AION THERAPEUTIC INC.
(formerly, Osoyoos Cannabis Inc.)

Condensed Interim Consolidated Financial Statements
(Unaudited - Expressed in Canadian Dollars)

For the Three Months Ended July 31, 2020 and 2019

Aion Therapeutic Inc.
(formerly, Osoyoos Cannabis Inc.)

(Unaudited)
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Aion Therapeutic Inc. (formerly, Osoyoos Cannabis Inc.)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	Notes		As at July 31, 2020 (unaudited)		As at April 30, 2020 (audited)
Assets					
Current assets:					
Cash and cash equivalents		$	**1,054,944**	$	612,788
GST and HST receivable			**67,081**		53,474
Deferred costs	7		**20,000**		20,000
Prepaid expenses			**105,610**		41,125
Due from related party	10		**18,500**		18,500
Rental deposit	12		**31,070**		-
			1,297,205		745,887
Property and equipment	5		**2,154,911**		2,154,911
Right-of-use assets	13		**498,839**		370,178
Goodwill	4		**2,538,542**		-
Rental deposit	12		**-**		64,817
Total assets		$	**6,489,497**	$	3,335,793
Liabilities and shareholders' equity					
Current liabilities:					
Accounts payable and accrued liabilities	6, 10	$	**141,348**	$	183,539
Accrued interest payable			**18,992**		59,097
Lease obligations	14		**212,957**		110,916
Loan payable	7		**125,000**		125,000
Convertible debentures	8		**454,968**		-
			953,265		478,552
Lease obligation	14		**329,814**		296,796
Convertible debentures	8		**-**		426,196
Total liabilities			**1,283,079**		1,201,544
Shareholders' equity					
Capital stock	9		**11,220,652**		7,725,860
Contributed surplus			**281,816**		281,816
Warrant reserve			**635,472**		623,521
Share-based compensation reserve			**1,228,828**		1,145,753
Convertible debentures	8		**94,304**		94,304
Accumulated deficit			**(8,254,654)**		(7,737,005)
Total shareholders' equity			**5,206,418**		2,134,249
Total liabilities and shareholders' equity		$	**6,489,497**	$	3,335,793

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Approved by the Board of Directors:

"Graham Simmonds" (signed), Director   "Paul Crath" (signed), Director

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

(Unaudited - Expressed in Canadian Dollars)

	Notes	Three months ended July 31, 2020	Three months ended July 31, 2019
Expenses			
Accretion	7, 8, 14	**$ 20,596**	$ 144,661
Amortization of right-of-use assets	13	**36,965**	27,641
Consulting fees	10	**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	10	**52,500**	67,500
Office and administration		**28,642**	6,889
Professional fees		**19,960**	115,978
Share-based compensation	9(e), 9(f), 10	**83,075**	-
Transfer agent and regulatory fees		**7,982**	2,157
Net loss and comprehensive loss for the period		**$ (517,649)**	$ (530,486)
Loss per share			
Loss per common share: Basic and diluted		**$ (0.010)**	$ (0.015)
Weighted average number of common shares outstanding: Basic and diluted		**51,173,219**	34,764,600

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

Aion Therapeutic Inc. (formerly, Osoyoos Cannabis Inc.)
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian Dollars)

	Number of common shares outstanding		Share capital		Obligation to issue shares		Contributed surplus		Warrant reserve		Share-based compensation reserve		Convertible debentures		Deficit		Total
Balance as of April 30, 2019	**34,670,157**	**$**	**7,556,860**	**$**	**-**	**$**	**281,816**	**$**	**623,521**	**$**	**1,145,753**	**$**	**$94,304**	**$**	**(7,064,173)**	**$**	**2,638,081**
Shares issued for debt settlement	125,000		25,000		-		-		-		-		-		-		25,000
Shares to be issued for debenture interest (166,667)	-		-		25,000		-		-		-		-		-		25,000
Net loss for the period	-		-		-		-		-		-		-		(530,486)		(530,486)
Balance as at July 31, 2019	**34,795,157**	**$**	**7,581,860**	**$**	**25,000**	**$**	**281,816**	**$**	**623,521**	**$**	**1,145,753**	**$**	**94,304**	**$**	**(7,594,659)**	**$**	**2,157,595**
Balance as of April 30, 2020	**36,681,824**	**$**	**7,725,860**	**$**	**-**	**$**	**281,816**	**$**	**623,521**	**$**	**1,145,753**	**$**	**94,304**	**$**	**(7,737,005)**	**$**	**2,134,249**
Share-based compensation	-		-		-		-		-		81,705		-		-		81,705
Issuance of warrants for services	-		-		-		-		-		1,370		-		-		1,370
Acquisition of subsidiary	36,000,000		2,520,000		-		-		-		-		-		-		2,520,000
Issuance of units on private placement	20,208,340		1,010,417		-		-		-		-		-		-		1,010,417
Share issuance costs - cash	-		(23,674)		-		-		-		-		-		-		(23,674)
Issuance of broker warrants	-		(11,951)		-		-		11,951		-		-		-		-
Net loss for the period	-		-		-		-		-		-		-		(517,649)		(517,649)
Balance as at July 31, 2020	**92,890,164**	**$**	**11,220,652**	**$**	**-**	**$**	**281,816**	**$**	**635,472**	**$**	**1,228,828**	**$**	**94,304**	**$**	**(8,254,654)**	**$**	**5,206,418**

