



## A message from David Attard, CEO of PharmaCielo

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MARCH 23, 2020

Dear Shareholders,

I want to update you on the conclusions of an independent review (the “Independent Review”) led by Douglas H. Bache, Audit Committee Chair, focused on the allegations contained in a New York based short seller’s report issued on March 2nd.

Based on the findings of the Independent Review, we are of the view that the bulk of the allegations set out in the short seller report are highly misleading or exaggerated to directly benefit the short seller at the expense of PharmaCielo Ltd.’s (“PharmaCielo” or the “Company”) shareholders.

The Independent Review determined with the benefit of a comprehensive legal and forensic accounting support, that the authors of the Hindenburg Research report (who by their own admission are short PharmaCielo stock) created a short sale thesis by construing a set of allegations based on faulty research and interpretation. The misleading report was actively promoted to investors and in the media as part of a “short and distort” campaign. The objective of such campaigns is not just to

profit from a short position if the thesis proves correct, but to ensure the position pays off by spreading malicious rumours from “anonymous sources”, or worse (as in PharmaCielo’s case), presenting loosely aggregated bits of information as connected facts and presenting these “facts” in a negative light. While short selling is a counter trading strategy, campaigns such as the one waged against PharmaCielo are actively investigated by both the Securities and Exchange Commission in the U.S. and the Ontario Securities Commission, given their tendency to distort markets and cause unwarranted damage to shareholders.

The Independent Review was led by independent board member and Chair of the Audit Committee Doug Bache, supported by independent director Henning von Koss and numerous forensic accounting and legal and litigation advisors.

What follows this letter is a summary of the conclusions gleaned from extensive investigation by the Independent Review supported by its external legal and audit advisors. The Independent Review left no stone unturned to ensure that each allegation made in the short seller report was fully examined, no matter how absurd. As an organization committed to transparency, we deemed it important to investigate each assertion and to present you with the unvarnished truth, along with evidence to back it up, rather than asking you to rely solely on our personal assurances.

Together with reading our full response to the short-seller report appended, I want to invite you to observe the extent of our current operations [[link](#)] which demonstrates the current activities in our nine greenhouses as well as in our Processing and Extraction Centre.

If Hindenburg wants more information about our company, they are welcome to reach out to management directly and we will invite them to a future tour of our operations in Colombia once travel restrictions are lifted, and a face-to-face with management.

If on review of the material provided you have any additional questions or concerns, please feel free to reach out directly to the Independent Review at: [specialcommittee@pharmacielo.com](mailto:specialcommittee@pharmacielo.com)

We sincerely appreciate your confidence and continued support. We know that trust is earned not given and we will continue to execute our business plan and act in a way that will ensure we earn your trust every day.

Sincerely

**David Attard**  
Chief Executive Officer

## Message from the Lead Director of the Independent Review

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On March 3, 2020, the Board of PharmaCielo passed a resolution empowering Douglas H. Bache as Audit Committee Chair, to act as lead director to conduct an independent investigation, review and assessment of the allegations set out in the short seller report published by Hindenburg Research (the “Independent Review”).

The Independent Review engaged external support from: McMillan LLP, DLA Piper Martinez Beltran, MNP LLP, and Grant Thornton LLP, to assist in its examination.

**After nearly three weeks of exhaustive review, the Independent Review found that the conclusions drawn by Hindenburg Research have almost no basis in fact.** The report is salacious, and the analysis underpinning Hindenburg’s conclusions is careless and therefore nearly wholly inaccurate. **A thorough review of the facts demonstrates that the authors of this report were clearly more focused on hastily discrediting PharmaCielo in order to profit from their short position in PharmaCielo’s stock, than on conducting accurate analysis in good faith to reach reliable and solid conclusions.**

By way of example, one of the more potentially damning accusations contained within the Hindenburg report, is that:

“Unbeknownst to investors, PharmaCielo’s key operating property in Rionegro, Colombia was purchased through a bankrupt company co-founder (Federico Cock-Correa) via a Panamanian entity linked to Anthony Wile. It was then sold to PharmaCielo at a massive markup, allowing insiders to enrich themselves by an estimated \$5.35 million by stepping in the middle.”

