**FORM 51-102F3**

**MATERIAL CHANGE REPORT**

***Item 1. Name and Address of Company***

PharmaCielo Ltd. ("**PharmaCielo**" or the "**Company**")
1 Toronto Street, Suite 805
Toronto, Ontario
M5C 2V6

***Item 2. Date of Material Change***

April 15, 2020.

***Item 3. News Release***

The news release disclosing the material change was released on April 15, 2020 through the facilities of Canada Newswire. A copy of the news release is attached hereto as Schedule "A" and is available under the Company's profile on sedar.com

***Item 4. Summary of Material Change***

On April 15, 2020, the Company announced that it closed its previously announced "best efforts" private placement financing of 12,428,002 special warrants of the Company (each a "**Special Warrant**") (inclusive of the Broker Special Warrants (as defined herein)) at $0.65 (the "**Offering Price**") per Special Warrant for aggregate gross proceeds of approximately $8 million (the "**Offering**").

***Item 5. Full Description of Material Change***

***5.1 Full Description of Material Change***

<u>Closing of Private Placement</u>

On April 15, 2020, the Company announced it has closed its previously announced "best efforts" private placement financing of 12,428,002 Special Warrants (inclusive of the Broker Special Warrants (as defined herein)) at the Offering Price for aggregate gross proceeds of approximately $8 million. The Offering was conducted by a syndicate of agents led by Cormark Securities Inc., Stifel GMP and Echelon Wealth Partners Inc. (collectively, the "Agents").

Each Special Warrant entitles the holder thereof to receive one common share (each, a "**Common Share**") of the Company on exercise thereof. Each Special Warrant will be automatically exercised on the earlier of: (i) the fifth business day after the Prospectus Qualification (as defined below) (the

"**Qualification Date**"); and (ii) at 4:59 p.m. (EDT) on the date which is four months and a day following the date of closing (the "**Closing Date**").

The closing of the Offering is subject to regulatory approval including that of the TSX Venture Exchange.

The Company has agreed to use commercially reasonable efforts to obtain a receipt for a final short form prospectus qualifying the distribution of the underlying Common Shares to be issued upon automatic exercise of the Special Warrants (the "**Prospectus Qualification**") on or before 5:00 p.m. (EDT) on May 15, 2020 (the "**Qualification Deadline**"). If the Qualification Date does not occur before the Qualification Deadline, each holder of Special Warrants shall be entitled to receive, without payment of additional consideration, 1.1 Common Shares per Special Warrant.

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 (the "**Broker Special Warrants**") 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 Closing Date.

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

In satisfaction of a condition of the Offering, certain members of senior management and the Board of the Company have entered into lock-up agreements for a period of 120 days from the Closing Date prohibiting their disposition of securities of the Company subject to certain exceptions.

Subject to Prospectus Qualification, the Special Warrants and the Common Shares issuable thereunder are subject to a hold period in Canada expiring four months and one day from the Closing Date.

<u>Disclosure Required by MI 61-101</u>

The following supplementary information is provided in accordance with Section 5.2 of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**").

***(a) a description of the transaction and its material terms:***

Certain related parties of the Company (the "**Related Parties**"), subscribed for an aggregate of 600,973 Special Warrants issued pursuant to the Offering.

***(b) the purpose and business reasons for the transaction:***

The net proceeds of the Offering shall be used to support the anticipated processing capacity expansion, commence ramping up the Company's contract growing operations, working capital and general corporate purposes.

***(c) the anticipated effect of the transaction on the issuer's business and affairs:***

The completion of the Offering provided the Company with funds to be used to support the anticipated processing capacity expansion, commence ramping up the Company's contract growing operations, working capital and general corporate purposes.

***(d) a description of:***

***(i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:***

The Related Parties' participation in the Offering consisted of subscriptions for an aggregate of 600,973 Special Warrants as set out in Schedule "B" hereto.

***(ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:***

See Schedule "B" attached hereto.

**(e)** ***unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:***

A resolution of the board of directors of the Company was passed on April 15, 2020 approving the Offering. No special committee was established in connection with the transaction and no materially contrary view or abstention was expressed or made by any director.

**(f)** ***A summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:***

Not applicable.

***(g) disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction:***

***(i) that has been made in the 24 months before the date of the material change report:***

Not applicable.

***(ii) the existence of which is known, after reasonable enquiry, to the issuer or to any director or officer of the issuer:***

Not applicable.

