

AION THERAPEUTIC INC.

(Formerly, Osoyoos Cannabis Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED JULY 31, 2020

Prepared as at September 29, 2020

Management Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") reflects management's assessment of Aion Therapeutic Inc.'s (formerly, Osoyoos Cannabis Inc.) ("Aion" or the "Company") financial and operating results for the three months ended July 31, 2020. This document should be read in conjunction with the condensed interim consolidated financial statements and related notes as at and for the three months ended July 31, 2020. The financial statements and the financial information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

This MD&A is prepared by management as at September 29, 2020. All amounts are expressed in Canadian dollars, unless otherwise noted.

Reference should also be made to the Company's filings with Canadian securities regulatory authorities, which are available at www.sedar.com.

Disclaimer

Certain statements contained in the following MD&A constitute "forward-looking statements" (within the meaning of the Canadian securities legislation) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding future events, developments, acquisitions, capital expenditures, timelines, strategic plans or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in continued availability of capital and financing; dependence on key personnel; uncertainties related to the Company's discoveries and product development; uncertainties as to future expense levels and the possibility of unanticipated costs or expenses or cost overruns; and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

Nature of Business

Aion Therapeutic Inc. (formerly, Osoyoos Cannabis Inc.) was incorporated on January 13, 2011 under the Business Corporations Act (British Columbia). The head office of the Company is located at 45 Sheppard Avenue East, Suite 703, Toronto, Ontario, Canada, M2N 5W9. The Company is publicly traded on the Canadian Securities Exchange under the symbol "AION".

Effective October 31, 2018, the Company was part of a three-cornered amalgamation among LKP Solutions Inc. ("LKP"), 1160516 B.C. Ltd. (a wholly owned subsidiary of LKP) and former Osoyoos Cannabis Inc. ("OSO"). The result of the transactions was that LKP acquired all of the issued and outstanding securities of former OSO on the basis of one share of LKP for each share of former OSO. At completion of the transactions, LKP changed its name to Osoyoos Cannabis Inc. and the former OSO was

amalgamated into 1160516 B.C. Ltd. Effective August 26, 2020, the Company changed its name to Aion Therapeutic Inc. and began trading under its new name and symbol on August 28, 2020.

On June 30, 2020, the Company completed the acquisition of 1196691 B.C. Ltd. d/b/a “PCAI Pharma” and its wholly-owned subsidiary AI Pharmaceuticals Jamaica Limited (“AI Pharma”). The business of AI Pharma involves research and development, treatment, data mining and state-of-the-art artificial intelligence (machine learning) techniques, focused on the development of combinatorial pharmaceuticals, nutraceuticals and cosmeceuticals utilizing compounds from cannabis (cannabinoids), psychedelic mushrooms (psilocybin), fungi (edible mushroom), natural psychedelic formulations (ayahuasca), and other medicinal plants in a legal environment for this type of discovery.

The backbone of the Company’s combinatorial treatment formulation discovery platform is artificial intelligence techniques. Using artificial intelligence, the Company intends to create a full line of therapeutic products that includes combinatorial pharmaceuticals, nutraceuticals, and cosmeceuticals, as well as, individualized treatments for personalized medicine using human genome and other data unique to an individual. In addition, the Company is creating a strong international intellectual property portfolio related to its discoveries.

Overall Performance

On June 30, 2020, the Company completed the acquisition of PCAI Pharma and its wholly-owned subsidiary AI Pharma (the “Acquisition”). As consideration for the Acquisition, the Company issued 36,000,000 common shares of the Company to the vendors at a deemed price of \$0.07 per share for a total consideration of \$2,520,000.

During the three month period ended July 31, 2020, the Company completed a non-brokered private placement (the “Private Placement”) through the issuance of 20,208,340 units (“Units”), at a price of \$0.05 per Unit, for total gross proceeds of \$1,010,417. Each Unit consists of one common share (“Common Share”) of the Company and one-half of one Common Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder thereof to purchase one Common Share for a period of twenty-four months from the closing date at a price of \$0.15 per Common Share. Furthermore, the Company has the right to accelerate the expiry date to be thirty days following written notice to the holders, if during the term of the Warrants the Common Shares close at or above \$0.20 per Common Share on each trading day for a period of ten consecutive trading days on the Canadian Securities Exchange (the “CSE”). The Private Placement was completed in three tranches of \$75,000, \$425,000 and \$510,417 on June 16, 2020, July 20, 2020 and July 31, 2020, respectively. Furthermore, in connection with the third tranche of the Private Placement, the Company granted 386,750 broker warrants (each a “Broker Warrant”), each Broker Warrant entitles the holder thereof to purchase one Common Share for a period of twenty-four months from the closing date at a price of \$0.15 per Common Share.

