



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

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

For the Three and Nine Months Ended
January 31, 2021 and 2020

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 January 31, 2021	As at April 30, 2020
Assets			
Current assets:			
Cash and cash equivalents		\$ 262,025	\$ 612,788
GST and HST receivable		42,020	53,474
Deferred costs	8	20,000	20,000
Assets held for sale	7	500,000	-
Prepaid expenses		212,730	41,125
Due from related party	11	-	18,500
		<u>1,036,775</u>	<u>745,887</u>
Property and equipment	5	500,000	2,154,911
Right-of-use assets	14	95,183	370,178
Goodwill	4	2,538,542	-
Intangible assets	6	1,137,236	-
Rental deposit	13	-	64,817
Total assets		<u>\$ 5,307,736</u>	<u>\$ 3,335,793</u>
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 432,190	\$ 183,539
Accrued interest payable		-	59,097
Lease obligations	15	98,045	110,916
Loan payable	8	-	125,000
Convertible debentures	9	482,134	-
		<u>1,012,369</u>	<u>478,552</u>
Lease obligation	15	-	296,796
Convertible debentures	9	-	426,196
Total liabilities		1,012,369	1,201,544
Shareholders' equity			
Capital stock	10	12,777,034	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	9	109,670	94,304
Accumulated other comprehensive income		1,097	-
Accumulated deficit		<u>(10,738,550)</u>	<u>(7,737,005)</u>
Total shareholders' equity		<u>4,295,367</u>	<u>2,134,249</u>
Total liabilities and shareholders' equity		<u>\$ 5,307,736</u>	<u>\$ 3,335,793</u>
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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.

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

	Notes	Three months ended January 31, 2021	Three months ended January 31, 2020	Nine months ended January 31, 2021	Nine months ended January 31, 2020
Expenses					
Accretion	9, 15	\$ 10,555	\$ 15,491	\$ 62,351	\$ 175,643
Amortization of right-of-use assets	14	24,797	27,641	104,916	82,923
Bad debt	11	-	-	18,500	-
Consulting fees		288,553	67,001	802,394	215,222
Foreign exchange loss		20,381	-	17,255	-
Insurance		22,500	22,500	73,500	67,500
Interest expense		26,279	30,872	82,513	76,454
Investor relations		36,249	-	85,692	-
License fees	11	19,607	-	45,593	-
Management fees	11	95,928	65,000	227,348	200,000
Office, administration and miscellaneous		12,969	13,219	126,395	38,638
Professional fees		23,342	579	119,451	138,550
Share-based compensation	10(e), 10(f)	-	-	83,075	-
Transfer agent and regulatory fees		4,669	4,375	21,310	15,032
		(585,829)	(246,678)	(1,870,293)	(1,009,962)
Gain on restructuring of debt	8	-	-	-	645,000
Gain on assignment of lease	14	-	-	23,659	-
Impairment of assets held for sale	7	(505,600)	-	(505,600)	-
Impairment of property and equipment	5	(505,600)	-	(505,600)	-
Impairment of leasehold improvements	5	-	-	(143,711)	-
Net loss		\$ (1,597,029)	\$ (246,678)	\$ (3,001,545)	\$ (364,962)
Loss per share – basic and diluted		\$ (0.015)	\$ (0.007)	\$ (0.035)	\$ (0.010)
Weighted average number of common shares outstanding – basic and diluted		109,442,809	36,538,346	85,956,939	35,628,454
Net loss		\$ (1,597,029)	\$ (246,678)	\$ (3,001,545)	\$ (364,962)
Foreign exchange translation adjustment		4,629	-	1,097	-
Total comprehensive loss		\$ (1,592,400)	\$ 246,678	\$ (3,000,448)	\$ (364,962)

