AAJ CAPITAL 1 CORP.

Condensed Interim Financial Statements

For the nine months ended May 31, 2018

Expressed in Canadian Dollars

Unaudited - Prepared by Management

AAJ CAPITAL 1 CORP.

Index	Page
Notice of No Auditor Review	3
Condensed Interim Financial Statements	
Condensed Interim Statements of Financial Position	4
Condensed Interim Statement of Changes in Equity	5
Condensed Interim Statements of Comprehensive Loss	6
Condensed Interim Statements of Cash Flows	7
Notes to the Financial Statements	8-15

AAJ CAPITAL 1 CORP.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditors.

July 19, 2018

AAJ CAPITAL 1 CORP.

Statement of Financial Position
(Expressed in Canadian Dollars)

	Notes		May 31, 2018		August 31, 2017
			(Unaudited)		(Audited)
Assets					
Current assets:					
Cash		$	254,107	$	87,088
Prepaid expense			-		16,575
		$	254,107	$	103,663
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities		$	30,405	$	12,645
Shareholders' equity:					
Share capital	3		289,471		107,000
Reserves	3		56,458		-
Deficit			(122,227)		(15,982)
			223,702		91,018
		$	254,107	$	103,663

Nature of business (Note 1)
Proposed qualifying transaction (Note 7)

The accompanying notes form an integral part of these condensed interim financial statements.

AAJ CAPITAL 1 CORP.

Statement of Changes in Equity
(Expressed in Canadian Dollars)

		Share capital				
	Notes	Shares	Amount	Reserves	Deficit	Total Equity
Balance, May 30, 2017		–	$ –	$ –	$ –	$ –
Common shares issued for cash	3(b)	2,140,000	107,000	–	–	107,000
Net loss for the period		–	–	–	(15,982)	(15,982)
Balance, August 31, 2017		2,140,000	107,000	–	(15,982)	91,018
Initial Public Offering ("IPO")	3(b)	2,500,000	250,000	–		250,000
Share issuance costs	3(b)	–	(50,408)	–	–	(50,408)
Fair value of agent's options	3(e)	–	(17,121)	17,121	–	–
Share based compensation	3(d)	–	–	39,337	–	39,337
Net loss for the period		–	–	–	(106,245)	(106,245)
Balance, May 31, 2018		4,640,000	$ 289,471	$ 56,458	$ (122,227)	$ 223,702

The accompanying notes form an integral part of these condensed interim financial statements.

AAJ CAPITAL 1 CORP.

Statement of Loss and Comprehensive Loss
For the nine months ended May 31, 2018
(Expressed in Canadian Dollars)

	Notes		Three months ended May 31, 2018		Nine months ended May 31, 2018
Expenses:					
Administrative fees	4	$	4,725	$	14,175
Office and miscellaneous			150		950
Professional fees			22,640		27,029
Regulatory and transfer agent fees			4,550		24,754
Share based compensation	3(d)		–		39,337
Net and comprehensive loss		$	(32,065)	$	(106,245)
Loss per common share - basic and diluted		$	(0.01)	$	(0.10)
Weighted average number of common shares outstanding – basic and diluted			2,500,000		1,108,059

The accompanying notes form an integral part of these condensed interim financial statements.

AAJ CAPITAL 1 CORP.

Statement of Cash Flows
For the nine months ended May 31, 2018
(Expressed in Canadian Dollars)

		Nine months ended May 31, 2018
Cash provided by (used in):		
Operating activities		
Net loss for the period	$	(106,245)
Share based compensation		39,337
		(66,908)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities		17,760
Prepaid expense		16,575
		(32,573)
Financing activities		
Issuance of common shares, net		199,592
Change in cash		167,019
Cash, beginning of period		87,088
Cash, ending of period	$	254,107

Supplemental cash flow information:

During the nine months ended May 31, 2018, the Company recorded a fair value of $17,121 in the reserves account on 250,000 agent's options issued in connection to the IPO (Note 3).