On August 7, 2020, the Company held an annual and special meeting of shareholders (the “Meeting”). At the Meeting, shareholders elected Dr. Stephen D. Barnhill; Graham Simmonds; Paul Crath; Larry Horwitz; Rosy Mondin; Sara Lee Irwin; and Dr. Anthony Hall to serve as directors of the Company. Furthermore, shareholders approved a corporate name change to Aion Therapeutic Inc.

Following the Meeting, the new board of directors of the Company appointed Dr. Stephen D. Barnhill as Executive Chair of the Board; Graham Simmonds as Executive Vice Chair of the Board; and Paul Crath as Lead Independent Director of the Board. Furthermore, the board of directors formed a new Compensation Committee and Governance Committee and appointed new board members to all committees as follows:

	Audit Committee	Compensation Committee	Governance Committee
Dr. Stephen D. Barnhill			
Graham Simmonds	M		
Paul Crath ⁽¹⁾	C	C	
Larry Horwitz ⁽¹⁾	M		C
Rosy Mondin ⁽¹⁾		M	M
Sara Lee Irwin ⁽¹⁾		M	
Dr. Anthony Hall ⁽¹⁾			M

(I) = Independent Director C = Committee Chair M = Committee Member

Effective August 26, 2020, the Company changed its name to Aion Therapeutic Inc. and began trading under its new name and symbol on August 28, 2020.

The Company has entered into an equipment lease (the “Equipment Lease”) and a profit sharing agreement (the “Profit Sharing Agreement”) with 2623942 Ontario Limited (the “Licensed Producer”) commencing on November 1, 2020.

Pursuant to the Equipment Lease, the Company has agreed to lease one of its Vitalis Q-180 Series extraction systems to the Licensed Producer to process their proprietary-grown biomass for a term of 41 months, commencing on November 1, 2020. The Company will receive monthly lease payments of approximately \$17,750 (plus applicable taxes) during the term of the Equipment Lease. Provided that all payments have been made under the Equipment Lease, the Licensed Producer may at its option buyout the equipment at the end of the term for \$1.

The Company and the Licensed Producer have also entered into a five-year Profit Sharing Agreement to offer third-party contract tolling extraction and processing services, commencing on November 1, 2020. Under the Profit Sharing Agreement, the Company has agreed to provide use of its other Vitalis Q-180 Series extraction system in exchange for 50% of the net profits derived from such tolling services, which is defined as revenues minus direct costs, which are to be mutually agreed to on a quarterly basis. The parties have also agreed to form a management committee to oversee the business plan, accounting, day-to-day operations and terms of processing contracts. Furthermore, the Company is guaranteed a monthly minimum rental payment and total minimum cumulative payments of \$1.5 million under the Profit Sharing Agreement.

Subsequent Events

On August 28, 2020, the Company entered into an assignment agreement whereby the Company assigned and transferred all right, title and interest in a leased premises in British Columbia to a third party. As a result, the Company no longer has any obligations with regards to such premises.

On September 10, 2020, the Company announced the appointment of Dr. Herbert Fritsche as Chief Science Officer of the Company.

On September 18, 2020, the Company completed a non-brokered private placement through the issuance of 9,090,907 units, at a price of \$0.055 per unit, for total gross proceeds of approximately \$500,000. Each unit consists of one Common Share and one-half of one Common Share purchase warrant. Each warrant entitles the holder thereof to purchase one Common Share for a period of twenty-four months from the closing date at a price of \$0.15 per Common Share. Furthermore, the Company has the right to accelerate the expiry date to be thirty days following written notice to the holders, if during the term of the warrants

the Common Shares close at or above \$0.20 per Common Share on each trading day for a period of ten consecutive trading days on the CSE.

On September 3, 2020, the Company received a notice of civil claim from the former CEO of the Company demanding the repayment of a loan payable of \$125,000 with accrued interest thereon plus collection costs of \$10,000. The loan payable an accrued interest is already reflected in the Company's current liabilities as at July 31, 2020, and the Company is working on a settlement with the former CEO.