Hindenburg’s major argument here rests on their assumption that, “Per the audit notes in PharmaCielo’s filing statement, we see that the company advanced SAADC \$2.8 million. [Pg. 187] That number matches the purchase price of the first Rionegro parcel, estimated at U.S. \$2.88 million according to land registry records, almost to the dollar.”

**Hindenburg’s conclusion is based on two numbers that are coincidentally similar, yet in fact are completely unrelated.**



## Message from the Lead Director of the Independent Review (cont'd)

While the \$2,800,000 figure on page 187 of the Notes to Consolidated Financial Statements (July 31, 2016, and 2015) relates to the purchase not of land but of above-ground assets and licenses in Rionegro (as explained in detail below). A more thorough and accurate analysis would have identified, just one page before (186) in the same report, that their conclusion was wrong:

*“On May 23, 2016, PharmaCielo Colombia Holdings S.A.S. entered into an agreement with four individuals to purchase 22.4 hectares of land located in the municipality of La Cieja (Antioquia) for consideration of \$2,745,391 (Colombian Peso 8,460,607,673).” (Pg. 186)*

**PHARMACIELO LTD.**  
Notes to Consolidated Financial Statements  
July 31, 2016 and 2015  
(Expressed in United States Dollars)

**3. Share Capital (cont'd...)**  
**e) Stock Options (cont'd...)**

	2016	2015
Risk-free interest rate	0.90%-1.47%	0.46%-1.07%
Dividend yield	0%	0%
Volatility	107.27%-107.75%	95.96%-110.64%
Expected life	10 years	2-10 years
Forfeiture rate	0%	0%

**4. Property, plant and equipment:**

Cost	Land and building	Machinery	Computer Equipment	Furniture and fixtures	Construction in progress	Total
August 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	20,849	6,795	-	27,644
July 31, 2015	-	-	20,849	6,795	-	27,644
Additions	5,705,000	863,423	5,338	9,880	708,606	7,282,247
Exchange-difference	(2,665)	(812)	85	(19)	(736)	(4,447)
July 31, 2016	\$ 5,702,335	\$ 862,611	\$ 28,164	\$ 9,876	\$ 707,870	\$ 7,290,856

Accumulated Depreciation	Land and building	Machinery and equipment	Computer Equipment	Office Equipment	Construction in progress	Total
August 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	3,436	679	-	4,115
July 31, 2015	-	-	3,436	679	-	4,115
Additions	28,428	8,296	8,224	1,369	-	38,117
Exchange-difference	(3)	(8)	(7)	(7)	-	(25)
July 31, 2016	\$ 28,425	\$ 8,288	\$ 8,217	\$ 1,362	\$ -	\$ 36,132

Net book value	Land and building	Machinery and equipment	Computer Equipment	Office Equipment	Construction in progress	Total
July 31, 2015	\$ -	\$ -	\$ 17,413	\$ 6,116	\$ -	\$ 23,529
July 31, 2016	\$ 5,702,335	\$ 854,323	\$ 19,947	\$ 8,514	\$ 707,870	\$ 7,290,856

On May 23, 2016, PharmaCielo Colombia Holdings S.A.S. entered into an agreement with four individuals to purchase 22.4 hectares of land located in the municipality of La Cieja (Antioquia) for consideration of \$2,745,391 (Colombian Peso 8,460,607,673).

PharmaCielo Colombia Holdings S.A.S. is developing a farm, located in Rio Negro in the municipality of La Cieja (Antioquia), for the purpose of cultivating and storing, as well as assembly of the containers. The farm includes greenhouses, offices and agricultural areas. As of July 31, 2016, the construction in progress balance of \$719,928 represents the developing activities that have not yet been completed.

