



PHARMACIELO LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE MONTHS ENDED
JUNE 30, 2025**

Dated October 24, 2025

PharmaCielo Ltd. Management's Discussion and Analysis

For the three months ended June 30, 2025

Introduction

PharmaCielo Ltd. (the “Company” or “PharmaCielo”) is a publicly traded corporation, incorporated in Canada, with its registered office and head office at 82 Richmond Street East, Toronto, Ontario, M5C 1P1. Common shares of PharmaCielo trade on the TSX Venture Exchange (“TSXV”) under the ticker symbol “PCLO” and on the OTC Markets under the symbol “PCLOF”.

The following management’s discussion and analysis (“MD&A”) of the financial condition and results of the operations of PharmaCielo constitutes management’s review of the factors that affected the Company’s financial and operating performance for the three months ended June 30, 2025. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three months ended June 30, 2025, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company’s financial statements have been prepared in accordance with IFRS Accounting Standards and interpretations of the IFRS Interpretations Committee (“IFRIC”). Information contained herein is presented as of October 24, 2025, unless otherwise indicated.

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

The unaudited condensed interim consolidated financial statements and this MD&A have been reviewed by the Company’s Audit Committee and were approved by the Board on October 24, 2025.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 “Continuous Disclosure Obligations” (“NI 51-102”) of the Canadian Securities Administrators.

Additional information regarding PharmaCielo Ltd. is available on the Company website at www.pharmacielo.com or through the SEDAR website at www.sedar.com. Information contained in or otherwise accessible through the websites mentioned throughout this MD&A does not form part of this report.

Caution Regarding Forward-Looking Statements

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

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

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

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

Recent Developments

- In September 2025, PharmaCielo sold its parcel of land known as "La Margarita," located in Rio Negro, Colombia for gross proceeds of COP \$26,000,000 (approximately CAD \$8.9 million) and repaid Banco Agrario Loan and made partial repayments of outstanding debentures. As a result, PharmaCielo booked a gain from land sale of \$2.9 million.
- The Company's financial year end was changed from December 31 to March 31. The Company filed audited financial statements for the fifteen-month period from January 1, 2024, to March 31, 2025. The Company's current financial year covers the period from April 1, 2025, to March 31, 2026.
- Since March 31, 2025, the Company has received aggregate gross proceeds of \$150,000 bridge-loan from directors and officers as prepayment for a potential equity offering.
- On August 6, 2025, the Company announced that the Ontario Securities Commission, as its principal regulator, issued a failure to file cease trade order ("FFCTO") prohibiting the trading by any person of any securities of the Company in Canada, including trades in the Company's common shares made through the TSXV. The FFCTO was issued as a result of the Company's delay in filing its audited annual consolidated financial statements for the fifteen-month period ended March 31, 2025, the related management's discussion and analysis of financial condition and results of operations and CEO and CFO certificates relating to the audited annual financial statements as required by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings beyond the July 29, 2025 filing deadline.

Business Outlook

PharmaCielo continues to improve its cost structure eliminating non-essential expenditures, right sizing its cultivation capacity and operations. With increasing and more diversified sales during the past fifteen months versus 2023, PharmaCielo is primed to be a profitable company in 2026. The

Company is now well established in Latin America with a focus on Brazil and has continued to make inroads to additional jurisdictions such as South Africa, Australia, and European Union (“EU”) with its CBD isolate, THC Distillate and GACP certified dried cannabis flower.

PharmaCielo is advancing its development and sales efforts on its broader product portfolio beyond CBD isolate, including psychoactive flower, full and broad-spectrum products and THC distillates and derivatives. These products are more differentiated by nature, and therefore higher margin, on average. We believe that the whole plant (entourage effect) provides the greatest benefits to medical patients.

With the regulations related to the Colombian Government’s Decree 811, which are paving the way for the export of dried flower for medical use, the Company is slated to become one of the largest exporters of psychoactive flower. With PharmaCielo’s upstream and downstream scale and quality, the Company is uniquely positioned to be a formidable competitor with psychoactive flower currently being imported into the EU and other markets from Canada and other producing countries. PharmaCielo has already started dried flower shipments and expects to increase the volume of commercial shipments in the coming months. The Company has secured psychoactive flower and extract quotas from the regulatory authorities.