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

Aion Therapeutic Inc. (formerly, Osoyoos Cannabis Inc.)
Condensed Interim Consolidated Statement of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

		Three months ended July 31, 2020		Three months ended July 31, 2019
Cash flows from operating activities				
Net loss for the period	$	**(517,649)**	$	(530,486)
Items not involving cash:				
Share-based compensation		**83,075**		-
Accretion on loan payable and convertible debentures		**9,490**		138,660
Amortization of finance costs		**19,282**		19,282
Accretion on lease obligation		**11,106**		6,001
Accrued interest payable		**14,062**		6,158
Amortization of right-of-use assets		**36,965**		27,641
Non-cash working capital adjustments				
GST and HST receivable		**(13,607)**		(33,816)
Prepaid expenses		**(64,485)**		22,500
Accounts payable and accrued liabilities		**(60,733)**		(97,647)
Total cash used by operating activities		**(482,494)**		(441,707)
Cash flows from investing activities				
Property and equipment		**-**		(96,387)
Repayment of lease obligations		**(41,673)**		(21,427)
Rental deposit		**33,747**		-
Total cash used by investing activities		**(7,926)**		(117,814)
Cash flows from financing activities				
Shares issued for cash		**956,250**		-
Share issuance costs		**(23,674)**		-
Total cash provided by financing activities		**932,576**		-
Total increase (decrease) in cash during the period		**442,156**		(559,521)
Cash and cash equivalents - beginning of period		**612,788**		1,622,730
Cash and cash equivalents - end of period	**$**	**1,054,944**	$	1,063,209
Supplementary cash flow information:				
Interest paid	**$**	**-**	$	18,842
Taxes paid	**$**	**-**	$	-
Cash and cash equivalents consist of:				
Cash	**$**	**711,282**	$	-
Cash equivalents	**$**	**343,662**	$	1,063,209

The following are non-cash transactions affecting cash flows from investing and financing activities during the three months ended July 31, 2020:

- The Company issued 36,000,000 shares for the acquisition of 1196691 B.C. Ltd. (Note 4);
- The Company issued 386,750 broker warrants valued at $11,951 as share issuance costs; and
- The Company settled $54,167 of accrued interest with the issuance of 1,083,340 units on private placement.

The following are non-cash transactions affecting cash flows from investing and financing activities during the three months ended July 31, 2019:

- The Company issued 125,000 common shares valued at $25,000 for a deferred finance fee.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Aion Therapeutic Inc. (formerly, Osoyoos Cannabis Inc.) ("Aion" or the "Company") 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.

These condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("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. At July 31, 2020 the Company had cash of $1,054,944 (April 30, 2020 - $612,788), working capital of $343,940 (April 30, 2020 - $267,335), and an accumulated deficit of $8,254,654 (April 30, 2020 - $7,737,005). 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.

2. BASIS OF PRESENTATION

Basis of preparation

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.

Statement of compliance

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 International Accounting Standards Board and interpretations of the IFRS Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements have been reviewed and approved by the Company's Audit Committee and its Board of Directors on September 28, 2020.

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 polices 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 judgments 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.

<u>Critical Judgements</u>

The preparation of these condensed interim consolidated financial statements requires management to make judgements regarding the going concern of the Company, as previously discussed in Note 1, 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.

2. BASIS OF PRESENTATION (continued)

Significant accounting judgments and estimates (continued)

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.

2. BASIS OF PRESENTATION (continued)

Significant accounting judgments and estimates (continued)

Key Sources of Estimation Uncertainty (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in the consolidated financial statements at April 30, 2020 have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

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.

