PHARMACIELO LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2020

(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.

PHARMACIELO LTD.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	As at March 31, 2020	As at December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	**$ 6,039,908**	$ 13,673,299
Trade receivables	**1,299,422**	709,493
Marketable securities (note 4)	**58,000**	106,000
Prepaid expenses and other receivables (note 5)	**1,823,333**	1,539,146
Inventory (note 6)	**4,091,499**	3,465,748
Biological Assets (note 7)	**118,872**	178,526
Total current assets	**13,431,034**	19,672,212
Non-current assets		
Property, plant and equipment (note 8)	**25,514,857**	27,275,868
Right-of-use assets (note 9)	**1,349,614**	1,445,598
Investment - XPhyto Therapeutics Corp. (note 10)	**500,000**	-
Goodwill (note 19)	**1,048,704**	1,162,885
Intangible Assets (note 19)	**531,126**	639,799
Total non-current assets	**28,944,301**	30,524,150
Total assets	**$ 42,375,335**	$ 50,196,362
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 17)	**$ 4,355,983**	$ 2,900,441
Lease obligations (note 9)	**144,277**	147,597
RSU obligations (note 14)	**127,934**	117,690
Consideration payable	**-**	140,483
Total current liabilities	**4,628,194**	3,306,211
Non-current liabilities		
Lease obligations (note 9)	**1,353,397**	1,424,850
Total non-current liabilities	**1,353,397**	1,424,850
Total liabilities	**5,981,591**	4,731,061
Shareholders' equity		
Share capital (note 11(a)(b))	**117,073,686**	116,827,833
Reserves (notes and 12, 13 and 14)	**27,300,061**	26,243,564
Other comprehensive income (loss)	**(3,608,596)**	(93,573)
Deficit	**(104,371,407)**	(97,512,523)
Total shareholders' equity	**36,393,744**	45,465,301
Total liabilities and shareholders' equity	**$ 42,375,335**	$ 50,196,362

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

Nature of operations (note 1)
Commitments (note 17)

PHARMACIELO LTD.

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

	Three Months Ended March 31, 2020	March 31, 2019
Revenue		
Sale of Cannabis derivative products	**$ 494,032**	$ -
Revenue from Telemedicine services	**20,377**	-
Total revenue	**514,409**	-
Cost of goods sold - Cannabis derivative products	**461,235**	-
Gross Profit before fair value adjustments	**53,174**	-
Realized fair value on inventory sold	**(98,870)**	**-**
Unrealized gain on fair value of biological assets (note 7)	**(111,024)**	-
Gross profit	**(156,720)**	-
Operating expenses		
Agricultural pre-operational costs (note 8)	**$ -**	$ 906,225
Selling, general and administrative expenses		
General and administrative		
Consulting fees	**388,264**	323,343
Office and general	**821,224**	550,793
Professional fees	**1,898,363**	707,168
Salaries and wages	**1,612,402**	850,403
Travel and accommodation	**221,882**	404,725
Share-based compensation	**1,196,444**	1,381,181
Selling, marketing and promotion	**317,335**	403,023
Amortization and depreciation (notes 8 and 9)	**323,773**	141,955
Total selling, general and administrative expenses	**6,779,687**	4,762,591
Other expenses (income)		
Bank charges and interest expense	**42,421**	28,189
Unrealized loss (gain) on marketable securities	**48,000**	(240,000)
Exchange loss (gain)	**(136,904)**	(202,788)
Other non-operating expenses	**-**	50,475
Listing expense (note 3)	**-**	2,433,687
Interest Income	**(11,497)**	-
Change in fair value of consideration payable	**(19,543)**	-
Total other expenses	**(77,523)**	2,069,563
Loss before tax	**(6,858,884)**	(7,738,379)
Net income (loss) for the period	**$ (6,858,884)**	$ (7,738,379)
Other comprehensive gain (loss) for the period:		
Currency translation adjustment for the period	**(3,515,023)**	(593,823)
Net comprehensive income (loss) for the period	**$ (10,373,907)**	$ (8,332,202)

PHARMACIELO LTD.

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

(Continued)

		2020		2019
Basic and diluted net income (loss) per common share (note 15)	**$**	**(0.07)**	$	(0.08)
Weighted average number of common shares outstanding - basic and diluted		**99,051,447**		92,782,399

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

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

	Three Months Ended March 31, 2020	March 31, 2019
Operating activities		
Net loss for the period	**$ (6,858,884)**	$ (7,738,379)
Items not affecting cash:		
Depreciation (note 8 and 9)	**282,552**	338,585
Amortization of Right-of-use assets	**201,359**	-
Amortization of intangibles	**91,517**	-
Unrealized (gain)/loss on fair market value of biological assets	**111,024**	-
Fair value adjustment on sale of inventory	**98,870**	-
Change in fair value of holdback consideration payable	**(19,543)**	-
Lease Interest expense	**50,500**	17,890
Share-based payments	**1,196,444**	1,381,181
Exchange (gain)/loss	**629,353**	(292,005)
Unrealized (gain)/loss on marketable securities	**48,000**	(240,000)
Listing expense	**-**	2,098,638
Changes in non-cash working capital items:		
Trades receivables	**(589,929)**	-
Prepaid expenses and other receivables	**(284,187)**	(67,565)
Inventory and biological assets	**(1,024,297)**	-
Supplies	**-**	(47,803)
Biological assets	**(530,152)**	-
Accounts payable and accrued liabilities	**1,455,542**	(906,349)
Net cash and cash equivalents used in operating activities	**(5,141,831)**	(5,455,807)
Investing activities		
Cash acquired on RTO (note 3)	**-**	183,729
Investment - XPhyto Therapeutics Corp.	**(500,000)**	-
Purchase of property, plant and equipment	**(1,948,773)**	(2,247,794)
Purchase of short-term investments	**-**	(15,999,999)
Non-controlling interest	**-**	3,745
Net cash and cash equivalents used in investing activities	**(2,448,773)**	(18,060,319)
Financing activities		
Options and warrants exercised	**28,948**	2,949,205
Cash received for shares to be issued	**-**	83,875
Share issue costs	**-**	(577,302)
Lease payments	**(71,735)**	(41,576)
Net cash and cash equivalents provided by financing activities	**(42,787)**	2,414,202
Net change in cash and cash equivalents	**(7,633,391)**	(21,101,924)
Effect of exchange rate changes on cash held in foreign		
Cash and cash equivalents, beginning of period	**13,673,299**	45,674,069
Cash and cash equivalents, end of period	**$ 6,039,908**	$ 24,572,145
Cash and cash equivalents	**$ 6,039,908**	$ 24,572,145
Restricted cash	**-**	-
Cash and cash equivalents for cash flow purposes	**$ 6,039,908**	$ 24,572,145