Also see Note 5 and Note 6.

\$2,800,000 does not equal \$2,745,391. Hindenburg hinges their entire argument on two similar, but completely unrelated numbers. Had Hindenburg read one page prior to the one they reference, they would have discovered this error.

**PHARMACIELO LTD.**  
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**5. Advances**

Pursuant to a Letter of Intent dated October 30, 2014 (as amended on June 18, 2015), the Company has entered into an agreement to purchase certain assets and rights from South American Agriculture Development Corp., comprising of 12.32 hectares of greenhouse and fixed and personal property located within land in the municipality of La Cieja (Antioquia) and the rights (pursuant to irrevocable options granted by each of the owners) to purchase any or all of an additional 5.18 hectares and 5.06 hectares of greenhouses, and fixed and personal property within land located in the municipality of Rio Negro (Antioquia) at a price that is satisfactory to the Company negotiated in good faith, for the following consideration (as amended on June 18, 2015):

- Upon the Company's satisfaction of the Asset Inspection and execution of the Lease - payment of \$175,000 USD (paid) and the issuance of 170,000 shares (issued) for a total of \$215,000; and
- Upon receipt of the Export License - payment of \$1,800,000 (paid) and the issuance of 170,000 shares (issued) for a total of \$150,000.

If the Company elects to purchase some, but not all of the assets after completion of the Asset Inspection, the cash portion of the payments noted above shall be reduced proportionally.

As of July 31, 2016, the above payment of \$2,800,000 was transferred to land and building and started depreciation using straight line method over 25 years.

**6. Related Party Transactions**

During the fiscal year ended July 31, 2016, the Company has the following related party transactions:

- Incur consulting fees of \$300,000 (2015-\$20,000) to the Company's former Chief Executive Officer. As of July 31, 2016, amount of \$nil (2015-\$20,000) is owing and recorded in due to related parties.
- Incur consulting fees of \$90,000 (2015-\$52,900) to the Company's Chief Operating Officer. As of July 31, 2016, amount of \$1,900 (2015-\$28,000) is owing and recorded in due to related parties.
- Issued 3,000,000 common shares at \$1 per share and incurred non-operating expense of \$300,000 to Tahami & Cullifern S.A.C.I., a company controlled by a director, in connection to a termination and settlement agreement entered into by it, wholly owned subsidiary, PharmaCielo Colombia Holdings S.A.S. Also during the year ended July 31, 2016, the Company paid subcontractor expense of \$43,000 and purchased equipment, building and greenhouse from Tahami & Cullifern S.A.C.I. for amount of \$108,542. As of July 31, 2016, amount of \$43,000 (2015-\$nil) is owing to Tahami & Cullifern S.A.C.I. and recorded in accounts payable and accrued liabilities.
- As of July 31, 2016, amount of \$856,581 machinery and \$2,838,781 building were used by Tahami & Cullifern S.A.C.I. There was no fee charged in relation to the usage of the machinery.
- Incur personal expense of \$153,289 (2015-\$nil) to a director and his family members, who are also the executives of PharmaCielo Colombia Holdings S.A.S. As of July 31, 2016, amount of \$11,805 (2015-\$nil) is owing and recorded in accounts payable and accrued liabilities.
- Incur professional fees of \$48,000 (2015-\$58,564) to the Company's Chief Financial Officer.
- Incur management fee of \$30,000 to the Company's Chief Executive Officer. As of July 31, 2016, amount of \$30,000 (2015-\$nil) is owing and recorded in due to related parties.
- Incur consulting fees of \$nil (2015-\$25,000) to a director of the Company.