***(h) the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:***

Other than the subscription agreements to purchase the Special Warrants pursuant to the Offering, the Company did not enter into any agreement with an interested party or a joint actor with an interested party in connection with the Offering. To the Company's knowledge, no related party to the Company entered into any agreement with an interested party or a joint actor with an interested party, in connection with the Offering.

***(i) disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:***

The participation in the Offering by the Related Parties is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of securities being issued to the Related Parties nor the consideration being paid by the Related Parties exceeded 25% of the Company's market capitalization.

***5.2 Disclosure for Restructuring Transactions***

Not Applicable.

***Item 6. Reliance on Subsection 7.1(2) of National Instrument 51-102 – Continuous Disclosure Obligations***

Not Applicable.

***Item 7. Omitted Information***

None.

***Item 8. Executive Officer Knowledgeable of Material Change***

Scott Laitinen
Chief Financial Officer
Tel: (416) 315-8741

Email: s.laitinen@pharmacielo.com

***Item 9. Date of Report***

April 27, 2020.

## Schedule “A”

# PharmaCielo Ltd. Announces Closing of Previously Announced $8 Million Private Placement Financing

*/NOT FOR DISTRIBUTION TO UNITED STATES NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES./*

TORONTO, April 15, 2020 /CNW/ - PharmaCielo Ltd. ("**PharmaCielo**" or the "**Company**") (**TSXV: PCLO, OTCQX: PCLOF**) announced today that it has closed its previously announced "best efforts" private placement financing of 12,428,002 special warrants of the Company (the "**Special Warrants**") (inclusive of the Broker Special Warrants (as defined herein)) at $0.65 (the "**Offering Price**") per Special Warrant for aggregate gross proceeds of approximately $8 million (the "**Offering**"). The Offering was conducted by a syndicate of agents led by Cormark Securities Inc., Stifel GMP and Echelon Wealth Partners Inc. (collectively, the "**Agents**").

"Against a backdrop of very challenging capital markets, we are very pleased to have successfully closed this nominal equity offering, in which both management team and board members participated. This round of funding provides PharmaCielo with added flexibility to ramp-up processing and extraction output over the next several months to fulfill volumes required under existing and future sales agreements as we diligently continue sales efforts," said **David Attard, CEO of PharmaCielo**. "Currently, while the Colombian government's measures to fight COVID-19 are in place, our team is focused on continuing cultivation and harvest activities. This, coupled with the ability to resume commercial extraction activities, ensure that PharmaCielo is ready to deliver medicinal-quality oils and isolates at scale. While the world continues to grapple with the impact of COVID-19, and we do our part in this fight, our sights are also set on the day after when economies begin to return to normal with the demand for medicinal grade extracts that follow."

Each Special Warrant entitles the holder thereof to receive one common share (each, a "**Common Share**") of the Company on exercise thereof. Each Special Warrant will be automatically exercised on the earlier of: (i) the fifth business day after the Prospectus Qualification (as defined below) (the "**Qualification Date**"); and (ii) at 4:59 p.m. (EDT) on the date which is four months and a day following the date of closing.

The net proceeds of the Offering shall be used to support the anticipated processing capacity expansion, commence ramping up the Company's contract growing operations, working capital and general corporate purposes.

The closing of the Offering is subject to regulatory approval including that of the TSX Venture Exchange (the "**TSXV**").

**Additional Information Regarding the Offering**

The Company has agreed to use commercially reasonable efforts to obtain a receipt for a final short form prospectus qualifying the distribution of the underlying Common Shares to be issued upon exercise of the Special Warrants (the "**Prospectus Qualification**") on or before 5:00 p.m. (EDT) on May 15, 2020 (the "**Qualification Deadline**"). If the Qualification Date does not occur before the Qualification Deadline, each holder of Special Warrants shall be entitled to receive, without payment of additional consideration, 1.1 Common Shares upon exercise of each Special Warrant.

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 (the "**Broker Special Warrants**") 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.

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.

In satisfaction of a condition of the Offering, certain members of senior management and the Board of the Company have entered into lock-up agreements for a period of 120 days from the date of closing prohibiting their disposition of securities of the Company subject to certain exceptions.

Subject to Prospectus Qualification, the Special Warrants and the Common Shares issuable thereunder are subject to a hold period in Canada expiring four months and one day from the date of closing. The Special Warrants and the Common Shares issuable thereunder have not been, nor will they be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") and such securities may not be offered or sold within the United States, or to or for the account or benefit of U.S. persons, absent registration under U.S. federal and state securities laws or an applicable exemption from such U.S. registration requirements. This press release does not constitute an offer of Special Warrants or Common Shares for sale, nor a solicitation for offers to buy such securities.