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, Unless Otherwise Indicated)
(Unaudited)

	Number of common shares	Share capital	Shares to be issued	Reserves	Accumulated other comprehensive income	Deficit	Total Shareholder's equity
Balance, December 31, 2018	**81,747,811**	**$ 64,355,186**	**$ 35,556,574**	**$ 23,932,929**	**$ 2,244,032**	**$(62,845,180)**	**$ 63,243,541**
Securities issued pursant to the RTO (note 3)	413,735	2,043,850	-	224,440	-	-	2,268,290
Options exercised (note 11(b)(ii))	1,600,956	2,745,779	(226,450)	(1,302,077)	-	-	1,217,252
Shares issued pursuant to private placement at price of $3.35 per share (note 11(b)(i))	11,815,416	39,581,644	(39,581,644)	-	-	-	-
Shares to be issued for exercise of options	-	-	83,875	-	-	-	83,875
Cost of issue	-	(4,828,822)	4,251,520	-	-	-	(577,302)
Warrants exercised (note 11(b)(iii))	547,501	2,635,968	-	(904,015)	-	-	1,731,953
Share-based compensation	-	-	-	1,381,181	-	-	1,381,181
Currency translation adjustment for the period	-	-	-	-	(593,823)	-	(593,823)
Net loss for the period	-	-	-	-	-	(7,738,379)	(7,738,379)
Balance, March 31, 2019	**96,125,419**	**$106,533,605**	**$ 83,875**	**$ 23,332,458**	**$ 1,650,209**	**$(70,583,559)**	**$ 61,016,588**

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

PHARMACIELO LTD.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Continued)
(Expressed in Canadian Dollars, Unless Otherwise Indicated)
(Unaudited)

	Number of common shares	Share capital	Shares to be issued	Reserves	Accumulated other comprehensive income (loss)	deficit	Total Shareholder's equity
Balance, December 31, 2019	**98,965,173**	**$116,827,833**	**$ -**	**$ 26,243,564**	**$ (93,573)**	**$(97,512,523)**	**$ 45,465,301**
Common shares issued related to acquisition of Ubiquo (note 11(b)(v))	18,967	83,455	-	-	-	-	83,455
Options exercised (note 11(b)(vi))	50,000	28,743	-	(28,743)	-	-	-
Exercise of warrants (note 11(b)(vi))	172	205	-	-	-	-	205
Exercise of RSU (note 11 (b)(vii))	40,000	133,450	-	(133,450)	-	-	-
Share-based compensation	-	-	-	1,218,690	-	-	1,218,690
Currency translation adjustment for the period	-	-	-	-	(3,515,023)	-	(3,515,023)
Net loss for the period	-	-	-	-	-	(6,858,884)	(6,858,884)
Balance, March 31, 2020	**99,074,312**	**$117,073,686**	**$ -**	**$ 27,300,061**	**$ (3,608,596)**	**$104,371,407)**	**$ 36,393,744**

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

1. Nature of operations

PharmaCielo Ltd. ("PharmaCielo" or the "Company") was incorporated pursuant to the *Business Corporations Act* (British Columbia) on May 30, 2017 under the name "AAJ Capital 1 Corp.". Upon completion of its Qualifying Transaction (as such term is defined in Policy 2.4 – *Capital Pool Companies* of the TSX Venture Exchange ("TSXV") Corporate Finance Manual ("Policy 2.4")) in accordance with the policies of the TSXV on January 15, 2019, the Company changed its name to "PharmaCielo Ltd." The Company carries on business under the name "PharmaCielo Ltd.". Refer to note 3 for further details of the Company's completed Qualifying Transaction with AAJ Capital 1 Corp. ("AAJ").

On January 18, 2019, PharmaCielo's common shares (the "Common Shares") started trading on the TSXV under the symbol "PCLO". On June 21, 2019, Common Shares started trading on the OTC Markets under the symbol "PCLOF". The head office is located at 1 Toronto Street, Suite 805, Toronto, Ontario, M5C 2E3.

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

2. Significant accounting policies

Basis of presentation

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the three months ended March 31, 2020.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS' issued and outstanding as of May 27, 2020, the date the Board of Directors approved these unaudited condensed interim consolidated financial statements

Basis of measurement

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

Principles of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, PharmaCielo Colombia S.A.S. (incorporated on May 11, 2015), PharmaCielo Colombia Holdings S.A.S. (incorporated on August 8, 2014) and Ubiquo Telemedicina S.A.S.

The financial statements of PharmaCielo Colombia S.A.S. and PharmaCielo Colombia Holdings S.A.S. 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 so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are considered. All inter-company balances and transactions have been eliminated in preparing unaudited condensed interim consolidated financial statements.

2. Significant accounting policies (continued)

Principles of consolidation (continued)

The following companies have been consolidated within the unaudited condensed interim consolidated financial statements:

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

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

[(2)] 100% owned by PharmaCielo Holdings Ltd.

In addition, the Company has two nominal investments in Italy and Mexico, PharmaCielo Italia S.r.l.(70% owned) and PharmaCielo S.A. de C.V (50% owned), respectively, with limited activities as of quarter end.

The Company is completing it's assessment under IFRS of accounting treatment of the two above investments and will incorporate in next quarter end.