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

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

	Number of common shares outstanding	Share capital	Contributed surplus	Warrant reserve	Share-based compensation reserve	Convertible debentures	Accumulated Deficit	Accumulated other comprehensive income	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 (Note 9)	125,000	25,000	-	-	-	-	-	-	25,000
Shares to be issued for debenture interest	166,667	25,000	-	-	-	-	-	-	25,000
Shares issued for debt settlement (Note 9)	1,500,000	105,000	-	-	-	-	-	-	105,000
Adjustment for reverse merger transaction	220,000	-	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	-	(364,962)	-	(364,962)
Balance as at January 31, 2020	36,681,824	\$ 7,711,860	\$ 281,816	\$ 623,521	\$ 1,145,753	\$ 94,304	\$ (7,429,135)	\$ -	\$ 2,428,119
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 (Note 4)	36,000,000	2,520,000	-	-	-	-	-	-	2,520,000
Issuance of units on private placement (Note 10)	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	-	-	-	-	-
Issuance of units on private placement (Note 10)	9,090,907	500,000	-	-	-	-	-	-	500,000
Issuance of shares for accrued interest	772,775	61,822	-	-	-	-	-	-	61,822
Equity portion of convertible debt	-	-	-	-	-	15,366	-	-	15,366
Issuance of units on private placement (Note 10)	15,384,615	1,000,000	-	-	-	-	-	-	1,000,000
Share issuance costs - cash	-	(5,440)	-	-	-	-	-	-	(5,440)
Foreign currency translation income	-	-	-	-	-	-	-	1,097	1,097
Net loss for the period	-	-	-	-	-	-	(3,001,545)	-	(3,001,545)
Balance as at January 31, 2021	118,138,461	\$ 12,777,034	\$ 281,816	\$ 635,472	\$ 1,228,828	\$ 109,670	\$ (10,738,550)	\$ 1,097	\$ 4,295,367

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

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

	Nine months ended January 31, 2021	Nine months ended January 31, 2020
Cash flows from operating activities		
Net loss for the period	\$ (3,001,545)	\$ (364,962)
Items not involving cash:		
Bad debt expense	18,500	-
Share-based compensation	83,075	-
Issuance of units for services	11,000	-
Gain on restructuring of debt	-	(645,000)
Issuance of shares for accrued interest	12,604	18,658
Accretion on loan payable and convertible debentures	39,027	157,640
Amortization of finance costs	52,277	57,846
Accretion on lease obligation	23,324	18,003
Write-off of leasehold improvements	143,711	-
Write-off of assets held for sale	505,600	-
Impairment of property and equipment	505,600	-
Amortization of right-of-use assets	104,916	82,923
Gain on assignment of lease	(23,659)	-
Non-cash working capital adjustments		
GST and HST receivable	11,454	(77,054)
Prepaid expenses	(171,605)	(45,425)
Accounts payable and accrued liabilities	248,651	(60,341)
Total cash used by operating activities	(1,437,070)	(857,712)
Cash flows from investing activities		
Property and equipment	-	(104,069)
Intangible asset	(1,137,236)	-
Repayment of lease obligations	(139,301)	(85,709)
Rental deposit	64,817	-
Total cash used by investing activities	(1,211,720)	(189,778)
Cash flows from financing activities		
Repayment of loan payable	(125,000)	(125,000)
Units issued for cash	2,445,250	-
Share issuance costs	(29,114)	-
Total cash provided (used) by financing activities	2,291,136	(125,000)
Effects of foreign currency exchange rate changes	6,891	-
Total decrease in cash and cash equivalents during the period	(350,763)	(1,172,490)
Cash and cash equivalents - beginning of period	612,788	1,622,730
Cash and cash equivalents - end of period	\$ 262,025	\$ 450,240
Supplementary cash flow information:		
Interest paid	\$ 7,222	\$ 18,842
Taxes paid	\$ -	\$ -
Cash and cash equivalents consist of:		
Cash	\$ 262,025	\$ 106,578
Cash equivalents	\$ -	\$ 343,662
Non-cash transactions (Note 16)		

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

Aion Therapeutic Inc. (formerly, Osoyoos Cannabis Inc.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended January 31, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

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. As at January 31, 2021, the Company had cash of \$262,025 (April 30, 2020 – \$612,788), a working capital of \$24,406 (April 30, 2020 – working capital of \$267,335), and an accumulated deficit of \$10,738,550 (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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

Aion Therapeutic Inc. (formerly, Osoyoos Cannabis Inc.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended January 31, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

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.