The Offering constituted a related party transaction within the meaning of Multilateral Instrument 61-101 ("**MI 61-101**") as insiders of the Company subscribed for an aggregate of 600,973 Special Warrants. The Company is relying on the exemptions from the valuation and minority shareholder approval requirements of MI 61-101 contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101, as the fair market value of the participation in the Offering by insiders does not exceed 25% of the market capitalization of the Company, as determined in accordance with MI 61-101. The participants in the Offering and the extent of such participation were not finalized until shortly prior to the completion of the Offering. Accordingly, it was not possible to publicly disclose details of the nature and extent of related party participation in the Offering pursuant to a material change report filed at least 21 days prior to the completion of the Offering.

**Share for Debt Settlement**

PharmaCielo also announced that it has settled a total of $54,681.38 of debt owed to two former consultants of the Company, through the issuance of an aggregate amount of 74,906 common shares of the Company (the "Debt Shares") at a deemed price of $0.73 per Debt Share (the "Debt Settlement"). All the Debt Shares issued in connection with the Debt Settlement are subject to a statutory hold period of four months plus a day from the date of issuance, in accordance with applicable securities legislation. Closing of the Debt Settlement is subject to a number of conditions, including approval from the TSXV.



**About PharmaCielo**

PharmaCielo Ltd. (TSXV: PCLO, OTCQX: PCLOF) is a global company, headquartered in Canada, with a focus on ethical and sustainable processing and supplying of all natural, medicinal-grade cannabis oil extracts and related products to large channel distributors. PharmaCielo's principal (and wholly owned) subsidiary is PharmaCielo Colombia Holdings S.A.S., headquartered at its nursery and propagation centre located in Rionegro, Colombia.

The boards of directors and executive teams of both PharmaCielo and PharmaCielo Colombia Holdings are comprised of a diversely talented group of international business executives and specialists with relevant and varied expertise. PharmaCielo recognized the significant role that Colombia's ideal location will play in building a sustainable business in the medical cannabis industry, and the Company, together with its directors and executives, is executing on a business plan focused on supplying the international marketplace.

**Forward-Looking Statements**

*This press release contains "forward-looking statements" within the meaning of applicable securities laws, such as statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Use of words such as "may", "will", "expect", "believe", "intends", "likely", or other words of similar effect may indicate a "forward looking" statement. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in the Company's publicly filed documents (available on SEDAR at www.sedar.com). Forward looking statements in this press release include those relating to the global economic response to the effects of the COVID-19 pandemic, resuming commercial extraction, processing and delivery activities, the timing of the automatic exercise of the Special Warrants, obtaining a receipt for a final short form prospectus, that holders of Special Warrants may be entitled to receive, without payment of additional consideration, 1.1 Common Shares per Special Warrant in certain circumstances and the approval of the Offering and the Debt Settlement by the TSXV. Forward-looking information is subject to a variety of risks and uncertainties and other factors that could cause plans, estimates and actual results to vary materially from those projected in such forward-looking information. Factors that could cause the forward-looking statements in this news release to change or to be inaccurate include, but are not limited to, that necessary regulatory approvals including the approval of the TSXV may not be obtained in relation to the Offering and the Debt Settlement, that the market for the Company's products may be subject to volatility, that there may be less than anticipated demand for the Company's products, risks associated with the Company operating in Colombia, risks associated with global economic instability relating to COVID 19 and the potential for it to disrupt global markets as well as the other risks and uncertainties applicable to cannabis producing companies.*

*Given these risks and uncertainties, investors should not place undue reliance on forward looking statements as a prediction of actual results. All forward looking statements in this press release are qualified by these cautionary statements. These statements are made as of the date of this news release and, except as required by applicable law, the Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise. Additionally, the Company undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of the Company, its financial or operating results or its securities.*

SOURCE PharmaCielo Ltd.

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CO: PharmaCielo Ltd.