## Message from the Lead Director of the Independent Review (cont'd)



Furthermore, in relation to this same accusation, the short sellers failed to account for the fact that the total purchase price for the Company's Rionegro property included **not just the land but also above-ground assets and licenses which didn't belong to, nor were related to, the owners of the land.** As demonstrated above, the land was purchased directly from the landowners. The payment of \$2.8 million made to South American Agriculture Development Corporation ("SAADC"), cited and wrongly attributed to the land purchase by Hindenburg, was in fact consideration primarily for the above-ground assets on the property – including greenhouse and other facilities as well as important licences required to operate the property as a “turnkey” cannabis cultivation operation.

**Conclusion:** The Company's disclosures were accurate in this regard, the landowners were paid fair market value – directly by PharmaCielo – for the Rionegro property, and SAADC was paid fair market value for the above-ground assets on the property as well as for obtaining the operating licenses. Absolutely no land “flip” occurred to the detriment of the Company or the enrichment of any related party.

Immediately below, we have provided a summary of each core allegation contained within Hindenburg's report, with a brief response and supporting facts.

Please feel free to reach out with any concerns, directly to the lead director at: [specialcommittee@pharmacielo.com](mailto:specialcommittee@pharmacielo.com).

## Summary – Allegation and Response

Hindenburg Allegation	Investigation Complete	Conclusion	Summary of Independent Review Findings
<p>Anthony Wile is “Back at it Again” with respect to stock manipulation. The co-founder and former CEO of PharmaCielo has a track record of securities fraud, according to SEC allegations. He settled the charges in 2010, agreeing to a 5-year ban from being an officer or director of a public company. He co-founded PharmaCielo while still barred as a public officer/director, then took it public shortly after the ban expired.</p>		<p>False</p>	<ul style="list-style-type: none"> <li>• None of Anthony Wile’s conduct respecting PharmaCielo violated the terms of his settlement with the SEC.</li> <li>• The company has openly and publicly disclosed Anthony Wile’s background and history.</li> <li>• Anthony Wile sold 200,000 shares out of 13 million - hardly “dumping”.</li> <li>• There is absolutely no evidence of an insider enrichment scheme involving the shares of PharmaCielo.</li> </ul>
<p>Federico Cock-Correa's status as involved with a bankrupt entity, Tahami &amp; Cultiflores SACI was improperly disclosed.</p>		<p>Misrepresented</p>	<ul style="list-style-type: none"> <li>• The Independent Review confirms that Tahami &amp; Cultiflores SACI is not bankrupt but entered into a re-organization agreement with another party that is scheduled to be discharged in 2024.</li> </ul>

## Hindenburg Allegation

Investigation Complete

## Conclusion

## Summary of Independent Review Findings

PCLO's key Rionegro Colombian facility appears to have been purchased in an undisclosed related party transaction through PharmaCielo's bankrupt co-founder. Insiders enriched themselves by first purchasing the rights to the property into a newly-formed Panamanian entity (set up 3 DAYS prior to the deal), then re-sold it to the company at inflated prices, pocketing an estimated \$5.35 million by stepping in the middle



False

- The Independent Review concluded that the land and asset acquisition transactions were initiated at a time when the Company and Federico Cock-Correa were at arm's-length.
- The analysis contained within the short seller report carelessly failed to account for the fact that the consideration provided was not just for the land, but rather for the purchase of a TURNKEY CANNABIS CULTIVATION OPERATION comprising of not only the LAND but also the ASSETS (greenhouse facilities, other assets, as well as various operating licenses)
  - ~ US\$3.20 Million + 201,000 Shares for the LAND
  - ~ US\$1.72 Million + 1,500,000 Shares for the ASSETS
  - ~ US\$4.92 Million + 1,700,000 Shares for TURNKEY OPERATION
- The report also ignores the fact that the LAND and ASSETS had different owners, and that PharmaCielo negotiated and executed the transactions with each owner, without intermediaries.
- The individual valuations of each plot of LAND as well as the values agreed for the ASSETS have been validated and were set according to fair market values.
- The Company's disclosures were accurate in this regard.
- It is the conclusion of the Independent Review that no transaction occurred to the detriment of the Company or the enrichment of any related party and all funds have been accounted for.