Selected Financial Information

The following table summarizes financial information for the three months ended July 31, 2020 and the preceding seven quarters:

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Net and comprehensive income (loss)	(517,649)	(307,870)	(246,678)	412,202	(530,486)	(796,154)	(455,288)	(3,290,868)
Income (loss) per share, basic and fully diluted	(0.01)	(0.01)	(0.01)	0.01	(0.02)	(0.04)	(0.02)	(0.14)
Total assets	6,489,497	3,335,793	3,588,713	3,794,812	4,138,119	4,108,313	4,658,258	5,073,525
Total liabilities	1,283,079	1,201,544	1,160,594	1,120,015	1,980,524	1,470,232	1,906,865	1,901,844
Shareholders' equity	5,206,418	2,134,249	2,428,119	2,674,797	2,157,595	2,638,081	2,751,393	3,171,681
Cash dividends	-	-	-	-	-	-	-	-

Results of Operations for the Three Months Ended July 31, 2020

These condensed interim consolidated financial statements have been prepared using IFRS on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent on funding. The Company intends to finance its future requirements through a combination of debt and/or equity issuances. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. This uncertainty may cast significant doubt about the ability of the Company to continue as a going concern. These condensed interim consolidated financial statements do not include any adjustments to the carrying value or presentation of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

Revenue

Total revenue for the three months ended July 31, 2020 and 2019 were \$nil. The Company seeks to generate revenue through the development of combinatorial pharmaceuticals, nutraceuticals and cosmeceuticals utilizing compounds from cannabis (cannabinoids), psychedelic mushrooms (psilocybin), fungi (edible mushroom), natural psychedelic formulations (ayahuasca), and other medicinal plants. At such time, the Company may determine to commercialize such discoveries and intellectual property or may seek to license or sell its intellectual property portfolio.

Expenses

The following table summarizes the Company's expenses and net and comprehensive loss for the period.

For the Three Months Ended July 31,	2020	2019
	\$	\$
Expenses		
Accretion	20,596	144,661
Amortization of right-of-use assets	36,965	27,641
Consulting fees	179,838	84,000
Contract fees	10,680	26,050
Development costs	3,955	3,480
Insurance	25,500	22,500
Interest expense	33,344	29,630
Investor relations	7,274	-
License fees	7,338	-
Management fees	52,500	67,500
Office and administration	28,642	6,889
Professional fees	19,960	115,978
Share-based compensation	83,075	-
Transfer agent and regulatory fees	7,982	2,157
Net loss and comprehensive loss	(517,649)	(530,486)
Loss per share	(0.010)	(0.015)

Accretion expense for the three months ended July 31, 2020 was \$20,596 as compared to \$144,661 for the three months ended July 31, 2019. Accretion expense for the periods were in relation to the Company's outstanding loan payable and convertible debentures. The decrease in accretion for the period ended July 31, 2020 as compared to 2019 was a result of a one-time accretion expense of \$129,170 included in the period ended July 31, 2019 as a result of a renegotiation on the loan payable.

Amortization of a right-of-use asset for the three months ended July 31, 2020 was \$36,965 as compared to \$27,641 for the three months ended July 31, 2019. Amortization of a right-of-use asset for the periods were in relation to the Company's leases. The increase in amortization for the period ended July 31, 2020 as compared to 2019 was a result of the addition of a lease in Jamaica as a result of the acquisition of PCAI Pharma and its wholly-owned subsidiary AI Pharma.

Consulting fees for the three months ended July 31, 2020 were \$179,838 as compared to \$84,000 for the three months ended July 31, 2019. The increase in consulting fees during the period ended July 31, 2020 as compared to 2019 was a result of the Company's overall increased business activity as a result of the acquisition of PCAI Pharma and its wholly-owned subsidiary AI Pharma.

Contract fees for the three months ended July 31, 2020 were \$10,680 as compared to \$26,050 for the three months ended July 31, 2019. Contract fees for the periods ended July 31, 2020 and 2019 were primarily in relation to the Company's corporate secretary expense which decreased in the current period as a result of the Company moving over to part-time consulting services.

Development costs for the three months ended July 31, 2020 were \$3,955 as compared to \$3,480 for the three months ended July 31, 2019. Development costs for the periods ended July 31, 2020 and 2019 were in relation to the Company's leased premises in British Columbia.

Insurance expense for the three months ended July 31, 2020 was \$25,500 as compared to \$22,500 for the three months ended July 31, 2019. The increase in insurance expense during the three months ended July 31, 2020 as compared to 2019 was a result of increased premiums on the Company's directors and officers insurance.

Interest expense for the three months ended July 31, 2020 was \$33,344 as compared to \$29,630 for the three months ended July 31, 2019.

Investor relations expense for the three months ended July 31, 2020 was \$7,274 as compared to \$nil for the three months ended July 31, 2019.