PharmaCielo has three major initiatives to remain agile in the nascent and continuously changing international cannabis markets:

1. A clear focus on business opportunities across Latin America, Australia, South Africa, and strategic European markets. The company has transitioned from a narrow pursuit of EU-GMP certification to a broader, client-oriented quality approach. By maintaining EU-GMP compliance and reinforcing a robust Quality Management System to meet customer audit requirements, Pharmaciello continues to deliver world-class products while optimizing operational costs and capital investments.
2. Positioning a full portfolio of CBD isolate, CBD extracts, THC extracts, and formulations from an EU-GMP compliant facility, providing excellent quality at competitive prices that safeguard strong client margins. This strategy allows differentiation in international markets, cultivation of long-term partnerships, and reinforcement of a position as a trusted supplier.
3. Increasing exports of our GACP-certified dried cannabis flower, positioning it as a reliable raw material that clients transform and commercialize as GMP. By consolidating consistent supply and aligning with partners in key markets such as Australia, Germany, Poland, and the UK, we ensure flexibility to meet varying regulatory and commercial requirements while building a scalable pathway from GACP to GMP.

While PharmaCielo has built one of the world’s largest cultivation and production complexes, the global import/export market for cannabinoids is still relatively early stage, and as a result, for the foreseeable future sales are unpredictable, and bound to fluctuate widely, with potential to further increase or deteriorate. We foresee current limited market conditions to continue until federal and national jurisdictions in various countries ease cannabis regulations.

The Company currently relies on recurring orders for CBD isolate, with more complex and value-added products, such as CBD extracts and THC extracts, are gradually being introduced in larger quantities into the product mix, including GACP flower. In addition, with the expectation that the Company will be able to enter into meaningful long-term contracts for cannabinoids in the near future, PharmaCielo expects to build-on existing sales relationships by going deeper in current markets, while actively looking to add new relationships and markets.

The Company has completed all major growth capital expenditures at its Production and Extraction Centre (“PEC”) and does not expect to incur any material growth capital expenditures. Cash outlays

will be primarily related to working capital, operational, EU-GMP compliant program, and business development expenditures.

The Company believes that it will be able to comfortably adjust production and inventory levels in response to both increases and decreases in its sales levels, providing the Company flexibility to manage cash outlays in proportion to revenue inflows.

Company Overview

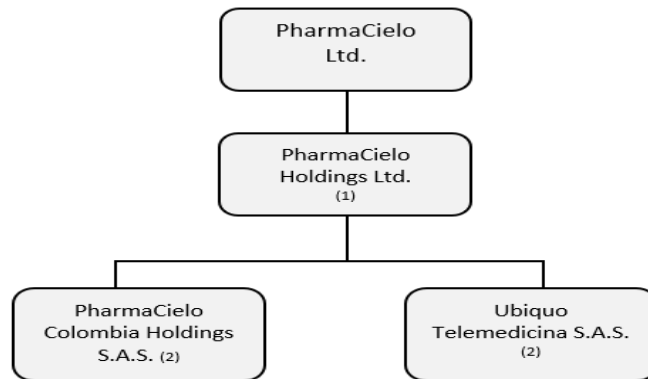
PharmaCielo is a public company and commenced trading on the TSXV on January 18, 2019, under the ticker symbol “PCLO”. PharmaCielo is headquartered in Toronto, Ontario, Canada, with a focus on cultivating, processing, and supplying all natural medicinal-grade cannabis extracts to large channel distributors, such as health and wellness product manufacturers, pharmacies, medical clinics, and cosmetic companies. PharmaCielo Ltd. 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 TSXV Corporate Finance Manual (“Policy 2.4”) in accordance with the policies of the TSXV on January 15, 2019), the Company changed its name to “PharmaCielo Ltd.” Both PharmaCielo’s registered office and head office are located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

PharmaCielo has two operating subsidiaries, PharmaCielo Colombia Holdings S.A.S. (“PharmaCielo Colombia”) and Ubiquo Telemedicina S.A.S. (“Ubiquo”).