## Hindenburg Allegation

Investigation Complete

## Summary of Independent Review Findings

Per the audit notes in PharmaCielo's filing statement, we see that the company advanced SAADC \$2.8 million. [Pg. 187] That number matches the purchase price of the first Rionegro parcel, estimated at U.S. \$2.88 million according to land registry records, almost to the dollar.



False

- As explained above, the \$2,800,000 figure on page 187 of the Notes to Consolidated Financial Statements (July 31, 2016, and 2015) are not for an advance, but for the total value paid for above-ground assets and for obtaining key licenses in Rionegro in a negotiation with the owner of those rights, in this case SAADC.
- Hindenburg's misleading and inaccurate conclusion is based on two numbers that are coincidentally similar, yet in fact are completely unrelated.
- An accurate analysis would have identified, just one page before (186) on the same report, that their conclusion was wrong:

"On May 23, 2016, PharmaCielo Colombia Holdings S.A.S. entered into an agreement with four individuals to purchase 22.4 hectares of land located in the municipality of La Cieja (Antioquia) for consideration of \$2,745,391 (Colombian Peso 8,460,607,673)." (Pg. 186) which relates to Plot 1 negotiated and transacted directly between PharmaCielo and the owners without any intermediation of third parties.

- No transaction occurred to the detriment of the Company or the enrichment of any related party and all funds have been accounted for.



## Hindenburg Allegation

Investigation Complete

Conclusion

Summary of Independent Review Findings

PCLO's 3.6 hectare 'operation' in Colombia's Cauca region is just an empty field and that PCLO made false or misleading disclosure about constructing a greenhouse and the existence of operations in Cauca.



Misrepresented

- The Independent Review has concluded that the Company had sound business reasons for delaying development on this property. These included: length of time required to obtain licencing; escalation in regional conflict and security; necessary infrastructure partners' and suppliers' concerns about regional safety and stability; and the Company's shift of immediate focus to CBD isolate and oil production (the Cauca licence is for THC dominant strains).
- The Company is not in breach of any agreements with the local community in Cauca, including the cooperative agreement and remains committed to its Cooperativa Caucannabis business partners and the community, and will continue working with the Colombian Government to participate in regional support activities as appropriate and possible.

## Hindenburg Allegation

Investigation Complete

## Summary of Independent Review Findings

PharmaCielo disclosed paying over \$865,000 for the land in Cauca, including 201,000 shares. Yet local land records show that the Cauca land was sold for only ~\$127,000. Co-op leaders confirmed the price and stated that they received no shares as part of the transaction. We hypothesize that the 'missing' money may have yet again found its way to insiders.



False

- The short seller mistook the purchase price of a parcel of land purchased as part of the turnkey cannabis cultivation operation discussed above for the purchase price of the Cauca land. The stated value in the registry presented by Hindenburg of ~ \$127,000 is the value PharmaCielo paid for the Cauca land. Additionally, the same registry confirms that PharmaCielo didn't acquire the land from any Co-op member but from a local Landlord and that the transaction took place in May/2017 while the other transaction assumed in Hindenburg's statement took place in Aug/2017.
- There is acknowledgment that the word "Farm" cited twice on page 38 of the filing report without distinguishing between them could lead to confusion, but not the conclusion Hindenburg came to.
- In making the assertion, the short seller's analysis failed to examine the financial statements, which identified and clarified the statement within the disclosure, making it plain that these values were not related to the Cauca property.
- A simple search within the document for the number 201,000 (related to shares) for example, would have led to page 207 where the acquisition of the land in Rionegro directly from the landowner is described in detail.
- This acquisition relates to Plot 2 in Rionegro, which along with Plot 1 comprises the land relating to the turnkey cannabis cultivation operation. Both plots were transacted directly between PCLO and the owners without intermediation of third parties.
- No transaction occurred to the detriment of the Company or the enrichment of any related party and all funds have been accounted for.