The accompanying notes form an integral part of these condensed interim financial statements.

1. NATURE OF BUSINESS

AAJ Capital 1 Corp. (the "Company" or "AAJ") was incorporated under the laws of the Province of British Columbia on May 30, 2017. The Company is a Capital Pool Company ("CPC") as its principal business is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT") in accordance with Policy 2.4 of the TSX Venture Exchange ("Exchange"). The Company has not commenced operations and has no assets other than cash. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and in the case of a non-arms' length transaction, of the majority of the minority shareholders.

These condensed interim financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. While the Company has positive working capital of $223,702 at May 31, 2018, it has a deficit of $122,227 on this date. The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses within 24 months of listing on the Exchange. Management believes that the Company has sufficient working capital to maintain its operations for the upcoming fiscal year.

There is no assurance that the Company will complete a Qualifying Transaction within twenty-four months from the date the Company's shares are listed on the TSX-V, at which time the TSX-V may suspend or de-list the Company's shares from trading.

The Company's head office and principal address is Suite 2050-1055 W. Georgia Street, Vancouver BC, V6E 3P3. The registered and records office is 400-725 Granville Street, Vancouver, BC V7Y 1G5.

2. BASIS OF PRESENTATION

These financial statements were authorized for issue on July 19, 2018 by the directors of the Company.

Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim financial statements have been prepared using accounting policies consistent with those used in the Company's August 31, 2017 audited financial statements. It is therefore recommended that these interim financial statements be read in conjunction with the Company's August 31, 2017 audited financial statements.

2. BASIS OF PRESENTATION (cont'd)

Basis of presentation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. These financial statements are presented in Canadian dollars unless otherwise noted.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

3. SHARE CAPITAL

a. Authorized

Unlimited number of common shares without par value.

b. Issued and outstanding

During the nine months ended May 31, 2018, the Company completed its IPO and issued an aggregate of 2,500,000 common shares of the Company for gross proceeds of $250,000 through Canaccord Genuity Corp. (the "Agent"). The Company paid an aggregate of $50,408 in cash commission, administration fee, legal and other expenses and issued to agents involved in the Offering non-transferable options to acquire an aggregate of up to 250,000 common shares for a period of two years from the date the Company's shares are listed on the Exchange, at an exercise price of $0.10 per share.

During the period ended August 31, 2017, the Company issued 2,140,000 common shares at a price of $0.05 for proceeds of $107,000.

(Expressed in Canadian Dollars)

3. SHARE CAPITAL (cont'd)

c. Escrow shares

Pursuant to an escrow agreement dated November 20, 2017, as at May 31, 2018, 2,140,000 common shares issued are held in escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the final Exchange bulletin (the "Initial Release") upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty six months.

d. Stock Options

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the board of directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the Closing of the IPO. Such options will be exercisable for a period of up to 5 years from the date of grant. Under the Option Plan, options are required to have an exercise price not less than the closing market price of the Company's shares prevailing on the day that the option is granted less applicable discount, if any, permitted by the policies of the Exchange. Pursuant to the Option Plan, the board of directors of the Company may from time to time authorize the issue of options to directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries. The number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or an aggregate maximum of 2% if the optionee(s) are engaged in investor relations activities or if the optionee is a consultant, no more than 2% per consultant. The Option Plan contains no vesting requirements other than those that will apply to options granted to investor relations service providers, but permits the board of directors of the Company to specify a vesting schedule in its discretion.

During the nine months ended May 31, 2018, the Company granted an aggregate of 463,000 stock options to its directors and officers at an exercise price of $0.10 per share expiring January 30, 2023.