License fees for the three months ended July 31, 2020 were \$7,338 as compared to \$nil for the three months ended July 31, 2019. License fees for the three months ended July 31, 2020 were in relation to R&D and processing fees for AI Pharma's Jamaican-based *Cannabis License Authority* (CLA) licensed medical cannabis partner.

Management fees for the three months ended July 31, 2020 were \$52,500 as compared to \$67,500 for the three months ended July 31, 2019. Management fees for the periods ended July 31, 2020 and 2019 were in relation to fees payable to the Company's key management and related parties.

Office and administration expense for the three months ended July 31, 2020 was \$28,642 as compared to \$6,889 for the three months ended July 31, 2019. The increase in office and administration expense during the period ended July 31, 2020 as compared to 2019 was a result of the Company's overall increased business activity as a result of the acquisition of PCAI Pharma and its wholly-owned subsidiary AI Pharma.

Professional fees for the three months ended July 31, 2020 were \$19,960 as compared to \$115,978 for the three months ended July 31, 2019. The decrease in professional fees for the period ended July 31, 2020 as compared to 2019 was a result of transactional fees incurred during the period ended July 31, 2019 for a transaction that was since abandoned.

Share-based compensation for the three months ended July 31, 2020 was \$83,075 as compared to \$nil for the three months ended July 31, 2019. Share-based compensation for the three months ended July 31, 2020 was in relation to a non-cash expense for the issuance of options under the Company's stock option plan and warrants issued to consultants.

Transfer agent and regulatory fees for the three months ended July 31, 2020 were \$7,982 as compared to \$2,157 for the three months ended July 31, 2019. The increase in transfer agent and regulatory fees during the period ended July 31, 2020 as compared to 2019 was a result of the Company's annual and general meeting held during the period.

Net Loss and Comprehensive Loss

During the three months ended July 31, 2020, the Company recorded a net and comprehensive loss of \$517,649 as compared to a net and comprehensive loss of \$530,486 during the three months ended July 31, 2019.

Liquidity and Capital Resources

As at July 31, 2020, the Company had total assets of \$6,489,497 (April 30, 2020 – \$3,335,793) consisting of cash and cash equivalents of \$1,054,944, GST and HST receivables of \$67,081, deferred costs of \$20,000, prepaid expenses of \$105,610, due from related party of \$18,500, property and equipment of \$2,154,911, right-of-use assets of \$498,839, goodwill of \$2,538,542 and rental deposits of \$31,070.

As at April 30, 2020, the Company had total assets of \$3,335,793 consisting of cash and cash equivalents of \$612,788, GST and HST receivables of \$53,474, deferred costs of \$20,000, prepaid expenses of \$41,125, due from related party of \$18,500, property and equipment of \$2,154,911, right-of-use assets of \$370,178 and rental deposits of \$64,817.

The increase in assets from April 30, 2020 was primarily the result of cash received from the Company's non-brokered private placement (see "*Private Placement of Units*" below), an increase in prepaid expenses, and goodwill and increased right-of-use assets resulting from the acquisition of PCAI Pharma and its wholly-owned subsidiary AI Pharma (see "*Acquisition of PCAI Pharma and AI Pharma*" below).

As at July 31, 2020, the Company had total liabilities of \$1,283,079 (April 30, 2020 – \$1,201,544) consisting of accounts payable and accrued liabilities of \$141,348, accrued interest payable of \$18,992, lease obligations of \$212,957, loan payable of \$125,000, convertible debentures of \$454,968 and long term lease obligations of \$329,814.

As at April 30, 2020, the Company had total liabilities of \$1,201,544 consisting of accounts payable and accrued liabilities of \$183,539, accrued interest payable of \$59,097, lease obligations of \$110,916, loan payable of \$125,000, long term lease obligations of \$296,796 and long term convertible debentures of \$426,196.

Cash Used in Operating Activities

The Company used cash in operating activities in the amount of \$482,494 (July 31, 2019 – \$441,707) during the three month period ended July 31, 2020 due to the reasons as discussed above.

Cash Used by Investing Activities

The Company used cash by investing activities in the amount of \$7,926 during the three month period ended July 31, 2020 as compared to cash used by investing activities of \$117,814 during the three month period ended July 31, 2020. During the three month period ended July 31, 2020, the Company applied \$33,747 in rental deposits against its rent obligations. During the three month period ended July 31, 2019, the Company capitalized \$96,387 as leasehold improvements.