## Hindenburg Allegation

Investigation Complete

## Conclusion

## Summary of Independent Review Findings

The company's odd acquisition of a telemedicine platform appears to have been part of a quid pro quo where (a) PharmaCielo bought the company from an investor in exchange for (b) the investor allocating money to a different company founded by a PharmaCielo co-founder.



False

- The Independent Review has concluded that the acquisition of Ubiquo Telemedicina S.A.S. ("Ubiquo") was made for valid business reasons under the Company's marketing strategy at the time and without undue Influence exerted on the Company by any party.
- The Company's purchase of Ubiquo was negotiated and executed for commercial reasons, at fair market value and free of any side deals, or arrangements.
- This acquisition was meant to serve as a path to market when PharmaCielo was focused on the direct to consumer market. With a shift to a volume-based business-to-business model, Ubiquo could be considered non-core, however the platform generated \$69,287 in revenue in the nine months to September 30, 2019.
- The Independent Review found that other than Dr. Camilo Ospina, the VP Innovation & Development of PharmaCielo SAS, no PharmaCielo director, officer or insider had any interest in the Ubiquo transaction. In Dr. Ospina's case, the Independent Review concluded that his holdings in Ubiquo were small, approximately 4%, and his ownership interest was known to the Company prior to initiating the acquisition of Ubiquo and prior to Dr. Ospina joining the Company.
- The Independent Review concluded that there is no substance to the allegation that the timing of PharmaCielo's purchase of Ubiquo was aligned with payments to Ecoflora SAS for the purpose of enriching Federico Cock-Correa.

## Hindenburg Allegation

Investigation Complete

## Conclusion

Summary of Independent Review Findings

The company's U.S. distribution partner is actually yet another undisclosed related-party deal with a company that appears to have limited to no credible operations



False

- The Independent Review has concluded that there is a bona fide commercial relationship between the Company and General Extract LLC (“General Extract”), a subsidiary of Redwood Green Corp. (“Redwood”).
- At the time of negotiations, the board of directors was aware that some directors of PharmaCielo had ownership interests in Redwood.
- However, conflicts of interest were properly disclosed, and appropriate steps were taken to ensure that the sales agreement was negotiated and executed on an arm’s-length basis. Nothing in this arrangement met the threshold to be considered a “related party transaction”, as outlined in the Ontario Securities Commission’s Multilateral Instrument 61-101: *Protection of Minority Security Holders in Special Transactions*.

## Hindenburg Allegation

Investigation Complete

## Summary of Independent Review Findings

PharmaCielo's other main partnership, a distribution deal with nanocap company XPhyto, appears to be little more than a shell game. PharmaCielo is supplying XPhyto with cash so XPhyto can turn around and buy PharmaCielo's products



False

- The Independent Review has concluded that there is a reasonable business rationale for the agreement between PharmaCielo and XPhyto Therapeutics Corp. ("XPhyto").
- In particular, XPhyto had the ability to distribute EU GMP products in Germany. While PharmaCielo produces in line with GMP (Good Manufacturing Processes) standards, it does not currently have EU GMP certification and any processing into pharmaceutical products would require this certification.
- There was a reasonable and compelling business rationale for PharmaCielo to participate (as to CAD\$500,000) in a CAD\$2,000,000 convertible debenture financing of Xphyto at the time of negotiating and entering into supply agreement on an arm's-length basis.
- The transaction with XPhyto has not resulted in insiders of the Company being unlawfully enriched at the expense of the Company as alleged by the Hindenburg Report.
- The allegations in the Hindenburg Report that the "partnership appears to us to be a sham" or that "PharmaCielo is paying a distressed company to buy its products" are untrue.