Significant accounting judgments and estimates

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

Judgment is used mainly in determining how a balance or transaction should be recognized in the unaudited condensed interim consolidated financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

Determination of the fair values of the biological assets requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort 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.

Significant areas where management’s judgment has been applied include:

<u>Going concern</u>

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

2. Significant accounting policies (continued)

Significant accounting judgments and estimates (continued)

Revenue Recognition

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. Significant risks and rewards are generally considered to be transferred when the Company has delivered the product to customers.

Service revenues, including online medical services, are recognized over a period of time as performance obligations are completed. Payment of the transaction price for patient counselling is typically due prior to the services being rendered and therefore, the transaction price is recognized as a contract liability, or deferred revenue, when payment is received. Contract liabilities are subsequently recognized into revenue as or when the Company fulfills its performance obligation. Payment of the transaction price for design, engineering and consulting services are typically due upon completion of the performance-related milestone. The Company is engaged with telemedicine software services in the Latin American market.

Inventory

Inventories consist of dried cannabis, cannabis distillate crude oil, CBD isolate and supplies.

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost of the inventory. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Subsequent costs include materials, overhead, amortization, stock-based compensation of applicable employees and labour involved in packaging and quality assurance. The identified capitalized direct and indirect costs related to inventory are subsequently recorded within "cost of goods sold" on the statement of loss and comprehensive loss at the time the product is sold, with inventory sold which are recorded as a separate line within gross margin before depreciation. Net realizable ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Packaging and supplies are initially valued at cost and subsequently at the lower of cost and net realizable value.

Subsequent to harvest all direct and overhead post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Direct and overhead costs include wages and benefits, facility costs, amortization and other costs incurred in bringing the inventory to the present location and condition. Net realizable value is determined as the estimated selling price less the estimated costs of completion and estimated selling costs. Cost is determined on a weighted average basis for each individual harvest.

2. Significant accounting policies (continued)

Biological assets

Biological assets, consisting of cannabis plants, are measured at fair value up to the point of harvest less costs to complete and sell.

The Company measures biological assets consisting of cannabis plants using the income approach at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow consumables, materials, utilities, facilities costs, depreciation, overhead, quality and testing costs. The identified capitalized direct and direct costs of biological assets are subsequently recorded within the line item "costs of goods sold" on the statement of loss and comprehensive loss in the period that the related product is sold. Seeds are measured at fair value. Unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the results of operations and presented on a separate line of statement of comprehensive loss of the related period.

The company values biological assets by multiplying the expected yield of finished goods from the plants harvested by the selling price expected to be achieved by the Company. The value of biological assets is then reduced by the percentage of completion of the harvest and the estimated post-harvest costs and cost to complete. The Company estimates that fair value of the cannabis plants approximates the stage of completion of the cannabis plants based on approximately linear costs incurred during the growth stage.

Prior to July 1, 2019, the Company expensed all agricultural expenses to pre-operational costs, as it was related to the costs incurred in the agricultural facilities pre-commercial stage. During the year ended 2019, once the Company obtained the full commercial cannabis licenses, it started the valuation of biological assets and as such, it will capitalize all the direct and indirect costs as incurred related to the biological transformation of the biological assets. The Company expenses costs related to mother plants and cuttings which is included as part of Production costs, as the life cycle of these are under one year.

Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases ("IAS 17"). IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity’s lease obligations.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

2. Significant accounting policies (continued)

Leases and right-of-use assets (continued)

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to exercise that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

(Expressed in Canadian Dollars)

3. Reverse Take-over

On January 15, 2019, the Company completed a reverse takeover ("RTO") transaction with AAJ. 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 of PharmaCielo Holdings Ltd. (the "PharmaCielo Shares") and indirectly, PharmaCielo Colombia Holdings S.A.S., the Company’s wholly owned Colombian operating subsidiary from the holders of PharmaCielo Shares. Consequently, these unaudited condensed interim consolidated financial statements reflect the continuation of PharmaCielo and the deemed acquisition of AAJ Capital on January 15, 2019. Following the completion of the RTO on January 15, 2019, AAJ changed its name to PharmaCielo Ltd. Prior to closing, AAJ had 4,640,000 common shares issued and outstanding. As part of the transaction, a 11.94:1 share consolidation was completed which resulted in 388,609 shares issued and outstanding immediately prior to closing. The 463,000 stock options were converted to 38,776 options which were ascribed a fair value of $3.72 on the transaction date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; share price of $4.94; expected volatility of 90%; risk free interest rate of 1.89%; and expected maturity of 1 year. The 250,000 warrants were converted to 20,938 warrants which were ascribed a fair value of $3.83 on the transaction date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; share price of $4.94; expected volatility of 92.06%; risk free interest rate of 1.89%; and expected maturity of 1.04 years. The Common Shares started trading at $4.94 on the TSXV on January 18, 2019, therefore, $4.94 per Common Share is considered the fair value of the Common Shares as at the RTO date of January 15, 2019. The RTO of AAJ did not meet the definition of a business combination under IFRS 3 - Business Combinations, and accordingly was accounted for in accordance with IFRS 2 - Share-based Payments. The transaction resulted in a listing expense of $2,433,687 representing the difference between the fair value of the securities issued for $2,268,290, and $335,049 of expenses incurred towards the RTO and the fair value of AAJ's net assets on the closing date as follows:

Cash	$	183,729
Accounts payable and accrued liabilities		(14,077)
	$	169,652

Consideration paid		
388,609 common shares deemed issued to AAJ's existing shareholders (i)	$	1,919,728
25,126 common shares deemed issued as finder's fee (i)		124,122
38,776 stock options deemed issued to AAJ's existing option holders		144,247
20,938 warrants deemed issued to AAJ's existing warrant holders		80,193
Other listing costs		335,049
	$	2,603,339
Listing expense	$	2,433,687

(i) For the purpose of determining the value of the purchase price consideration, the 388,609 and 25,126 Common Shares were valued at $4.94 per share based on the Company's opening price as at January 18, 2019.

In addition, 11,815,416 subscription receipts of the Company were converted into PharmaCielo Shares and immediately into Common Shares on a one for one basis for gross proceeds of $39,581,644. Refer to note 11(b)(v) - *Share Capital* for further details.