(Unaudited - Expressed in Canadian Dollars)

4. ACQUISITIONS

Acquisition of PCAI Pharma and AI Pharma

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 Pharma (the "Acquisition"), as described in Note 1. As consideration for the Transaction, the Company issued 36,000,000 common shares of the Company at a deemed price of $0.07 per share for a total consideration of $2,520,000 the (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 $0.07 per share	**$**	**2,520,000**
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
	$	**2,520,000**

5. PROPERTY AND EQUIPMENT

		Equipment(1)		Leasehold Improvements(2)		Total
Cost						
Balance at April 30, 2019	$	2,011,200	$	39,642	$	2,050,842
Additions		-		104,069		104,069
Balance at April 30, 2020		**2,011,200**		**143,711**		**2,154,911**
Additions		-		-		-
Balance at July 31, 2020	**$**	**2,011,200**	**$**	**143,711**	**$**	**2,154,911**
Net Book Value						
Balance, July 31, 2020	**$**	**2,011,200**	**$**	**143,711**	**$**	**2,154,911**
Balance, April 30, 2020	**$**	**2,011,200**	**$**	**143,711**	**$**	**2,154,911**

(1) No amortization has been taken on equipment, as they are not yet in use by the Company.
(2) The leasehold improvements are in progress and will be amortized when completed and in use by the Company.

For the three months ended July 31, 2020, the Company capitalized $nil (July 31, 2019 – $96,387) as leasehold improvements.

(Unaudited - Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT (continued)

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.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company’s accounts payable and accrued liabilities are broken down as follows:

		July 31, 2020		April 30, 2020
Accounts payable	$	40,409	$	92,840
Accrued liabilities		100,939		90,699
Total accounts payable and accrued liabilities	**$**	**141,348**	**$**	**183,539**

7. LOAN PAYABLE

The loan payable to the former CEO arises from the surrender of shares and was unsecured and non-interest bearing with a due date of March 15, 2020. Effective May 1, 2018, the loan was discounted to fair value of $718,184 using market rate. The loan was to be accreted to fair value over the term of the loan. On May 23, 2019, the Company secured extended and improved terms of the loan note initially payable on March 15, 2020. The principal amount of one million dollars ($1,000,000), negotiated as part of a capital restructuring of the Company in March 2018, would bear a simple interest rate of 5% p.a. and be payable in five equal annual installments. Additionally, subject to terms and conditions of an escrow agreement and all regulatory and exchange approvals, the Company issued to the lender 125,000 common shares valued at $25,000, with 25,000 vesting immediately and 20,000 common shares vesting on each of the five anniversary dates beginning on March 15, 2020. The finance cost of $25,000 has been deferred to be amortized over the period of the loan. As at July 31, 2020, the deferred costs amounted to $20,000 (April 30, 2020 – $20,000).

7. LOAN PAYABLE (continued)

As at April 30, 2019 the carrying value of the loan was $1,000,000 less $129,170 of unamortized discount. The Company recorded accretion expense of $129,170 during the three month period ended July 31, 2019 (July 31, 2020 – $nil).

On September 23, 2019, the Company announced final settlement of the debt of $1,000,000. The Company has issued the creditor 1,500,000 shares of the Company fair valued at $105,000, paid cash of $125,000 and executed a promissory note in the principal amount of $125,000, which accrues interest at 5% per annum and is due May 31, 2020. The Company accrued interest for $1,562 during the three month period ended July 31, 2020.The settlement resulted in a gain on restructuring of debt in the amount of $645,000. As at July 31, 2020, the principal amount outstanding was $125,000 (April 30, 2020 - $125,000).

8. CONVERTIBLE DEBENTURES

During the period ended April 30, 2018, the Company issued $1,130,000 in convertible debentures (the “Debentures”). The Debentures had a maturity of 3 years, carry an interest rate of 10%, which can be paid in cash or common shares at a price of $0.15. The Debentures are convertible into common shares at $0.15 per share, at the discretion of the debenture holder. In connection with the Debentures, the Company issued 7,533,530 common share purchase warrants, with each warrant exercisable at $0.20 for a period of 2 years. The warrants are considered to be transaction costs of the Debentures and had a fair value of $623,521 calculated using the Black-Scholes pricing model with volatility of 120% and an interest rate of 1.41%. Of this amount, $144,116 was allocated to the equity component of the convertible debenture, with the remaining amount allocated to the liability portion, to be amortized over the term of the notes.