CNW 19:49e 15-APR-20

## Schedule "B"

| **Name** *Position* | **No. of Special Warrants Acquired during the Offering** | **Aggregate Price Paid for Special Warrants Acquired during the Offering** | **No. of Securities Held Prior to the Offering** | | **Percentage of Issued and Outstanding Securities Prior to the Offering** | | **No. of Securities Held After the Offering** | | **Percentage of Issued and Outstanding Securities After the Offering** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | **Undiluted** | **Diluted** | **Undiluted[1]** | **Diluted[2]** | **Undiluted** | **Diluted[3]** | **Undiluted[4]** | **Diluted[5]** |
| Simon Langelier *Director* | 38,461 | $24,999.65 | 750,000 | 1,150,000[6] | 0.76% | 1.16% | 750,000 | 1,188,461 | 0.76% | 1.19% |
| Henning Von Koss *Director* | 50,000 | $32,500.00 | 0 | 225,000[7] | 0.00% | 0.23% | 0 | 275,000 | 0.00% | 0.28% |
| Carlos Manuel Uribe *Director* | 11,538 | $7,499.70 | 450,000 | 625,000[8] | 0.45% | 0.63% | 450,000 | 636,538 | 0.45% | 0.64% |
| Matteo Pelligrini *Director* | 40,385 | $26,250.25 | 225,000 | 450,000[9] | 0.23% | 0.45% | 225,000 | 490,385 | 0.23% | 0.49% |
| David Attard *Director, CEO* | 100,000 | $65,000 | 200,000 | 2,800,000[10] | 0.20% | 2.75% | 200,000 | 2,900,000 | 0.20% | 2.85% |
| Scott Laitinen *CFO* | 100,000 | $65,000 | 50,000 | 1,575,000[11] | 0.05% | 1.57% | 50,000 | 1,675,000 | 0.05% | 1.66% |
| David Gordon *CCO* | 76,923 | $49,999.95 | 25,000 | 2,675,000[12] | 0.03% | 2.63% | 25,000 | 2,751,923 | 0.03% | 2.70% |

[1] Based on 99,074,312 Common Shares outstanding prior to the completion of the Offering.

[2] Based on the number of Common Shares outstanding on a partially-diluted basis prior to the completion of the Offering, comprised of: (i) 99,074,312 Common Shares outstanding prior to the completion of the Offering, and (ii) the diluted securities held by the Related Party (not including any Common Shares held by the Related Party) prior to the completion of the Offering.

[3] Comprised of: (i) the number of Common Shares that are issuable on exercise of Special Warrants acquired by the Related Party during the Offering, and (ii) the diluted securities held by the Related Party (not including any Common Shares that are issuable on exercise of Special Warrants acquired by the Related Party during the Offering) following the completion of the Offering.

[4] Based on 99,074,312 Common Shares outstanding following the completion of the Offering.

[5] Based on the number of Common Shares outstanding on a partially diluted-basis following the completion of the Offering, comprised of: (i) 99,074,312 Common Shares outstanding following the completion of the Offering, (ii) Common Shares that are issuable on exercise of Special Warrants acquired by the Related Party during the Offering, and (iii) the diluted securities held by the Related Party (not including any Common Shares held by the Related Party and not including any Common Shares that are issuable on exercise of Special Warrants acquired by the Related Party during the Offering) following the completion of the Offering.

[6] Comprised of: (i) 750,000 Common Shares held directly, and (ii) 400,000 stock options (each, an "**Option**") held directly.

[7] Comprised of: (i) 225,000 Options held directly.

[8] Comprised of: (i) 450,000 Common Shares held directly, and (ii) 175,000 Options held directly.

[9] Comprised of: (i) 225,000 Common Shares held directly, and (ii) 225,000 Options held directly.

[10] Comprised of: (i) 200,000 Common Shares held directly, and (ii) 2,600,000 Options held directly.

[11] Comprised of: (i) 50,000 Common Shares held directly, (ii) 1,275,000 Options held directly, and (iii) 250,000 restricted share units (each, an "**RSU**") held directly.

[12] Comprised of: (i) 25,000 Common Shares held directly, and (ii) 2,650,000 Options held directly.

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Norm Fletcher *VP Finance* | 20,000 | $13,000 | 0 | 41,425[13] | 0.00% | 0.04% | 0 | 61,425 | 0.00% | 0.06% |
| Claudia Jimenez Jaramillo *Director of PharmaCielo Colombia Holdings S.A.S.* | 109,111 | $70,922.15 | 0 | 0 | 0.00% | 0.00% | 0 | 109,111 | 0.00% | 0.11% |
| Andres Botero *COO of PharmaCielo Colombia Holdings S.A.S.* | 54,555 | $35,460.75 | 300,000 | 600,000[14] | 0.30% | 0.60% | 300,000 | 654,555 | 0.30% | 0.66% |
| **TOTAL:** | 600,973 | $390,632.45 | - | - | - | - | - | - | - | - |

[13] Comprised of: (i) 41,425 Options held directly.
[14] Comprised of: (i) 300,000 Common Shares held directly, and (ii) 300,000 RSUs held directly.