(Expressed in Canadian Dollars)

4. Marketable securities

	Number of shares		Cost		Unrealized gain		Fair value
March 31, 2020							
Khiron Life Sciences Corp. ("Khiron")	**100,000**	**$**	**12,500**	**$**	**45,500**	**$**	**58,000**
December 31, 2019							
Khiron	100,000	$	12,500	$	93,500	$	106,000

5. Prepaid expenses and other receivables

		As at March 31, 2020		As at December 31, 2019
Prepaid expenses	**$**	**1,143,825**	$	426,619
Other receivables		**679,508**		1,112,527
	$	**1,823,333**	$	1,539,146

6. Inventory

		As at March 31, 2020		As at December 31, 2019
Agricultural supplies and other	**$**	**262,225**	$	287,093
Work-in-progress		**1,397,798**		1,969,582
Finished products		**2,431,476**		1,209,073
Closing balance, March 31, 2020	**$**	**4,091,499**	$	3,465,748

During the three months ended March 31, 2020, inventory recognized as expense was $516,837 (March 31, 2019 - $nil), consisting of $98,869 (March 31, 2019 - $nil) of realized fair value changes on inventory sold or impaired and $417,968 (March 31, 2019 - $nil) of capitalized post-harvest costs expensed during the period as cannabis inventory is sold.

7. Biological Assets

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

The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions as at March 31, 2020:

(Expressed in Canadian Dollars)

7. Biological Assets (continued)

a. Selling prices – selling prices are based on the Company's expected selling price per kilogram based on selling history, adjusted for current market conditions. A selling price of $2,007 per kilogram of CBD isolate was used to calculate the biological assets at quarter end.

b. Post-harvest costs – the costs are based on actual processing costs incurred by drying, trimming, extracting, testing and packaging activities incurred in the period, including overhead allocations for these activities. Post-harvest processing costs averaged $1,514 per kilogram of CBD isolate.

c. The stage of plant growth – the stage of plant growth is estimated by the number of days into the growing stage compared to the estimated growing time for a full harvest. The estimated stage of growth of the cannabis plants as at March 31, 2020 averaged 41%.

d. Expected yield – the expected yield per plant is based on the Company's historical adjusted average yield per plant. Expected yield per plant is 0.91 grams of CBD isolate.

As at March 31, 2020, 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, 2018	**$**	**-**
Changes in fair value less costs to sell due to biological transformation		-
Transferred to inventory upon harvest		-
Carrying amount, March 31, 2019		-
Carrying amount, December 31, 2019	**$**	**178,526**
Production costs capitalized		530,152
Changes in fair value less costs to sell due to biological transformation		(111,024)
Transferred to inventory upon harvest		(478,782)
Balance, March 31, 2020	**$**	**118,872**

The Company expects that a 10% increase or decrease in the wholesale market price per kilogram of dried cannabis would increase or decrease the fair value of biological assets by $5,792. 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 $1,127. Additionally, an increase or decrease of 10% in the post-harvest costs would decrease or increase the fair value of biological assets by $4,369.

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

Unrealized change in fair value of biological assets	$	(111,024)
Realized fair value on inventory sold		(98,870)

During the year ended 2019, the Company started the valuation of biological assets. For the three months ended March 31, 2020, the agricultural cost (pre-operative) was $nil (for the three months ended March 31, 2019: $906,225), and it was related to the costs incurred in the agricultural facilities pre-commercial stage.

(Expressed in Canadian Dollars)

8. Property, plant and equipment

	Land	Construction in Progress	Building	Machinery and equipment	Office furniture and fixtures	Computer and communication equipment	Vehicles	Equipment in transit	Total
COST									
Balance, December 31, 2018	**$ 8,251,772**	**$ -**	**$ 4,106,457**	**$ 4,561,540**	**$ 179,886**	**$ 631,396**	**$ 144,298**	**$ 3,066,880**	**$ 20,942,229**
Additions	-	-	17,380	341,396	492,239	54,728	13,382	1,328,669	2,247,794
Reclassifications	-	-	-	170,582	-	-	-	(344,747)	(174,165)
Effect of foreign currency exchange differences	(40,993)	-	(13,417)	(31,271)	(192)	(776)	12	(29,974)	(116,611)
Balance, March 31, 2019	**8,210,779**	**-**	**4,110,420**	**5,042,247**	**671,933**	**685,348**	**157,692**	**4,020,828**	**22,899,247**
Balance, December 31, 2019	**$ 7,868,503**	**$ 6,346,102**	**$ 3,607,128**	**$ 7,368,767**	**$ 994,403**	**$ 1,064,741**	**$ 141,137**	**$ 2,247,612**	**$29,638,393**
Additions	-	1,270,486	10,156	528,037	20,638	119,456	-	-	1,948,773
Disposals	-	-	-	-	-	-	-	(682,573)	(682,573)
Effect of foreign currency exchange differences	(620,298)	(730,072)	(221,622)	(847,720)	(30,176)	(32,200)	(16,236)	(260,433)	(2,758,757)
Balance, March 31, 2020	**$ 7,248,205**	**$ 6,886,516**	**$ 3,395,662**	**$ 7,049,084**	**$ 984,865**	**$ 1,151,997**	**$ 124,901**	**$ 1,304,606**	**$28,145,836**
ACCUMULATED DEPRECIATION									
Balance, December 31, 2018	**$ -**	**$ -**	**$ 630,491**	**$ 485,572**	**$ 65,911**	**$ 224,521**	**$ 22,575**	**$ -**	**$ 1,429,070**
Depreciation	-	-	75,168	110,330	22,389	59,451	2,736	-	270,074
Effect of foreign currency exchange differences	-	-	3,591	4,560	611	2,099	206	-	11,067
Balance, March 31, 2019	**-**	**-**	**709,250**	**600,462**	**88,911**	**286,071**	**25,517**	**-**	**1,710,211**
Balance, December 31, 2019		**$ -**	**$ 876,528**	**$ 708,297**	**$ 227,302**	**$ 481,612**	**$ 60,370**	**$ -**	**$ 2,354,109**
Depreciation		-	95,766	145,333	68,060	95,392	7,656	-	412,207
Effect of foreign currency exchange differences		-	(44,922)	(89,392)	(11,253)	17,788	(7,558)	-	(135,337)
Balance, March 31, 2020		**$ -**	**$ 927,372**	**$ 764,238**	**$ 284,109**	**$ 594,792**	**$ 60,468**	**$ -**	**$ 2,630,979**
CARRYING AMOUNT									
Balance, March 31, 2019	**$ 8,210,779**	**$ -**	**$ 3,401,170**	**$ 4,441,785**	**$ 583,022**	**$ 399,277**	**$ 132,175**	**$ 4,020,828**	**$21,189,036**
Balance, March 31, 2020	**$ 7,248,205**	**$ 6,886,516**	**$ 2,468,290**	**$ 6,284,846**	**$ 700,756**	**$ 557,205**	**$ 64,433**	**$ 1,304,606**	**$25,514,857**