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

Ubiquo is a knowledge management and medical consultation system that aims to create better access to healthcare for Colombians. Ubiquo is a technology platform and a user interface that allows doctors and patients to communicate. Doctors or clinics can register with Ubiquo and provide patients with access to the Ubiquo platform, which is used as a communication tool. Doctors can communicate with patients on all regular medical matters, including, but not limited to medicinal cannabis. Medical professionals that use the Ubiquo services are not employees or contractors of Ubiquo and are required to pay access fees to Ubiquo for using the platform. Patient access to the Ubiquo platform is free. Through its acquisition of Ubiquo, PharmaCielo anticipates that it will be able to better facilitate the educational progress and knowledge of the possible uses, benefits, and risks of medicinal cannabis.

Intercorporate Relationship



(1) 100% owned by PharmaCielo Ltd.

(2) 100% owned by PharmaCielo Holdings Ltd.

Production Licenses

PharmaCielo Colombia holds the following licenses granted by the Colombian government: (i) the Cannabis Psychoactive Cultivation License; (ii) the Cannabis Non-Psychoactive Cultivation License; and (iii) the Cannabis Manufacturing License.

The Company's Cannabis Psychoactive Cultivation License and Cannabis Manufacturing License permit the cultivation, exportation and manufacturing of psychoactive cannabis; however, quotas from the Ministry of Justice and Law (the "Ministry of Justice") and the Ministry of Health and Social Protection (the "Ministry of Health") are required for the cultivation and transformation of psychoactive cannabis for both research and commercial purposes.

On October 7, 2025, PharmaCielo was granted by the Ministry of Justice of Colombia with new cultivation quotas for flower export of up to 1.7 tonnes of cannabis flower during the years 2026 and 2027.

Industry Overview

The global cannabis industry is experiencing significant changes as various governments evaluate regulatory reforms to re-classify cannabis as a less restricted drug; however, the pace of the change has not been as fast as previously estimated, with a prolonged lead-time for the nations considering enabling the production and consumption of medicinal cannabis.

A reflection of the global market evolution has been the continued expansion of the health and wellness market segment from primarily CBD to the inclusion of THC dominant strain extracts.

As a company that targets global markets, PharmaCielo is focussed on multiple areas and markets dedicated to medicinal cannabis supply.

Management believes that the Company is competitively and well-positioned on a global level to capitalize on its Colombian first-mover status and extensive cultivation and scientific processing capacity, to aggressively address global market demands for the highest quality medicinal product supply.

Operations

Facilities

In Colombia, the Company's agricultural facilities are located in the municipality of Rionegro in the department of Antioquia. Following the sale of La Margarita, the new agricultural site consists of 3,500 sqm of greenhouses within a 2-hectare area located near the Processing Extraction Center ("PEC"). This site provides capacity to expand cultivation in line with future product demand and is dedicated to THC flower production for export.

The nursery and propagation center has been relocated close to the PEC, ensuring proximity to both cultivation and processing. The tissue culture laboratory, also now located within the PEC, continues to maintain the same processing capabilities as before. The laboratory supplies clonal and clean plants directly to the field or to mother stock, enabling the nursery and propagation areas to produce cuttings ("clones") on a weekly basis.

These integrated facilities support consistent and traceable cultivars for flower production. Once planted, biological and cultural control strategies are applied to efficiently manage pathogens and pests, maintaining quality at levels that exceed agricultural standards.

In order to comply with local regulations, on September 3, 2025, the Company was granted with a new psychoactive cultivation license issued by the Ministry of Justice which immediately enabled growing activities in the new agricultural facilities, according with cannabis legal framework.

Processing and Extraction Centre

The PEC consists of approximately 4,000 square meters of buildings and installations on approximately 3.6 hectares. The PEC includes processing areas that complies with EU-GMP Standards (upstream-downstream), quality control, analytical laboratories, and warehouses. The PEC is capable of upstream processing 20 tons of biomass monthly (30 Ton installed capacity), and downstream can deliver a variety of extracts that includes CBD isolate (1,250 kg), broad-spectrum distillate, THC and CBD full-spectrum, distillate and full-spectrum diluted.

The PEC production processes are in accordance with GMP and EU-GMP guidelines. GMP and EU-GMP validation by individual clients and supplier certification process have been initiated and PharmaCielo expects to achieve EU-GMP certification in the near future, subject to the Company's ability to obtain additional financing.

The quality assurance and Good Manufacturing Practices ("GMP") are supported by two fully equipped laboratories, tooled with the latest technology for Microbiology and Physicochemical analysis. This will enable PharmaCielo to comply with regulatory standards and the continuous monitoring and quality assurance of its products.