In addition, 342,500 common shares valued at $51,375 were issued to the holders of the Debentures and recorded as transaction costs. Of the $51,375 transaction costs, $11,875 was recorded as a cost of issuing the equity, with the remainder recorded against the liability portion of the notes and will be amortized over the term of the notes. During the three month period ended July 31, 2020 the Company expensed interest expense of $12,500 (July 31, 2019 - $12,500) for these Debentures. At the option of the debenture holder, the interest can be paid in cash or in shares at a value of $0.15 per share.

On May 10, 2018 the Company repaid certain Debentures with a face value of $105,000 and a carrying value of $46,438, resulting in a loss on repayment of $47,676 and a reduction in equity in Debentures of $10,886.

On April 25, 2019, convertible debenture holders of face value of $525,000 opted to convert their debt into equity at $0.15 per common share. The Company issued 3,500,000 common shares.

During the year ended April 30, 2020, the Company issued 166,667 shares to settle $25,000 of accrued interest on the Debentures.

(Unaudited - Expressed in Canadian Dollars)

8. CONVERTIBLE DEBENTURES (continued)

As at July 31, 2020 the Company's Debentures were as follows:

		Equity component of convertible debenture		Liability portion of convertible debenture		Total
Balance, April 30, 2019	**$**	**94,304**	**$**	**311,107**	**$**	**405,411**
Amortization of finance costs		-		77,129		77,129
Accretion		-		37,960		37,960
Balance, April 30, 2020	**$**	**94,304**	**$**	**426,196**	**$**	**520,500**
Amortization of finance costs		-		19,282		19,282
Accretion		-		9,490		9,490
Balance, July 31, 2020	**$**	**94,304**	**$**	**454,968**	**$**	**549,272**

9. CAPITAL STOCK

The Company is authorized to issue the following shares:

- Unlimited Class "A" voting common shares with no par value;
- Unlimited Class "B" non-voting preferred shares with a par value of $1.00; and
- Unlimited Class "C" voting common shares with no par value.

a) Common shares

The Company is authorized to issue an unlimited number of Class "A" Common shares of the Company ("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 (April 30, 2020 – 36,681,824).

b) 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.

There were no issuances of preferred shares during the three months ended July 31, 2020 and 2019.

9. CAPITAL STOCK (continued)

c) Share issuances

During the three months 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; 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.

During the three months 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 as described in Note 1 and Note 4. In consideration for the Transaction, the Company 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.

9. CAPITAL STOCK (continued)

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 (Note 7);
- On August 15, 2019, the Company agreed to issue 166,667 Common Shares to repay interest accrued for $25,000 on convertible debentures (Note 8);
- On September 23, 2019, the Company issued 1,500,000 Common Shares valued at $105,000 to the former CEO for loan settlement (Note 7); 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.

d) Warrants

During the three months 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. These warrants were valued at $1,370 (see Note 9(f));
- 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%.

(Unaudited - Expressed in Canadian Dollars)

9. CAPITAL STOCK (continued)

d) Warrants (continued)

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.

The following is a summary of changes in warrants:

	Number of Warrants	**Weighted Average Exercise Price**
Outstanding, April 30, 2019	34,401,601	$0.49
Issued	220,000	$0.50
Expired	(30,363,201)	$0.51
Outstanding, April 30, 2020	**4,258,400**	**$0.34**
Issued	100,000	$0.10
Issued	10,104,170	$0.15
Issued (Broker warrants)	386,750	$0.15
Expired	(80,400)	$0.50
Outstanding, July 31, 2020	**14,768,920**	**$0.20**

(Unaudited - Expressed in Canadian Dollars)

9. CAPITAL STOCK (continued)

d) Warrants (continued)

As at July 31, 2020, the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price	Remaining Life (Years)	Expiry Date
357,000	$0.25	0.17	October 1, 2020
226,000	$0.50	0.42	December 31, 2020
100,000	$0.10	0.83	May 31, 2021
20,000	$0.50	1.22	October 21, 2021
200,000	$0.50	1.43	January 5, 2022
750,000	$0.15	1.87	June 15, 2022
4,250,000	$0.15	1.88	June 19, 2022
5,104,170	$0.15	2.00	July 30, 2022
386,750	$0.15	2.00	July 30, 2022
1,500,000	$0.25	2.62	March 14, 2023
1,100,000	$0.45	2.62	March 14, 2023
575,000	$0.25	3.69	April 8, 2024
200,000	$0.45	3.69	April 8, 2024
14,768,920	**$0.20**	**2.18**	

e) Stock Options

On May 29, 2020, the Company granted 2,725,000 options to the Company's directors, officers and a consultant. These 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. These options vested on date of grant.