(Expressed in Canadian Dollars)

8. Property, plant and equipment (continued)

PharmaCielo Colombia Holdings S.A.S. is developing a farm and a processing plant, located in Rio Negro 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. As of March 31, 2020, the construction and assets in transit balance of $6,886,516 (March 31, 2019 - $nil) represents the developing activities that have not yet been completed.

For the three months ended March 31, 2020, depreciation expenses of $Nil (three months ended March 31, 2019 - $196,630) is included in the unaudited condensed interim consolidated statement of loss as agricultural pre-operational costs.

For the three months ended March 31, 2020, depreciation costs of $129,655 was capitalized to biological assets and inventory.

9. Leases

Right-of-use assets		
Balance, January 1, 2019	**$**	**-**
Additions		1,466,374
Depreciation		(68,511)
Foreign exchange adjustment		182
Balance, March 31, 2019	**$**	**1,398,045**

Right-of-use assets		
Balance, January 1, 2020	**$**	**1,445,599**
Additions		-
Depreciation		(59,742)
Foreign exchange adjustment		(36,243)
Balance, March 31, 2020	**$**	**1,349,614**

Right-of-use assets consist of office spaces. Right-of-use assets are depreciated over 33 to 122 months.

Maturity analysis - contractual undiscounted cash flows

As at March 31, 2020		
Less than one year	$	333,614
One to three years		939,842
Three to five years		716,765
More than five years		457,933
Total undiscounted lease obligation	**$**	**2,448,154**

Lease obligations

On August 24, 2018, the Company entered into a sixty month lease agreement (plus extension periods) for new office space to serve as our corporate headquarters in Toronto, Ontario, commencing on January 1, 2019. Under the lease, the Company is required to pay a base rent of $13,008, increasing to $13,875 starting March 1, 2021. In addition to the base rent, the Company must pay its proportionate share of utilities, maintenance and other related costs for the leased premises. Lease payments are discounted over 122 months using an interest rate of 13.95%.

The Company entered into a thirty-six month lease agreement for new office space to serve as a corporate office in Medellin, Colombia, commencing on October 1, 2018. Under the lease, the Company is required to pay a base rent of $5,278, for the term of the lease. In addition to the base rent, the Company must pay its proportionate share of utilities, maintenance and other related costs for the leased premises. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. Lease payments are discounted over 33 months using an interest rate of 14.39%.

(Expressed in Canadian Dollars)

9. Leases (Continued)

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

Balance, January 1, 2019	**$**	**-**
Additions		1,466,374
Interest expense		17,890
Lease payments		(41,576)
Foreign exchange adjustment		157
Balance, March 31, 2019	**$**	**1,442,845**

Balance, January 1, 2020	**$**	**1,558,086**
Additions		-
Interest expense		50,500
Lease payments		(71,735)
Foreign exchange adjustment		(39,177)
Balance, March 31, 2020	**$**	**1,497,674**

As at March 31, 2020		
Lease obligations	$	1,497,674
Less current portion		(144,277)
Non-current portion	$	1,353,397

The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

10. Supply Agreement with XPhyto Therapeutics Corp.

Supply agreement with XPhyto Therapeutics Corp.

On January 27, 2020, the Company entered into a three-year agreement (the "Agreement") with XPhyto Therapeutics Corp. ("XPhyto") (CSE:XPHY; FSE:4XT), whereby PharmaCielo will supply medicinal-quality cannabis extract oils and isolates, including those containing THC, to XPhyto for analysis, further processing, product development and manufacturing at its European Union Good Manufacturing Practice-certified ("EU GMP") facility in Biberach in the state of Baden-Württemberg, and thereafter for sale into the German market. Pursuant to the Agreement, XPhyto granted PharmaCielo 500,000 Common Share purchase Warrants ("Warrants") with an exercise price of $2.00 per Common Share.

As a term of the Agreement, PharmaCielo will enter into an agreement (the "Purchase Agreement") to purchase CAD $500,000 of unsecured convertible debentures of XPhyto (the "Debentures"), to fund expansion of its processing capabilities. The Debentures mature two years from the date of issue and bear interest of 8.0% per annum. The Debentures will be convertible by PharmaCielo into 500,000 common shares of XPhyto subject to certain XPhyto acceleration rights. The purchase of the Debentures is subject to approval by the Canadian Securities Exchange (the "CSE"). XPhyto will also grant PharmaCielo 500,000 Warrants with an exercise price of $1.50 per Common Share.

11. Share capital

a) Authorized share capital

The authorized share capital consisted 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.

(Expressed in Canadian Dollars)

11. Share capital (continued)

b) Common Shares issued and outstanding

99,074,312 Common Shares (December 31, 2019 - 98,965,173 Common Shares)

For the three months ended March 31, 2019

(i) During June and July 2018, the Company issued subscriptions receipts for the issuance of 11,815,416 Common Shares at a price of $3.35 per Common Share raising gross proceeds of $39,581,644 and incurring related costs for $4,251,520. The net cash proceeds were placed in escrow account awaiting PharmaCielo Holdings Ltd. to complete the RTO and becoming a public company. This cash was included as restricted cash in the unaudited condensed interim consolidated statement of financial position as at December 31, 2018. On January 15, 2019, the restricted cash was released to the Company and Common Shares were issued. Refer to note 3 - *Reverse Takeover* for further details.