The Company received confirmation of Colombian Phytotherapeutics GMP Certification by Invima on September 10, 2021, this certification covers products manufactured with PharmaCielo's extracts and proprietary cultivars.

Agriculture

The Company has been actively optimizing yield volumes based on cultivation density, plants per square meter, as considered against overall cultivation/processing costs. Also, it has been developing its Colombian genetics and production procedures, envisioning the potential exportation of flowers as a final product.

Cultivation

Complying with the GACP certified standards and procedures, the Company has most of its production dedicated on CBD flowers for extraction. Because of the Company's product strategy and the short-term potential to sell dried flower into several markets globally, the Company has been audited by IQC in July and has been given the ICANN Certification on August 10, 2022.

The Company has been developing the production of the best cultivars for exportation, this framed under the final regulatory framework in Colombia, released on February 18, 2022, and this new regulation allows Colombia to export psychoactive flowers as a final product, the Company has already been assigned new quotas by the government, enabling the Company to export up to 5 tons of THC flowers.

Discussion of Operations

Selected Financial Information

The following table summarizes the financial position of the Company for the previous three years.

(Expressed in Canadian Dollars)

	As at June 30, 2025	As at June 30, 2024	As at June 30, 2023
Total assets	18,100,338	20,532,504	25,831,378
Total liabilities	29,124,565	25,958,397	22,270,379
Total shareholders' equity (deficit)	(11,024,227)	(5,425,893)	3,560,999

(Expressed in Canadian Dollars, except as noted)

	Three Months Ended	
	June 30, 2025	June 30, 2024
Revenue:		
Sale of Cannabis derivative products	276,874	742,514
Revenue from Telemedicine services	45,669	41,166
Total revenue	322,543	783,680
Cost of goods sold - Cannabis derivative products	257,251	407,327
Cost of goods sold - Telemedicine services	32,423	10,801
Gross profit before fair value adjustments	32,869	365,552
Unrealized loss on fair value of biological assets	(93,546)	(90,807)
Gross profit (loss)	(60,677)	274,745
Total selling, general, and administrative expenses	851,450	1,956,361
Total other expense	388,914	893,536
Net loss for the period	(1,301,041)	(2,575,152)
Other comprehensive loss		
Currency translation adjustment	(265,014)	(840,445)
Net comprehensive loss	(1,566,055)	(3,415,597)
Basic and diluted loss per share	(0.007)	(0.015)
Weighted average number of common shares outstanding - basic and diluted	187,983,694	169,745,157

Management's focus on cost reduction and containment measures to effectively align the Company's operating costs to market conditions and the potential for an improved outlook continues to pay off.

- **Reduction of professional fees by \$180,522** for the three months ended June 30, 2025, when compared to the three months ended June 30, 2024.
- **Reduction of salaries and wages by \$124,050** for the three months ended June 30, 2025, when compared to the three months ended June 30, 2024.
- **Reduction of office and general expenses by \$72,393** for the three months ended June 30, 2025, when compared to the three months ended June 30, 2024.

Revenue

During the three months ended June 30, 2025, the Company generated net revenues of \$322,543 (2024: \$783,680) composed of cannabis revenues of \$276,874 (2024: \$742,514) and by Ubiquo of \$ 45,669 (2024: \$41,166), mainly from support and maintenance contracts.

The Company continues to position itself to take advantage of significant opportunities in Latin America, Europe, Africa and Australia. Due to regulatory requirements, the sales cycle is protracted in most of PharmaCielo target countries. The Company has secured the necessary export quotas of both psychoactive and non-psychoactive products. In addition, we are working closely with

customers to ensure that they have appropriate technical data sheets and certificates of analysis for import into their marketplace.

With the signing of Bill 811, we have already started psychoactive flower trial shipments. Due to our scale and growing conditions, we are uniquely positioned to be a formidable competitor to EU imports from Canada and other producing countries. We feel we have superior genetics and can be most competitive due to our significant scale.

Cost of goods sold

During the three months ended June 30, 2025, inventory recognized as cost of goods sold consisted of capitalized post-harvest costs expensed during the period as cannabis inventory is sold of \$257,251 (2024: \$407,327).