Cash Provided by Financing Activities

The Company was provided cash by financing activities in the amount of \$932,576 during the three month period ended July 31, 2020. During the three month period ended July 31, 2020, the Company completed a non-brokered private placement of units and received gross proceeds of \$956,250, less share issuance costs of \$23,674 (see "*Private Placement of Units*" below). There was no cash provided (used) by financing activities during the three month period ended July 31, 2019.

Summary

The Company incurred a net and comprehensive loss of \$517,649 during the three month period ended July 31, 2020 (July 31, 2019 – \$530,486) and, as at that date, the Company had a working capital surplus of \$343,940 (April 30, 2020 – \$267,335) and total shareholders' equity of \$5,206,418 (April 30, 2020 – \$2,134,249).

The Company has financed its operations from inception to date through the issuance of debt and equity securities. The Company currently has no source of revenues, and as such, administrative and other expenses may exceed available cash resources and additional funding may be required to further the Company's future business projects and to meet ongoing requirements for its general operations.

The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations. To manage the capital structure, the Company may adjust its business plan, operating expenditures or may issue new debt and/or equity. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to externally imposed capital requirements or covenants.

The ability of the Company to continue as a going concern is dependent on raising additional financing, the development of its projects and generation of profitable operations in the future. The Company intends to finance its future requirements through a combination of debt and/or equity issuances. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. This uncertainty may cast significant doubt about the ability of the Company to continue as a going concern. These condensed interim consolidated financial statements do not include any adjustments to the carrying value or presentation of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

Private Placement of Units

During the three month period ended July 31, 2020, the Company completed a Private Placement through the issuance of through the issuance of 20,208,340 units ("Units"), at a price of \$0.05 per Unit, for total gross proceeds of \$1,010,417; of which \$956,250 was received in cash and \$54,167 was issued to settle accrued interest payable. Each Unit consists of one Common Share and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share for a period of twenty-four months from the closing date at a price of \$0.15 per Common Share. Furthermore, the Company has the right to accelerate the expiry date to be thirty days following written notice to the holders, if during the term of the Warrants the Common Shares close at or above \$0.20 per Common Share on each trading day for a period of ten consecutive trading days on the Canadian Securities Exchange (the "CSE").

The Private Placement was completed in three tranches of \$75,000, \$425,000 and \$510,417 on June 16, 2020, July 20, 2020 and July 31, 2020, respectively. Furthermore, in connection with the third tranche of the Private Placement, the Company granted 386,750 broker warrants (each a "Broker Warrant"), each Broker Warrant entitles the holder thereof to purchase one Common Share for a period of twenty-four months from the closing date at a price of \$0.15 per Common Share. In connection to the Private Placement, the Company expensed \$23,674 as transaction costs.

Acquisition of PCAI Pharma and AI Pharma

On June 30, 2020, the Company completed the Acquisition of PCAI Pharma and its wholly-owned subsidiary AI Pharma. As consideration for the Acquisition, the Company issued 36,000,000 Common Shares of the Company to the vendors at a deemed price of \$0.07 per share for a total consideration of \$2,520,000 (the “Purchase Price”).

In accordance with the Company’s accounting policies and IFRS, the measurement period for the Acquisition shall not exceed one year from acquisition date. Accordingly, the accounting for the Acquisition has only been provisionally determined as at July 31, 2020. The following table summarizes the fair value of consideration paid on the acquisition date and the allocation of the Purchase Price to the assets and liabilities acquired.

Consideration

36,000,000 common shares at a value of \$0.07 per share	<u>\$</u>	<u>2,520,000</u>
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Purchase price allocation

Right-of-use asset	\$	165,626
Accounts payable and accrued liabilities		(18,542)
Lease obligation		(165,626)
Provisional amount allocated to Goodwill		2,538,452
	<u>\$</u>	<u>2,520,000</u>

Share Capital

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares with the rights, privileges and restrictions determined by the board of directors at the time of issuance.

As at July 31, 2020 and the date hereof, there are no issued or outstanding preferred shares.

Common Shares

The Company is authorized to issue an unlimited number of Common Shares, without par value. The holders of Common Shares are entitled to receive dividends which are declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company’s residual assets.

As at July 31, 2020, the Company had 92,890,164 Common Shares issued and outstanding and 101,981,071 Common Shares issued and outstanding as at the date hereof.