(ii) As at December 31, 2018, cash proceeds for $226,450 were received towards 587,180 options that were exercised. Consequently, 587,180 Common Shares were issued during the three months ended March 31, 2019. In addition, the Company issued 38,776 Common Shares at a price of $1.194 per Common Share, 940,000 Common Shares at a price of US$0.25 per Common Share and 1,550,000 Common Shares at a price of US$1.00 per Common Share.

(iii) The Company issued 83,645 Common Shares at a price of US$2.00 per Common Share, 440,482 Common Shares at a price of $3.35 per Common Share, 3,759 Common Shares at a price of US$2.25 per Common Share and 19,615 Common Shares at a price of $1.194 per Common Share upon the exercise of 83,645 warrants.

(iv) As at March 31, 2019, cash proceeds for $83,875 were received towards 250,000 options that will be exercised subsequent to March 31, 2019.

For the three months ended March 31, 2020

(v) On July 26, 2019, the Company acquired Ubiquo Telemedicina S.A.S. for cash and Common Shares. On February 19, 2020, the transaction was completed with the remaining 18,967 Common Shares issued at a price of $4.40 per share.

(vi) On January 3, 2020, cash proceeds for USD$25,000 were received towards 50,000 options that were exercised. Consequently, 50,000 Common Shares were issued during the three months ended March 31, 2020. In addition, the Company issued 172 Common Shares for net proceeds of $205 upon the exercise of warrants.

(vii)During the three months ended March 31, 2020, 40,000 RSUs were fully vested, which resulted in the issuance of 40,000 Common Shares.

12. Warrants

The following table reflects the continuity of warrants for the periods ended March 31, 2020 and 2019:

	Number of warrants	Weighted average exercise price (USD)	Weighted average exercise price (CAD)
Balance, December 31, 2018	**781,722**	**0.73**	**3.35**
Issued pursuant to the RTO (note 3)	20,938	-	1.194
Exercised	(547,501)	2.01	3.26
Balance, March 31, 2019	**255,159**	**2.06**	**3.34**
Balance, December 31, 2019	**37,054**	**2.06**	**1.194**
Exercised	(172)	-	1.194
Balance, March 31, 2020	**36,882**	**2.06**	**1.194**

(Expressed in Canadian Dollars)

12. Warrants (continued)

The following table reflects the warrants issued and outstanding as of March 31, 2020:

Number of warrants outstanding	Exercise price (USD)	Exercise price (CAD)	Expiry date
27,882	2.00	-	June 16, 2020
9,000	2.25	-	December 12, 2022
36,882	2.06	-	

13. Stock options

The following table reflects the continuity of options for the periods ended March 31, 2020 and 2019:

	Number of options	Weighted average exercise price (USD)	Weighted average exercise price (CAD)
Balance, December 31, 2018	**15,655,180**	**0.69**	**3.35**
Issued pursuant to the RTO (note 3)	38,776	-	1.194
Exercised	(1,600,956)	0.67	-
Balance, March 31, 2019	**14,093,000**	**1.28**	**3.35**
Balance, December 31, 2019	**12,606,000**	**1.18**	**3.3**3
Exercised	(50,000)	0.50	-
Cancelled	-	2.25	
Balance, March 31, 2020	**12,556,000**	**1.49**	**3.33**

Details of the stock options outstanding as at March 31, 2020 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price (USD)	Exercise price (CAD)	Weighted average life (years)	Expiry date
50,000	50,000	-	3.35	3.41	August 25, 2023
2,455,000	2,455,000	2.25	-	4.84	January 29, 2025
81,000	81,000	2.25	-	4.85	February 4, 2025
1,045,000	1,045,000	0.25	-	5.13	May 15, 2025
75,000	75,000	0.50	-	5.58	October 27, 2025
250,000	250,000	0.50	-	5.72	December 17, 2025
1,050,000	1,050,000	1.00	-	6.27	July 4, 2026
50,000	50,000	1.00	-	6.43	September 1, 2026
400,000	400,000	1.00	-	6.34	August 1, 2026
550,000	183,333	-	3.10	6.61	November 05, 2026
150,000	150,000	1.00	-	6.74	December 23, 2026
500,000	333,333	2.25	-	6.74	December 23, 2026
100,000	100,000	1.00	-	6.83	January 27, 2027
300,000	300,000	2.00	-	7.27	July 5, 2027
4,750,000	2,750,000	-	3.35	8.26	July 1, 2028
750,000	750,000	-	3.35	8.30	July 15, 2028
12,556,000	**10,022,666**	**1.49**	**3.33**	**6.80**	

14. Restricted share unit ("RSU")

During the three months ended March 31, 2020, 40,000 RSUs were fully vested, which resulted in the issuance of 40,000 common shares.

As at March 31, 2020, there were 671,000 RSUs outstanding.

15. Net loss per common share

The calculation of basic and diluted loss per share for the three months ended March 31, 2020 was based on the loss attributable to common shareholders of $(6,858,884), respectively, (three months ended March 31, 2019 - $(7,738,379), respectively) and the weighted average number of Common Shares outstanding of 99,051,447, respectively (three months ended March 31, 2019 - 92,782,399, 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.

16. Transactions with Related Parties

During the three months ended March 31, 2020, the Company has the following related party transactions:

(i) The Company incurred subcontractor expenses of $Nil (compared to the three months ended March 31, 2019 of $8,199) from Tahami & Cultiflores S.A.C.I, a company controlled by a director of the Company's subsidary. As of March 31, 2020, the amount of $Nil (March 31, 2019 - $Nil) is owing to Tahami & Cultiflores S.A.C.I. and is recorded in accounts payable and accrued liabilities.