Gross profit excluding fair value items

Gross profit excluding fair value items, for the three months ended June 30, 2025, was \$32,869 (2024: \$365,552). Cannabis gross profit (loss) excluding fair value items was \$19,623 (2024: \$335,187). Cannabis gross profit excluding fair value items was the result of lower revenues of \$276,874 (2024: \$742,514).

Ubiquo Telemedicina S.A.S. gross profit for the three months ended June 30, 2025, was \$13,246 (2024: \$30,365).

Adjusted EBITDA

Adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization). The term Adjusted EBITDA does not have any standardized meaning under IFRS. Therefore, it may not be comparable to similar measures presented by other companies.

The following table provides a reconciliation of net loss to adjusted EBITDA:

Adjusted EBITDA	For the three months ended June 30,	
	2025	2024
In CAD\$ ('000's)		
Net loss for the period	\$(1,301)	\$(2,575)
Add back:		
Financing costs	575	888
Amortization of property, plant and equipment & intangible assets	20	78
Amortization expense included in production costs	270	289
EBITDA	\$(436)	\$(1,320)
Adjustments:		
Share based payments	32	728
Adjusted EBITDA	\$(404)	\$(592)

During the three months ended June 30, 2025, the Company generated an adjusted EBITDA loss of \$0.4 million (2024: loss of \$0.6 million).

Management continues to focus on reducing discretionary expenses to lower the Company's use of cash and ensure a leaner organization with a lower cost base.

SG&A - Selling, general and administrative expenses

Selling, general and administrative expenses include the following:

Selling, General and Administrative Expenses				
For the three months ended June 30,				
In CAD\$ (000's)	2025	2024	B/(W) \$	B/(W) %
General and administrative				
Office and general	97	170	72	43%
Professional fees	101	282	181	64%
Salaries and wages	597	721	124	17%
Travel and accommodation	4	5	1	26%
Share-based compensation	32	728	696	96%
Amortization and depreciation	20	51	31	60%
Total SG&A Expenses	\$ 851	\$ 1,956	\$1,105	56.5%

Office and general

Office and general expenses for the three months ended June 30, 2025, were \$97,247 (2024: \$169,640), representing a 43% reduction compared to the prior year. The lower office and general expenses are due to the closure of the corporate offices in Toronto, Ontario and Medellín, Colombia and the continued focus on reducing discretionary expenses across the Company.

Professional fees

Professional fees for the three months ended June 30, 2025, were \$101,482 (2024: \$282,004), representing a 64% decrease compared to the prior year. The increase was the result of lower audit fees.

Salaries and wages

Salaries and wages for the three months ended June 30, 2025, were \$596,568 (2024: \$720,618), representing a 17% reduction compared to the prior year. The reduction was as a result of by fewer employees at the Canadian corporate office and a reduction in field workers, PEC and office employees in Colombia.

Share-based compensation

Share-based compensation expenses for the three months ended June 30, 2025, were \$32,134 (2024: \$728,130). The share-based compensation expense was higher in 2024 due to equity grants being issued to employees, officers and directors of the Company.

Amortization and depreciation

Amortization and depreciation expense for the three months ended June 30, 2025, were \$20,072 (2024: \$50,618), representing 60% decrease compared to the prior year.

Other expense

During the three months ended June 30, 2025, the Company recognized other expense of \$388,914 (2024: \$893,536). The lower other expense in 2025 is mainly due to higher other revenue partially offset by higher financing costs for the three months ended June 30, 2025.

Summary of Quarterly Results

The following table outlines certain quarterly information for the last eight completed fiscal quarters of the Company up to and including the three months ended June 30, 2025. The financial information was prepared in accordance with IFRS.