During the three month period ended July 31, 2020, the Company issued the following Common Shares:

- On June 16, 2020, the Company closed an initial tranche of the Private Placement and issued 1,500,000 Units of the Company, at a price of \$0.05 per Unit, for gross proceeds of \$75,000. In connection with the issuance of the Units, the Company issued 1,500,000 Common Shares and 750,000 Warrants;

- On June 30, 2020, the Company acquired PCAI Pharma and its wholly-owned subsidiary AI Pharma and issued 36,000,000 Common Shares, at a deemed price of \$0.07 per Common Share, for a total Purchase Price of \$2,520,000;
- On July 20, 2020, the Company closed a second tranche of the Private Placement and issued 8,500,000 Units of the Company, at a price of \$0.05 per Unit, for gross proceeds of \$425,000. In connection with the issuance of the Units, the Company issued 8,500,000 Common Shares and 4,250,000 Warrants; and
- On July 31, 2020, the Company closed a third tranche of the Private Placement and issued 10,208,340 Units of the Company, at a price of \$0.05 per Unit, for gross proceeds of \$510,417; of which \$456,250 was received in cash and \$54,167 was issued to settle accrued interest payable. In connection with the issuance of the Units, the Company issued 10,208,340 Common Shares and 5,104,170 Warrants. Furthermore, the Company issued 386,750 Broker Warrants.

During the year ended April 30, 2020, the Company issued the following Common Shares:

- On May 23, 2019, the Company issued 125,000 Common Shares valued at \$25,000 to the former CEO as a deferred finance fee for the loan settlement;
- On August 15, 2019, the Company agreed to issue 166,667 Common Shares to repay interest accrued for \$25,000 on convertible debentures;
- On September 23, 2019, the Company issued 1,500,000 Common Shares valued at \$105,000 to the former CEO for loan settlement; and
- During the year ended April 30, 2020, the Company's current management became aware of a situation where in a prior year, under the Company's old management, certain shareholders had subscribed for 220,000 common shares, which had not been issued. The Company rectified the situation by issuing 220,000 units valued at \$14,000. Each unit consists of one common share, and one common share purchase warrant exercisable at \$0.50 per share for a period of 2 years. As a result of the unit issuance, the Company recorded a loss of the same amount.

Warrants

As at July 31, 2020, the Company had 14,768,920 Common Share purchase warrants issued and outstanding and 19,314,374 Common Share purchase warrants issued and outstanding as at the date hereof.

During the three month period ended July 31, 2020, the Company issued the following warrants:

- On June 1, 2020, the Company issued 100,000 warrants to a consultant exercisable until May 31, 2021 at an exercise price of \$0.10 per Common Share. The fair value of these warrants of \$1,370, was recorded as share-based compensation expense estimated using the Black-Scholes option pricing model with the following assumptions: volatility of 120%, risk-free rate of 2.04%, expected life of 1 years and expected dividend yield of 0.00%.
- On June 16, 2020 and in connection with the Private Placement, the Company issued 750,000 Warrants exercisable until June 15, 2022 at an exercise price of \$0.15 per Common Share. These warrants were valued at \$nil, using the residual value method;
- On July 20, 2020 and in connection with the Private Placement, the Company issued 4,250,000 Warrants exercisable until July 19, 2022 at an exercise price of \$0.15 per Common Share. These warrants were valued at \$nil, using the residual value method;

- On July 31, 2020 and in connection with the Private Placement, the Company issued 5,104,170 Warrants exercisable until July 30, 2022 at an exercise price of \$0.15 per Common Share. These warrants were valued at \$nil, using the residual value method; and
- On July 31, 2020 and in connection with the Private Placement, the Company issued 386,750 Broker Warrants exercisable until July 30, 2022 at an exercise price of \$0.15 per Common Share, valued at \$11,951. The fair value of the brokers warrants of \$11,951, was recorded as share issuance costs estimated using the Black-Scholes option pricing model with the following assumptions: volatility of 120%, risk-free rate of 2.04%, expected life of 2 years and expected dividend yield of 0.00%.

During the year ended April 30, 2020, the Company issued the following warrants:

- During the year ended April 30, 2019, and concurrent with the completion of RTO, the Company issued to directors as compensation, 1,100,000 warrants exercisable at \$0.45 until March 14, 2023;
- As part of the amalgamation, all outstanding warrants (663,400 warrants) to purchase OSO shares were exchanged, on an equivalent basis, for warrants to purchase Common Shares of the Company;
- On April 9, 2019, the Company granted an aggregate of 775,000 5-year cashless warrants as executive compensation to the COO, the CEO and a member of the board. 575,000 of the cashless warrants have an exercise price of \$0.25 and the balance at \$0.45;
- On October 22, 2019, the Company issued 20,000 warrants being a settlement with a shareholder regarding warrant issuance relating to a prior year subscription, for which warrants were not issued. These warrants are exercisable at \$0.50 until October 21, 2021; and
- On January 6, 2020, the Company issued 200,000 warrants being settlement with a shareholder regarding warrant issuance relating to a prior year subscription, for which warrants were not issued. These warrants are exercisable at \$0.50 until January 5, 2022.