(ii) The Company incurred consulting fees of $Nil (compared to the three months ended March 31, 2019 of $53,174) to Grupo Jaque, a company controlled by the Company's former Chief Executive Officer, Anthony Wile. As of March 31, 2020, the amount of $Nil (March 31, 2019 - $Nil) is owing and is recorded in accounts payable and accrued liabilities. Mr. Wile also received $47,711 as fee during the three months ended March 31, 2020.

(iii) The Company incurred consulting fees of $1,500 (three months ended March 31, 2019 of $1,500) to Laitinen Consulting Inc., a company controlled by the Company’s Chief Financial Officer, Scott Laitinen. As of March 31, 2020, the amount of $Nil (March 31, 2019 - $Nil) is owing and recorded in accounts payable and accrued liabilities. Scott Laitinen was employed early in 2019 and since them his remuneration is included as part of Management salries.

(vi) The Company included in other receivables $18,452 for certain expenses paid behalf of Tahami & Cultiflores S.A.C.I (Tahami) a company controlled by a director of the Company's subisdiary, Federico Cock-Correa in connecton to subcontracting Tahami as grower.

(v) The Company included in other receivables $ 39,290 for certain expenses paid behalf of Flores El Capiro S.A.(El Capiro), a company controlled by a director of the Company, Carlos Uribe in connection to subcotracting the El Capiro as grower.

(Expressed in Canadian Dollars)

16. Transactions with Related Parties (continued)

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

	Three months ended March 31, 2020	2019
Management compensation	355,518	343,082
Director's fees [(1)]	-	-
Share-based compensation [(2)]	1,079,800	1,411,078
Total Management compensation	**$ 1,435,318**	**$ 1,754,160**

[(1)] Includes meeting fees and commitment chair fees.
[(2)] Share-based compensation represent the fair value of options 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 these unaudited condensed interim consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts owing to related parties are noninterest bearing and due on demand.

17. Commitments

i. The Company has an agreement with CNV Construcciones S.A.S. ("CNV"), a Colombian construction company, to complete the construction of the Processing and Extraction Centre ("PEC"). In October 2019, the work outlined in the original agreement was completed and CNV was paid. Additional funding was approved by the Board of Directors to cover structural changes in order to meet the needs of the extraction technologies yet to be developed. The scope of the agreement with CNV was expanded and the Company agreed to pay an additional USD $370,385 to complete the main construction activities at the PEC. As of March 31, 2020, the Company had spent $102,385. The construction of the PEC is progressing with the anticipated completion in the 3rd quarter of 2020.
ii. The Company has a technology licence agreement with Harmony Grove Services, LLC, to exploit the extraction technology on biomass. The Company will pay to Harmony Grove Services, LLC a royalty fee for cannabis oil processed with the Technology-enabled process scale chromatography and Technology-enabled process scale crystallization. The agreement is for two years and royalties will be paid on a quarterly basis. Royalties are calculated based on a fixed fee (USD$) per kilogram of oil processed with the Technology-enabled process scale chromatography and Technology-enabled process scale crystallization.

18. Segmented Information

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

The Company is considered to be operating in one segment based on its business nature and strategic decision-making method.

The Company is located and operates in Canada, Colombia, Italy, and Mexico. The commencement of operations in Italy and Mexico are subject to approval from the TSXV. The Company's suppliers are well diversified and no one supplier accounted for more than 10% of total sales, due to its business nature.

18. Segmented Information (continued)

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

Net loss for the period ended	March 31, 2020	March 31, 2019
Canada	**$ 4,422,905**	$ 5,742,409
Colombia	**2,004,292**	1,995,970
Italy	**313,724**	-
Mexico	**117,963**	-
Total	**$ 6,858,884**	$ 7,738,379

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

Total assets	March 31, 2020	March 31, 2019
Canada	$ 11,927,715	$ 46,168,059
Colombia	30,144,577	18,407,367
Italy	63,356	15,002
Mexico	239,687	-
Total	$ 42,375,335	$ 50,196,362

Operating segment	Corporate	Cannabis	Total
Revenues	$ -	$ 514,409	$ 514,409
Cost of Sales	-	461,235	461,235
Net loss for the period	$ 4,422,905	$ 2,435,979	$ 6,858,884

Revenues by country	Cannabis	Total
Colombia	20,377	20,377
United States	494,032	494,032
Total Revenue	$ 514,409	$ 514,409

19. Acquisition

On July 26, 2019, the Company completed the acquisition of all of the shares of Ubiquo Telemedicina S.A.S., previously announced on April 20, 2018.

The aggregate purchase price for the Acquisition consisted of the issuance of common shares in addition to cash (expressed in Colombian pesos) payable to Ubiquo shareholders.

	Number of Shares	Amount in CAD
By issuance of Common Shares (i)	151,616	$ 667,110
To be paid in cash		839,685
Total consideration		**$ 1,506,795**

(Expressed in Canadian Dollars)

19. Acquisition (continued)

As at quarter end, the amounts below were paid to Ubiquo Telemedicina shareholders:

Paid as at March 31, 2020	**Number of Shares**	**Amount in CAD**
Issuance of Common Shares	151,616	$ 667,110
Cash payment		839,685
Total consideration paid		**$ 1,506,795**

Subsequent adjustment - Included as part of the initial consideration	**Number of Shares**	**Amount in CAD**
Issuance of Common Shares	(4,442)	$ (19,545)
Cash payment		(47,656)
Total consideration adjustment		**$ (67,201)**

Allocation of purchase price	**Amount in CAD**
Cash	$ 578
Amounts receivable and other assets	68,976
Property, plant and equipment	275,162
Intangible Assets - Brand	27,000
Intangible Assets - Software	188,000
Amounts payable and other liabilities	(318,674)
Net assets acquired	**$ 241,042**
Goodwill on acquisition	**$ 1,265,753**

(i) For the purpose of determining the value of the purchase price consideration, the Common Shares were valued at \$4.40 per share based on Pharmacielo's closing price as of July 26, 2019.