A summary of the Company's share option transactions is presented below:

	May 31, 2018		August 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	–	–	–	–
Granted	463,000	$0.10	–	–
Outstanding, end of period	463,000	$0.10	–	–

(Expressed in Canadian Dollars)

3. SHARE CAPITAL (cont'd)

d. Stock Options (cont'd)

As at May 31, 2018, the following were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted average period
Options	January 30, 2023	463,000	$0.10	4.67 years

During the nine months ended May 31, 2018, $39,337 in share-based compensation expense was recorded for the 463,000 stock options granted to directors and officers of the Company. All the granted options vested immediately.

The fair value of the stock options granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018
Risk free rate	2.01%
Dividend yield	-
Weighted average volatility	126%
Weighted average expected life	5 years
Weighted average fair value	$ 0.085

e. Agent's Options

In connection to the Company's IPO, 250,000 non-transferable agent's options were issued to agents involved in the Offering. The agent's options are exercisable at a price of $0.10 per share for a period of two years. The Company recorded $17,121 in the Equity reserves account for the agent's options.

The fair value of the agent's options granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018
Risk free rate	1.78%
Dividend yield	-
Weighted average volatility	140%
Weighted average expected life	2 years
Weighted average fair value	$ 0.07

4. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

During the nine months ended May 31, 2018:

a. The Company recognized $39,337 in share based compensation on 463,000 stock options granted to its directors and officers (Note 3(d)).

b. On July 1, 2017, the Company entered into an administrative services and rent agreement with Varshney Capital Corp. (“VCC”), a company with a director in common, for office administrative services and office premises on a month to month basis in exchange for a monthly fee of $1,500 plus taxes. The fee shall be limited to a cumulative maximum of $25,500 plus applicable taxes. Upon reaching the maximum fee, the services will continue at no additional fee.

   During the period ended May 31, 2018, the Company paid $14,175 pursuant to this agreement for a cumulative total of $17,325, tax inclusive.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at May 31, 2018, the fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy. The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

Credit risk
Credit risk is the risk of loss associated with the counterparty’s inability to fulfill its payment obligations. The Company believes it has no significant 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. The Company’s objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed.

As at May 31, 2018, the Company had cash on hand of $254,107, which is sufficient to settle its current liabilities of $30,405.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

5. FINANCIAL INSTRUMENTS AND RISK MANAGAEMENT (cont'd)

(a) Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty.

(b) Foreign currency risk
The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

(c) Price risk
The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

6. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. As at May 31, 2018, the Company's shareholders' equity was $223,702 and it had current liabilities of $30,405. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its future liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. The Company currently is not subject to externally imposed capital requirements.

Cash on hand will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. Additional funds may be required to finance the Company's Qualifying Transaction.

7. PROPOSED QUALIFYING TRANSACTION

The Company entered into a letter of intent dated March 26, 2018 with PharmaCielo Ltd. ("PharmaCielo") pursuant to which AAJ proposes to acquire all of the issued and outstanding securities of PharmaCielo in exchange for the issuance of securities of AAJ, which will result in PharmaCielo becoming a wholly-owned subsidiary of AAJ (the "PharmaCielo Transaction"). The PharmaCielo Transaction, assuming the completion of the Private Placement (as defined and described below), will result in a reverse take-over of AAJ where the existing shareholders of PharmaCielo will own a majority of the outstanding common shares of AAJ (the "AAJ Common Shares") and AAJ will be renamed "PharmaCielo Ltd." (the "Resulting Issuer"). Upon completion of the PharmaCielo Transaction, it is anticipated that the Resulting Issuer will be a Tier 1 Life Sciences or Industrial Issuer.

7. PROPOSED QUALIFYING TRANSACTION (cont'd)

Trading in the AAJ Common Shares has been halted in accordance with the policies of the Exchange and will remain halted until such time as all required documentation in connection with the PharmaCielo Transaction has been filed with and accepted by the Exchange and permission to resume trading has been obtained from the Exchange.