The Company calculated $81,705 as the fair value of options issued as compensation using the Black-Scholes option pricing model, for the 2,725,000 options with the following assumptions:

Expected life	3 years
Risk- free Interest rate	2.04%
Expected volatility	120%
Expected dividends yield	0%
Forfeiture rate	0%

The Company recorded a share-based compensation expense in the amount of $81,705 (July 31, 2019 – $nil) for the three months ended July 31, 2020.

The following is a summary of changes in stock options:

	Number of Options	Weighted Average Exercise Price
Outstanding, April 30, 2019, and April 30, 2020	-	$ -
Granted	2,725,000	$0.10
Outstanding, July 31, 2020	**2,725,000**	**$0.10**

(Unaudited - Expressed in Canadian Dollars)

9. CAPITAL STOCK (continued)

e) Stock Options (continued)

A summary of outstanding and exercisable stock options is as follows:

Outstanding	Exercisable	Exercise Price	Remaining Life (Years)	Expiry Date
2,725,000	2,725,000	$0.10	2.82	May 28, 2023
2,725,000	**2,725,000**	**$0.10**	**2.82**	

f) Share-based Compensation

<u>During the three months ended July 31, 2020:</u>

The Company recognizes compensation expense for all stock options and warrants granted as compensation using the fair value method of accounting. For the three months ended July 31, 2020, the Company recorded share-based compensation expense of $1,370 for 100,000 Warrants issued to a consultant for services.

The Company calculated the fair value of warrants issued as compensation using the Black-Scholes option pricing model, for the 100,000 warrants with the following assumptions:

Expected life	1 year
Risk- free Interest rate	2.04%
Expected volatility	120%
Expected dividends yield	0%
Forfeiture rate	0%

(Unaudited - Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

Key management personnel include the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the Board of Directors, close family members and enterprises that are controlled by such individuals as well as certain persons performing similar functions.

Transactions with key management personnel not disclosed elsewhere in the financial statements include the following:

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
	$	52,500
Share-based compensation to officers and directors from options issued (note 9(e))		80,955
	$	**133,455**

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
	$	67,500
Consulting fees paid to directors		84,000
	$	**151,500**

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 as discussed in Note 7.

11. FINANCIAL INSTRUMENTS

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. Appropriate going concern disclosures have been made in Note 1.

11. FINANCIAL INSTRUMENTS (continued)

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.

a) 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.

b) Price Risk

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

c) 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.

12. 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, the Company entered into an assignment agreement whereby the Company assigned and transferred all right, title and interest in the Lease to a third party. As a result, the Company no longer has any obligations with regards to the Lease.

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

(Unaudited - Expressed in Canadian Dollars)

12. CONTINGENCIES AND COMMITMENTS (continued)

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.

13. RIGHT-OF-USE ASSETS

Balance, May 1, 2019	**$**	**481,231**
Amortization		(111,053)
Balance, April 30, 2020	**$**	**370,178**
Addition during the period (Note 4)		165,626
Amortization		(36,965)
Balance, July 31, 2020	**$**	**498,839**

Right-of-use assets consist of sub-lease for warehouse space in Canada amortized over 52 months and sub-lease of commercial space in Jamaica amortized over 18 months. During the three months ended July 31, 2020, the Company amortized $36,965 (July 31, 2019 – $27,641) of its right-of-use assets.

14. LEASE OBLIGATIONS

At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10% which is the Company's incremental borrowing rate. The effective interest rate is 10.47%. The continuity of the lease obligations are presented in the table below:

Balance, May 1, 2019	**$**	**481,231**
Interest accretion expense		44,331
Lease payments prepaid		10,713
Lease payments made during the year		(128,563)
Balance, April 30, 2020	**$**	**407,712**
Addition during the period (Note 4)		165,626
Interest accretion expense		11,106
Lease payments made during the period		(41,673)
Balance, July 31, 2020	**$**	**542,771**

(Unaudited - Expressed in Canadian Dollars)

14. LEASE OBLIGATIONS (continued)

As at July 31, 2020 and April 30, 2020:

		July 31, 2020		April 30, 2020
Less than one year	$	212,957	$	110,916
Greater than one year		329,814		296,796
Total lease obligation	$	**542,771**	**$**	**407,712**

15. SUBSEQUENT EVENTS

a) On August 28, 2020, the Company entered into an assignment agreement whereby the Company assigned and transferred all right, title and interest in the Lease to a third party. As a result, the Company no longer has any obligations with regards to the Lease (see Note 12).

b) 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.

c) 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 (Note 7).