The goodwill resulting from the allocation of the purchase price to the total fair value of net assets represented the expected future growth potential of Ubiquo and expected synergies with the Company's existing cannabis distribution business.

The consideration transferred was allocated on a preliminary basis to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. As the acquisition is within the measurement period provided under IFRS 3, the fair values assigned to the net assets acquired are preliminary and may be revised by the Company within 12 months from the date of acquisition as additional information is received.

20. COVID-19

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian federal, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, the extent of the impact of the COVID-19 outbreak is unknown. A fuller understanding will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently in place or may be forthcoming in Canada and in other countries.

20. COVID-19 (continued)

During the three months ending March 31, 2020, PharmaCielo initiated adjustments to operations at the Rionegro, Colombia complex location of PharmaCielo Colombia Holdings S.A.S. ("PharmaCielo Colombia") which were announced on April 1, 2020, to protect the health of PharmaCielo's staff and the community due to the global outbreak of COVID-19. The measures supported President Duque and the Colombian government's proactive COVID-19 mitigation efforts. The new workplace procedures reflect the Colombian government's nation-wide essential business policy (Decree 457), that came into effect at 12:00 am on March 25, 2020 requiring certain quarantining measures (the "Decree"). All agronomic operations at the greenhouses, lab and processing facility that include breeding, tissue culture, propagation, cultivation, harvest, drying, separation and storage continue to operate in rotating shifts with reduced staff and onsite adjustments to enable the important practice of social distancing. While as an agricultural enterprise PharmaCielo Colombia is excluded from the Decree, PharmaCielo Colombia has voluntarily ceased cannabis processing temporarily at the processing facility, and temporarily halted construction of the processing and extraction centre. This decision took into consideration the ability to minimize losses and to ensure a fast recovery of normal operation. The reduction in ethanol use managed costs down and eliminated the Company use of a commodity being used in the production of hand sanitizers. As a result, the monthly burn rate for expenses is expected to decline.

Since initiation of reduced activity, and as consistent with the allowances of the decree the company has sought to gradually increase operations within the agriculture and industrial teams, while maintaining proper safety measures and being mindful of employee health and wellness. As previously discussed, the industrial section was largely impacted by reduced operations, and current operations are increasing within both sections.

A prolonged global lock-down due to COVID-19 could reduce the quantity of product produced by the Company and / or limit the Company's ability to ship product to end customers. Additionally, current international border shutdowns are affecting international shipping to various markets and the Company is assessing the impact of potential delays in both equipment import and product export.

While the Company will manage down nonessential costs, any prolonged delay in the reopening of the global economy will put the Company's revenues and liquidity at risk.

21. Events after the reporting period

Former Medical Advisory Board members settlement

On April 15, 2020, the Company settled an outstanding debt in the amount of $54,681.38 with two former Medical Advisory Board members. As a result, the Company issued an aggregate of 74,906 Common Shares at a deemed price of $0.73 per Common Share, with all such issued Common Shares being subject to a statutory hold period of four months plus a day from the date of issuance. The Company recorded a reserve in its March 31, 2020 financial statements.

Closing of $8 Million Private Placement Financing

On April 15, 2020, the Company announced that it has closed its previously announced "best efforts" private placement financing of 12,578,002 special warrants of the Company (the "Special Warrants") (inclusive of the Broker Special Warrants). An aggregate of 12,428,002 Special Warrants were issued to purchasers on a best-efforts private placement basis at a price of $0.65 per Special Warrant (the "Offering Price") for aggregate gross proceeds of approximately $8 million (the "Offering"), and an aggregate of 150,000 Special Warrants (the "Finder's Fee Special Warrants") were issued for services rendered in connection with the Offering.

In consideration for their services, the Agents received a cash commission of $123,637.74, a portion of which was satisfied by the issuance of an aggregate of 181,812 Special Warrants at the Offering Price and an aggregate of 190,212 broker warrants (the "Broker Warrants"). Each Broker Warrant is exercisable to purchase one Common Share at the Offering Price for two years from the date hereof.

21. Events after the reporting period (continued)

Closing of $8 Million Private Placement Financing (continued)

The Company paid a finder's fee of 7%, in a combination of cash and securities of the Company, in consideration for certain placements in connection with subscriptions from certain subscribers introduced by finder's at arm's length to the Company.

On May 15, 2020, the Company announced it has obtained a receipt for the Company's final short form prospectus dated May 15, 2020 (the "Prospectus"), filed with the securities regulatory authorities in the provinces of British Columbia, Ontario, and Québec. The Prospectus qualifies the distribution of 12,578,002 common shares (the "Special Warrant Shares") of the Company issuable upon the exercise or deemed exercise of 12,578,002 previously issued special warrants (the "Special Warrants"), including 12,428,002 Special Warrants issued pursuant to a best effort private placement.

On May 20, 2020, the Company issued 12,578,002 Common shares.

PharmaCielo Adds Experienced Senior Leader to Executive Team

On May 4, 2020, the Company announced the appointment of Mr. Henning von Koss to the new role of President, overseeing all day-to-day operations and project development with immediate effect. Mr. von Koss will remain on the board of directors of PharmaCielo.

In relation to his appointment as President, Mr. von Koss was granted 1,500,000 stock options ("Stock Options") each exercisable for one common share (“Common Share") of the Company at an exercise price of $1.02, subject to the rules of the TSX Venture Exchange and the Company's Stock Option Plan. 500,000 of the Stock Options vest immediately and 1,000,000 will vest subject to the Company's achievement of certain milestones to be determined by the Board of Directors. The Common Shares underlying the Stock Options are subject to a four month hold period.

PharmaCielo Welcomes Dr. Claudia Jiménez to Board of Directors

On May 12, 2020, the Company was pleased to welcome Dr. Claudia Jiménez (Ph.D.) to its board of directors. As a board member, Dr. Jiménez will also serve on the Company's Audit, Nominating and Corporate Governance committees. Dr. Jiménez's appointment is effective June 1, 2020.

Vesting of Restricted Share Units

On May 23, 2020, a total of 125,000 RSUs fully vested but Common Shares have not been issued.