Options

As at July 31, 2020 and the date hereof, the Company had 2,725,000 options issued and outstanding.

On May 29, 2020, the Company granted 2,725,000 options to directors, officers and a consultant of the Company. The options were granted in accordance with the Company's stock option plan and are exercisable until May 28, 2023 at an exercise price of \$0.10 per Common Share.

Related Party Transactions

During the three months ended July 31, 2020, amounts paid for key management services include the following:

Contract fees for CEO services	\$	22,500
Contract fees for executive chairman		22,500
Contract fees to CFO services		7,500
	\$	<u>52,500</u>
Share-based compensation to officers and directors from options issued		80,955
	\$	<u><u>133,455</u></u>

During the three months ended July 31, 2019, amounts paid for key management services include the following:

Contract fees for CEO services	\$	30,000
Contract fees for COO services		30,000
Contract fees to CFO services		7,500
	\$	<u>67,500</u>
Consulting fees paid to directors		84,000
	\$	<u><u>151,500</u></u>

As at July 31, 2020, the Company had the following balances with related parties:

- Included in due from related parties is \$18,500 (April 30, 2020 – \$18,500) owed by the former CEO and director of the Company, and companies with management and directors in common with the Company; and
- Included in accounts payable and accrued liabilities is \$nil (April 30, 2020 – \$28,881) due to related parties.

Amounts due from related parties are non-interest bearing with no terms of repayment, other than the loan payable.

Off Balance Sheet Arrangements

As at July 31, 2020, the Company had no material off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

Significant Accounting Policies

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information. The functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the Company's presentation currency.

These condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standards ("IAS") 34 – Interim Financial Reporting and do not include all

information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financials for the year ended April 30, 2020. These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared using accounting policies consistent with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee (“IFRIC”).

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: 1160516 B.C. Ltd., and its wholly-owned subsidiary, Bare Root Production Osoyoos Inc., and PCAI Pharma and its wholly-owned subsidiary, AI Pharma. All inter-company transactions and balances have been eliminated on consolidation.

Significant accounting judgements and estimates

The preparation of these condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders’ equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the periods reported.

Critical Judgements

The preparation of these condensed interim consolidated financial statements requires management to make judgements regarding the going concern of the Company as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries has been determined to be the Canadian dollar.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the consolidated financial statements include:

Share-based compensation

Estimating fair value for granted stock options and compensatory warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Carrying values of tangible assets

The Company assesses the carrying value of its tangible assets annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are charged against current earnings. Recoverability is dependent upon assumption and judgements regarding market conditions, costs of operations and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates, and future cash flows. A material change in the assumptions may significantly impact the potential impairment of these assets.

Discount rates used in convertible debentures

The Company calculates the liability portion of convertible debentures by calculating the present value of the loan and related interest, using a discount rate equal to the market rate that would be given for similar debt, without a conversion feature. Management determines this rate by assessing what rate the Company could borrow funds at from an unrelated party.

Leases

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of the lease term is reviewed if a significant event or a significant change in circumstance occurs, which affects this assessment and that is within the control of the lessee. The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Business Combinations

Acquisitions have been accounted for using the acquisition method required by IFRS 3, Business Combinations. Goodwill arising from acquisitions is measured as the fair value of the consideration transferred less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed (subject to certain exemptions to fair value measurement principles such as deferred tax assets or liabilities), all measured as of the acquisition date. Transaction costs that are incurred by the Company in connection with a business combination are expensed as incurred (except for costs directly related to the issuance of shares which are recognized in equity).

The Company uses its best estimates and assumptions to accurately value assets and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, and these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. On conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in profit and loss.

Financial Instruments and Other Risk Factors

The Company's financial instruments consist of cash and cash equivalents, due from related party, rental deposit, accounts payable, loan payable, and convertible debentures.

The Company's cash and cash equivalents is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities. The presentation of the Company's due from related party and accounts payable is fair value, taking into account their short-term nature. The fair value of rental deposit and loan payable approximates fair value. The fair value of convertible debentures are measured on the statement of financial position using level 3 of the fair value hierarchy.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk and price risk.

Financial risk management and objectives

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on these condensed interim consolidated financial statements. The following analysis provides a measurement of risks as at July 31, 2020:

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is not exposed to significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flows primarily from its financing activities.