PharmaCielo Ltd. Selected Quarterly Information				
In CAD\$ (000's)	Q1 2025	Q5 2024	Q4 2024	Q3 2024
Sales	\$ 323	\$ 487	\$ 1,127	\$ 1,329
COGS	290	687	544	892
Gross profit (loss) before fair value adjustments	33	(201)	583	436
Unrealized gain (loss) on biological assets	(94)	(63)	(100)	(65)
SG&A	851	1,229	1,082	2,073
Net loss	(1,301)	(2,228)	(1,503)	(2,644)
Net Comprehensive loss	(1,566)	(1,415)	(1,716)	(2,884)
Weighted average number of common shares outstanding	187,983,694	175,269,691	175,269,691	169,745,157
Net loss per common share	\$ (0.007)	\$ (0.013)	\$ (0.009)	\$ (0.015)
In CAD\$ (000's)	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Sales	\$ 784	\$ 240	\$ 244	\$ 352
COGS	418	597	1,391	612
Gross profit (loss) before fair value adjustments	366	(357)	(1,147)	(261)
Unrealized gain (loss) on biological assets	(91)	(42)	930	(88)
SG&A	1,956	1,342	5,529	1,982
Net loss	(2,575)	(2,420)	(6,320)	(2,761)
Net Comprehensive loss	(3,416)	(2,185)	(5,734)	(1,807)
Weighted average number of common shares outstanding	169,745,157	169,296,449	166,181,699	162,028,681
Net loss per common share	\$ (0.015)	\$ (0.014)	\$ (0.038)	\$ (0.017)

Liquidity

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

As at June 30, 2025, the Company had 187,983,694 Common Shares issued and outstanding, 15,476,200 options outstanding that could raise approximately \$16.6 million and 14,007,200 warrants that could raise approximately \$6.9 million, if exercised in full.

Accounts payable and accrued liabilities increased by \$2,536,761 as of June 30, 2025 (compared to a \$721,410 increase as at June 30, 2024) due to temporary loan of funds from the purchaser of La Margarita property, to distinguish Banco Agrario loan, to enable closing the property sale, and consists of amounts that are to be extinguished in due course.

As at June 30, 2025, the Company's current liabilities exceeded its current assets by \$26.5 million (March 31, 2025: \$21.0 million) and the Company had cash of \$6,541 (March 31, 2025: \$54,108).

Net cash provided by operating activities was \$2.1 million for the three months ended June 30, 2025 (2024: \$1.0 million used in operating activities). Operating activities were affected by a net decrease in non-cash working capital balances of \$2.1 million for the three months ended June 30, 2025 (2024: \$786,026), due to booking of cash received from the La Margarita property purchaser as accrued liability.

Net cash used in financing activities was \$2,160,891 during the three months ended June 30, 2025, mainly to pay off the Banco Agrario loan (2024: \$472,017 provided by financing activities as a result of \$670,000 received from debentures and cash received as part of bridge loan of \$188,000, partially offset by loan principal and interest payments of \$385,983).

The Company has not yet been able to generate the sales volumes required to create positive cash flows from operations. Management believes that the Company will be able to meet its budgeted administrative and development costs during the current year and beyond when considering the Company's current financial forecast. PharmaCielo continues to enter into strategic agreements and finance offerings to source funds and maintain its operations.

The assessment of the appropriateness of the going concern assumption includes significant judgements. From the Company's perspective this includes the assumption that a portion of warrant and option holders will exercise their instruments.

While the Company has been able to demonstrate the ability to raise capital and borrow cash to fund its operations, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due after June 30, 2025, is uncertain. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The associated financial statements do not include necessary adjustments to reflect the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

See "Risk Factors" below and "Caution Regarding Forward-Looking Statements" above.

Commitments

Included in accounts payable and accrued liabilities are accruals for certain provisions, including termination related commitments to former officers, directors, and employees of \$27,084.

Included in accounts payable and accrued liabilities is \$116,552 (80,000 EURO) of the \$190,933 (132,000 EURO) settlement payment to PharmaCielo Italia S.R.L.

Financial instruments

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

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. All of the Company's cash are held at reputable financial institutions

or is held in trust with legal counsel in which management believes that the risk of loss is minimal. However, the Company is subject to concentration of credit risk.

Liquidity risk

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

Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Management assumes that the going concern assumption is appropriate for these unaudited condensed interim consolidated financial statements and that the Company will be able to meet its budgeted administrative and development costs during the current year and beyond when considering the Company's current financial forecast. PharmaCielo continues to enter into strategic agreements and finance offerings to source funds and maintain its operations. The assessment of the appropriateness of the going concern assumption includes significant judgements. From the Company's perspective this includes the assumption that warrant and option holders will continue to exercise their instruments during the year and that if the Company were required to limit its variable costs on cultivation and production, it would be able to do so in a short time frame with limited additional restructuring costs. The Company will need to seek further financing in the future to maintain its current level of activity. To date, PharmaCielo has been successful in raising funds and borrow cash to sustain operations. However, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company.