## Hindenburg Allegation

Investigation Complete

Conclusion

Summary of Independent Review Findings

The company's Rionegro cannabis oil processing centre, a key element of its plan to export oils, remains unfinished after almost 6 months of delays. It appears a large amount of money has gone to enrich insiders, the company likely needs cash imminently in order to maintain operations and complete its oil processing facility, a key component of its plan to export cannabis oils



Misrepresented

- The Independent Review has also concluded that the delays experienced to date in completing the Company's manufacturing and processing facilities in Rionegro are consistent with the establishment of a new manufacturing operation in a new and developing industry and are not due to an illegal scheme to enrich insiders or defraud investors as alleged by the Hindenburg Report.
- Approximately US\$2 million is required to complete the facility, which is significantly lower than US\$7 million alleged in the Hindenburg Report and within the means of the company to fulfill and complete. PharmaCielo has invested approximately US\$15 million in the facility to September 30, 2019.

## Hindenburg Allegation

Investigation Complete

## Summary of Independent Review Findings

The company's main facility in Rionegro may be troubled with mold and pesticide contamination, likely originating from the flower-growing operation that preceded PharmaCielo's assumption of the facilities, according to local sources we spoke with.



False

- The Independent Review has concluded that the allegations made in the Hindenburg Report with respect to the severity of the mold and pesticide contamination are exaggerated and ignore the realities of any agricultural operation located in a tropic climate zone. The Independent Review has also concluded that any presence of mold or pests on the Company's land is not material and is well below any level that would otherwise compromise the economic viability of the Company's growing operation.
- A report from the Colombian Corporation for Agricultural Research generally analysing the Company's cultivation and flower production facilities confirmed that there was no risk to the viability of the production system. Further, the report confirmed that the strategies put in place by the Company are highly efficient to keep pathogens and pests under control and both are within permissible levels.
- These allegations are further refuted by the fact that the Company's objective is to offer medicinal grade cannabis derived products. The Company's processing facilities are designed fulfilling all GMP standards, ensuring that products are consistently high in quality and guaranteeing total tractability. The Company is GAP (Good Agricultural Practices) certified and ISO9001 certified. In 2019, PharmaCielo SAS was the first non-Canadian medical cannabis producer to join the Canadian Pilot Program that offers full transparency and traceability of medical cannabis from the plant's cultivar DNA through to the final product, ensure quality, standardization and enhanced product safety.

## Hindenburg Allegation

Investigation Complete

Conclusion

## Summary of Independent Review Findings

Rionegro planning authorities say one-third of the land is unusable due to environmental restrictions and the risk of flooding.



Misrepresented

- The Company's Rionegro property is located on a floodplain, which is an advantage. PharmaCielo chose its Rionegro location specifically because of its proximity to a local river. Most commercial-scale agricultural production (including that of Colombia's dominant Rionegro flower industry) today is concentrated near floodplains. This aspect of the property ensures that the Company has access to some of the most natural, nutrient-rich soil available, ensures an abundant natural water supply, limits the need for artificial fertilizers and keeps cost low.
- The placement of the production and cultivation facilities considered the flooding areas as confirmed by official documents from County Authorities. However, the company has an active countermeasure management program in place to control the potential risk of broader flooding – water reservoir, water pumps and riverbank reinforcement to ensure the continuity of the supply and value chain of its operation in Rionegro during the rainy season. All these countermeasures are well understood and proven.

Anthony Wile is using Elco Securities Limited, a Bahamian brokerage firm, to conceal his ownership in PharmaCielo and as a vehicle for dumping PharmaCielo shares into the market. It is also alleged that PharmaCielo is misreporting the details of transactions to hide the direction of shares to Elco Securities.



False

- Elco Securities acted as an arm's-length broker of PharmaCielo shares in early financing rounds of the Company prior to the completion of the Company's going-public transaction.
- The Independent Review has concluded that there is no basis for the proposition alleged by the Hindenburg Report that Anthony Wile used Elco Securities to conceal his ownership of PharmaCielo shares.
- Anthony Wile sold 200,000 shares out of 13 million - hardly "dumping".