Board who have previous experience working and conducting business in Colombia in order to enhance its understanding of and appreciation for the local business culture and practices in Colombia. PharmaCielo also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in Colombia. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in Colombia are beyond the control of PharmaCielo and may adversely affect its business. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of PharmaCielo.

Reliance on Licenses and Authorizations

PharmaCielo's ability to grow, store and sell cannabis in Colombia is dependent on PharmaCielo's ability to sustain and/or obtain the necessary licences and authorizations by certain authorities in Colombia.

The licences and authorizations are subject to ongoing compliance and reporting requirements and the ability of PharmaCielo to obtain, sustain or renew any such licences and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Failure to comply with the requirements of the licences or authorizations or any failure to maintain the licences or authorizations would have a material adverse impact on the business, financial condition and operating results of PharmaCielo.

Although PharmaCielo believes that it will meet the requirements to obtain, sustain or renew the necessary licences and authorizations, there can be no guarantee that the applicable authorities will issue these licences or authorizations. Should the authorities fail to issue the necessary licences or authorizations, PharmaCielo may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of PharmaCielo may be materially adversely affected.

Risks Inherent in Agricultural

PharmaCielo's business involves the growing of cannabis, which is an agricultural product. Medicinal cannabis will be grown in open air greenhouses. The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural production and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce PharmaCielo's yields or require PharmaCielo to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of PharmaCielo's cannabis production, which could materially and adversely affect PharmaCielo's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, PharmaCielo's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect PharmaCielo's operating results and financial condition. Furthermore, if PharmaCielo fails to control a given plant disease and the production is threatened, PharmaCielo may be unable to supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on any such production.

Risks Inherent in Rural Real Estate

The Colombian constitution protects the right to own private property and related rights acquired in compliance with civil regulations. According to the Colombian constitution, legally acquired private property ownership rights cannot be affected if the owner is following applicable laws. Except in the case of public necessity or social interest, subject to due process and the payment of an indemnification, expropriations without just cause or on a discriminatory basis are restricted.

Supply of Cannabis Seeds

If for any reason the supply of cannabis seeds is ceased or delayed, PharmaCielo would have to seek alternate suppliers and obtain all necessary authorization for the new seeds. If replacement seeds cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, PharmaCielo's business, financial condition and results of operations would be materially and adversely affected.

Risks Related to Investment in a Colombian Company

Economic Risks Inherent in any Investment in an Emerging Market Country such as Colombia

Investing in emerging market countries such as Colombia carries economic risks. Economic instability in Latin American and emerging market countries has been caused by many different factors, including high interest rates, changes in currency values, high levels of inflation, exchange controls, wage and price controls, changes in economic or tax policies, the imposition of trade barriers, and internal security issues. Any of these factors may adversely affect the value of the Common Shares.

Economic and Political Developments in Colombia

PharmaCielo's operations are in Colombia. Consequently, PharmaCielo is dependent upon Colombia's economic and political developments. As a result, PharmaCielo's business, financial position and results of operations may be affected by the general conditions of these economies, price instabilities, currency fluctuations, inflation, interest rates, regulation, taxation, social instabilities, political unrest and other developments in or affecting Colombia, over which PharmaCielo has no control.

In the past, Colombia has experienced periods of weak economic activity and deterioration in economic conditions. PharmaCielo cannot predict that such conditions will not return or that such conditions will not have a material adverse effect on PharmaCielo's business, financial condition or results of operations.

Legislative changes may have an adverse impact on PharmaCielo's operations and performance, including any changes to tax legislation. Changes in tax-related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax-based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than PharmaCielo does, which could result in tax litigation, associated costs and penalties. Such legislative changes may have an adverse impact on PharmaCielo's business, financial condition and results of operations.

Operational Risks

Operations in Colombia are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Colombia faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. Colombia is also home to South America's largest and longest running insurgency and large swaths of the countryside are under guerrilla influence. In addition, Colombia experiences narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. Such instability may require PharmaCielo to suspend operations on its properties. Although PharmaCielo is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Colombia, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in PharmaCielo's operations, or other matters. PharmaCielo also bears the risk that changes can occur in the government of Colombia and a new government may void or change the laws and regulations that PharmaCielo is relying upon.

Currently there are no restrictions on the repatriation from Colombia of earnings to foreign entities and Colombia has never imposed such restrictions. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for purposes of payments to foreign suppliers, repayment of foreign debt, payment of dividends to foreign stockholders and other foreign expenses.

Inflation in Colombia

Colombia has in the past experienced double-digit rates of inflation. If Colombia experiences substantial inflation in the future, PharmaCielo's costs in Colombian peso terms will increase significantly, subject to movements in applicable exchange rates. Inflationary pressures may also curtail PharmaCielo's ability to access global financial markets in the longer term and its ability to fund planned capital expenditures, and could materially adversely affect PharmaCielo's business, financial condition and results of operations. The Colombian government's response to inflation or other significant macro-economic pressures may include the introduction of policies or other measures that could increase PharmaCielo's costs, reduce operating margins and materially adversely affect its business, financial condition and results of operations.

Financial and Accounting Risks

Foreign Sales

PharmaCielo's functional currency is denominated in Canadian dollars. PharmaCielo currently expects that sales will be denominated in Colombian pesos and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, PharmaCielo incurs most of its operating expenses in Colombia Pesos. In the future, the proportion of PharmaCielo's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may

negatively impact the PharmaCielo's business, financial condition and results of operations. PharmaCielo has not previously engaged in foreign currency hedging. If PharmaCielo decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide PharmaCielo from foreign currency fluctuations and can themselves result in losses.

Subsequent Events

- i. Subsequent to June 30, 2019, a total of 865,000 options were exercised for gross proceeds of USD\$666,250.
- ii. The Company agreed to advance Creso Pharma a secured bridge loan. The following amounts has been advanced to Creso Pharma:
 - o July 8th A\$1,500,000 (CAD\$1,403,285)
 - o Aug 8th A\$1,000,000 (CAD\$926,213)
- iii. On July 15, 2019, a total of 300,000 RSU fully vested but Common Shares have not been issued.
- iv. On July 26, 2019, the Company completed the acquisition of Ubiquo Telemedicina S.A.S., a leading provider of telemedicine services in Colombia.