Foreign currency risk

The functional currency of the Company is the Canadian dollar. The functional currency of the operating subsidiaries in Colombia is the Colombian Peso ("COP"). One of the operating subsidiaries in Colombia, has sales transactions that are negotiated in currencies other than COP and is exposed to the risk of fluctuations in foreign exchange rates between COP and other currencies. In addition, the operating subsidiaries in Colombia incurs most of its operating expenses in COP. In the future, the proportion of The Company's sales that are international may increase. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition, and results of operations. The Company has not previously engaged in foreign currency hedging. If the Company decides to hedge its foreign currency exposure, it may not be able to do so effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide from foreign currency fluctuations and can themselves result in losses.

Related Party Transactions

The Company lists its related party transactions in Note 15 of its condensed interim consolidated financial statements for the three months ended June 30, 2025.

Off-Balance-Sheet Transactions

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

Material Accounting Policy Information and Critical Accounting Estimates & Judgements

The Company prepares its condensed interim consolidated financial statements in conformity with IFRS Accounting Standards. The preparation of the Company's condensed interim consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Material accounting policy information and critical accounting estimates and judgments are described in Note 3 of the Company's audited consolidated financial statements for the fifteen months ended March 31, 2025.

Changes in Accounting Policies

The Company describes the effect of changes in accounting policies in Note 3 of its audited consolidated financial statements for the fifteen months ended March 31, 2025. Future changes in accounting policies are also covered in Note 3.

Share Capital

As of the date of this MD&A, the Company had issued and outstanding:

- 187,983,694 Common Shares;
- 15,476,200 stock options exercisable to purchase Common Shares;
- 2,110,948 RSUs and DSUs to be settled in Common Shares;
- 1,110,812 RSUs vested still to be settled in Common Shares; and
- 14,007,200 Common Share purchase warrants.

Risk Factors

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

Business Risks

Limited Operating History

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

Regulatory Compliance Risks

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

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

Reliance on Licenses and Authorizations

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

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

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

Risks Inherent in Agriculture

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

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

Risks Inherent in Rural Real Estate

The Colombian constitution protects the right to own private property and related rights acquired in compliance with civil regulations. According to the Colombian constitution, legally acquired private property ownership rights cannot be affected if the owner is following applicable laws. Except in the

case of public necessity or social interest, subject to due process and the payment of an indemnification, expropriations without just cause or on a discriminatory basis are restricted.

Risks of Litigation

From time to time, the Company and/or its subsidiaries may become involved in legal proceedings or be subject to claims, some of which arise in the ordinary course of our business. Litigation is inherently uncertain and there can be no assurances that favorable outcomes will be obtained. The Company may need to settle litigation and disputes on terms that are unfavorable to the Company, or the Company may be subject to an unfavorable judgment that may not be reversible upon appeal. Any adverse outcomes could negatively affect the Company's business, results of operations, financial condition, brand and/or the trading price of the Common Shares. In addition, litigation can involve significant management time and attention and be expensive, regardless of outcome. During the course of litigation, there may be announcements of the results of hearings and motions and other interim developments related to the litigation. If securities analysts or investors regard these announcements as negative, the trading price of the Common Shares may decline. In addition, the Company evaluates these litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, the Company may establish reserves or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from the Company's current assessments and estimates.

Risks Related to Investment in a Colombian Company

Economic Risks Inherent in Investments in an Emerging Market Country such as Colombia

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

Economic and Political Developments in Colombia

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

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

As in all global markets, legislative changes may have an adverse impact on PharmaCielo's operations and performance, including any changes to tax legislation. Changes in tax-related laws

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

Operational Risks

Operations in Colombia are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Colombia faces ongoing problems including but not limited to unemployment and inequitable income distribution. Colombia has been home to South America's largest and longest running insurgency, and regional portions of the countryside are under guerrilla influence. In addition, Colombia has experienced narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. The region of Rionegro, where the PharmaCielo core operation is based, and the City of Medellin, where corporate offices are located have been largely excluded from such circumstances. However, were such instability to engage these areas it may require PharmaCielo to suspend operations on its properties.

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

Financial and Accounting Risks

Foreign Sales

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