The Qualifying Transaction

AAJ is a capital pool company and intends that the PharmaCielo Transaction will constitute its "Qualifying Transaction" under the policies of the Exchange. The PharmaCielo Transaction will not constitute a non-arm's length qualifying transaction or a related party transaction pursuant to the policies of the Exchange.

As consideration for the acquisition of all of the outstanding securities of PharmaCielo, holders of issued and outstanding common shares of PharmaCielo ("PharmaCielo Common Shares") will receive one (1) AAJ Common Share for each one (1) PharmaCielo Common Share (the "Exchange Ratio") on a post-Consolidation (defined below) basis.

On or immediately prior to the completion of the PharmaCielo Transaction, it is anticipated that AAJ will consolidate the issued and outstanding AAJ Common Shares on a 11.94:1 basis as a condition of and prior to the completion of the PharmaCielo Transaction (the "Consolidation").

No deposit or advance has been made or is anticipated to be made by AAJ to PharmaCielo in connection with the PharmaCielo Transaction.

PharmaCielo Private Placement

PharmaCielo will conduct, and it is a condition of the PharmaCielo Transaction for PharmaCielo to close, a private placement (the "Private Placement") of subscription receipts of PharmaCielo ("PharmaCielo Subscription Receipts") at a price of $3.35 per Subscription Receipt for aggregate proceeds of up to approximately $60 Million. Each PharmaCielo Subscription Receipt will be convertible into one (1) PharmaCielo Common Share. Subsequent to May 31, 2018, PharmaCielo had closed its first tranche for total gross proceeds of $31,118,827

PharmaCielo intends to use the net proceeds from the Private Placement for the construction of facilities necessary for the production and processing of medicinal cannabis extracts and oils, and general corporate purposes.

About PharmaCielo

PharmaCielo is a global company privately held and headquartered in Canada with a focus on processing and supplying all natural, medicinal-grade cannabis oil extracts and related products to large channel distributors of standardized medical cannabis products. Incorporated under the *Canada Business Corporations Act* on July 14, 2014, PharmaCielo's head office is located at 82 Richmond Street East, Toronto, Ontario M5C 1P1.

7. PROPOSED QUALIFYING TRANSACTION (cont'd)

PharmaCielo's principal and wholly-owned subsidiary, PharmaCielo Colombia Holdings S.A.S., maintains over 1.3 million square feet of fully-operational open-air greenhouse space and is headquartered at its 27.7 hectare Nursery and Propagation Centre in Rionegro, Colombia. The equatorial location of its facilities offers PharmaCielo the opportunity to cultivate the highest quality cannabis flowers and produce correspondingly high quality oil extracts through combination of a consistent and natural 12 hour sunlight/darkness light cycle, along with the expertise provided by the PharmaCielo workforce drawn from Colombia's cut flower industry. PharmaCielo also benefits from the natural light cycle through minimal energy requirements, providing the potential for an extremely low carbon production footprint and high production cost efficiency. The combined quality and production attributes provided by the Colombian environment enable industry leading margins.

Processing and production of medicinal-grade cannabis oil extract facilities are located adjacent to the cultivation operations. PharmaCielo is not a reporting issuer and its securities are not listed or posted for trading on any stock exchange.

Significant Conditions to Closing

The completion of the PharmaCielo Transaction is subject to a number of conditions precedent, including but not limited to satisfactory due diligence reviews, negotiation and execution of definitive transaction documentation, approval by the boards of directors of each of AAJ and PharmaCielo, approval of PharmaCielo shareholders, obtaining necessary third party approvals, Exchange acceptance and closing of the Private Placement for gross proceeds of no less than $15,000,000. There can be no assurance that the PharmaCielo Transaction or the Private Placement will be completed as proposed or at all.

Sponsorship

Sponsorship of a Qualifying Transaction may be required by the Exchange unless a waiver from the sponsorship requirement is available. AAJ intends to apply for a waiver from sponsorship for the PharmaCielo Transaction.

There is no assurance that a waiver from this requirement will be obtained.