The Company manages its liquidity needs by carefully monitoring scheduled costs. Liquidity is measured in various time bands, on day to day and week-to-week basis, as well as on long term liquidity needs over 180 day to 360 day look out periods. Funding for long term liquidity needs is based on the ability of the Company to successfully complete private placements as well as, in certain cases, to pay the outstanding balances owed in shares of the Company rather than in cash.

As at July 31, 2020, the Company had cash and cash equivalents of \$1,054,944 and current liabilities of \$953,265.

The Company considers expected cash flow from financial assets in managing liquidity risk. The Company's existing cash resources currently do not meet the current cash outflow requirements. As a result, the Company is at a risk of not being a going concern if management is unable to raise the appropriate funds prior to the maturity of the financial liabilities.

Market Risk

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

(ii) Price Risk

The Company is not exposed to significant price risk as it does not possess investments in publicly traded securities.

(iii) Foreign Currency Risk

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of their accounts payable balances. The risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. As at July 31, 2020, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

Contingencies and Commitments

The Company's operations were governed by governmental laws and regulations regarding environmental protection. Environmental consequences are difficult to both predict and identify, in terms of level, impact or timeline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations in effect. Restoration costs will be accrued in the financial statements only when they will be reasonably estimated and will be charged to the earnings at the time.

On September 1, 2018, the Company executed a lease on real property and paid a rental deposit of \$64,817 (the "Lease"). The Lease expires on August 31, 2023, subject to a 5 year renewal option at fair value rent. In years 1 and 2, the monthly rent (including common area cost) is \$10,714, for years 3 and 4 \$11,581 and year 5 \$12,449. The common area cost will be increased to reflect cost increases. The Company has the option to acquire the property for \$1,500,000. The option may be exercised at the end of the initial lease term on giving prior notice of at least six (6) months prior to the end of the initial lease term. The amount of deposit remaining as at July 31, 2020 is \$31,070 (April 30, 2020 - \$64,817). On August 28, 2020 and in connection with the Lease, the Company entered into a sublease agreement effective October 1, 2020 for the remaining duration of the Lease.

On June 22, 2020, AI Pharma, the Company's subsidiary executed a commercial space in Jamaica and for period till December 31, 2021 on a monthly rent of JMD 1,015,000 (CAD \$9,847).

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties due to the nature of its business and the present stage of development. Current and potential investors should give special consideration to the risk factors involved.

Additional Financing

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company intends to fund its future business activities by way of additional offerings of equity and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company will require additional financing to fund its operations until positive cash flow is achieved.

Investments may be pre-revenue

The Company has made and may make future investments in entities that have no significant sources of operating cash flow and no revenue from operations. As such, the Company's investments are subject to risks and uncertainties including the risk that the Company's investments will not be able to:

- implement or execute their current business plan, or create a business plan that is sound;
- maintain their anticipated management team; and/or
- raise sufficient funds in the capital markets or otherwise to effectuate their business plan.

If the Company's investments cannot execute any one of the foregoing, their businesses may fail, which could have a materially adverse impact on the business, financial condition and operating results of the Company.

Research and development

Although the Company, itself and through its investments, is committed to the development of combinatorial pharmaceuticals, nutraceuticals and cosmeceuticals, there can be no assurances that such research and development activities will prove profitable or that the resulting discoveries and products, if any, will be commercially viable or successfully produced and marketed.

Intellectual property and proprietary protection

The success of the Company will depend, in part, on the ability of the Company and the Company's investments to maintain, enhance and protect its intellectual property, including various existing and potential proprietary discoveries, techniques and processes. The Company and the Company's investments may be vulnerable to competitors who develop competing technology. Furthermore, the protection of the Company's intellectual property may be a costly litigation process.

Reliance on management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of such individuals or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all.

COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Corporate Information

Directors and Officers

Dr. Stephen D. Barnhill – Executive Chair
Graham Simmonds – Executive Vice Chair & Chief Executive Officer
Paul Crath – Lead Independent Director
Larry Horwitz – Director
Rosy Mondin – Director
Sara Lee Irwin – Director
Dr. Anthony Hall – Director
Rakesh Malhotra – Chief Financial Officer
Dr. Herbert Fritsche – Chief Science Officer

Corporate Office

45 Sheppard Avenue East, Suite 703, Toronto, Ontario, Canada, M2N 5W9

Independent Auditor

Buckley Dodds LLP, Vancouver

Transfer Agent

Capital Transfer Agency ULC, Toronto

Other Information

Additional information on the Company is available on SEDAR at www.sedar.com.