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 financial statements 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 ("IASB") 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 April 1, 2021.

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 the Company's 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: Oservco Management Corp., 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.

Critical Judgements

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, Oservco Management Corp., 1160516 B.C. Ltd., Bare Root Production Osoyoos Inc., and PCAI Pharma have been determined to be the Canadian dollar. The functional currency of AI Pharma has been determined to be the Jamaican dollar.

Aion Therapeutic Inc. (formerly, Osoyoos Cannabis Inc.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended January 31, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

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 consolidated 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 consolidated 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 these consolidated financial statements include:

Share-based compensation

Estimating fair value for granted stock options and 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 execution of the Company's business plan. 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 net income (loss). Recoverability is dependent upon assumptions 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 debenture 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.

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Notes to the Condensed Interim Consolidated Financial Statements
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2. BASIS OF PRESENTATION (continued)

Significant accounting judgments and estimates (continued)

Key Sources of Estimation Uncertainty (continued)

Leases

The Company estimates a 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 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 a 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.

Capitalization of development costs

Initial capitalization of development costs is based on management's judgment that technical and economic feasibility is confirmed. Subsequent development costs are capitalized if the Company can demonstrate an economic benefit to the underlying intangible asset. An intangible asset arising from development is recognized if the Company can demonstrate all of the following:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) its intention to complete the intangible asset and use or sell it;
- c) its ability to use or sell the intangible asset;
- d) how the intangible asset will generate probable, future economic benefits;
- e) the availability of adequate technical, financial and other resources; and
- f) its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

Carrying values of goodwill and other intangible assets

The values associated with goodwill and other intangible assets involve significant estimates and assumptions, including those with respect to the determination of cash generating units ("CGUs"), future cash inflows and outflows, discount rates and useful asset lives. At least annually, the carrying amount of goodwill and other intangible assets are reviewed for potential impairment. Among other things, this review considers the recoverable amounts of the CGUs based on the higher of value in use or fair value less costs of disposal using discounted estimated future cash flows. These significant estimates require considerable judgment which could affect the Company's future results if the current estimates of future performance and fair value change.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in the audited consolidated financial statements for the year ended April 30, 2020 have been applied consistently to all periods presented in these condensed interim consolidated financial statements except for the following new standards adopted in these condensed interim consolidated financial statements:

Business combinations

Acquisitions have been accounted for using the acquisition method as per IFRS 3, Business Combinations. Goodwill arising from acquisitions are 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 an 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 an 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.

Assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for sets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the noncurrent asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recorded on a straight-line basis over the estimated useful life of the asset acquired, which varies depending on the nature of the intangible asset. Intangible assets are amortized from the date when they are available for use.

The estimated useful life is reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis. Internally incurred development costs are recognized as intangible assets when the following criteria are met:

- a) it is technically feasible to complete the intangible asset so that it will be available for use;
- b) management intends to complete the intangible asset and use or sell it;
- c) there is an ability to use or sell the intangible asset;
- d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Intangible assets relate to the Company's internal development expenditures in relation to patent and intellectual property development as described in Note 1. Other internal development expenditures that do not meet these criteria are recognized as an expense as incurred. Intangible assets with definite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired. These intangible assets will be amortized when they are ready for use. The amortization period and the amortization method are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates on a prospective basis.

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 Acquisition, the Company issued 36,000,000 Common Shares of the Company at a 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 January 31, 2021. 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. The Company has yet to determine and value any intangible assets that may have been acquired as part of the Acquisition. Once this has been determined, the value of the provisional goodwill may change. These changes may be material.

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4. ACQUISITIONS (continued)

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 2,538,542
\$ 2,520,000

5. PROPERTY AND EQUIPMENT

The Company's property and equipment are comprised of the following:

	Equipment ^(a)	Leasehold Improvements ^(b)	Total
<u>Cost</u>			
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
Reclassification to assets held for sale ^(c)	(1,005,600)	-	(1,005,600)
Impairment ^(d)	(505,600)	(143,711)	(649,311)
Balance at January 31, 2021	\$ 500,000	\$ -	\$ 500,000
<u>Net Book Value</u>			
Balance, January 31, 2021	\$ 500,000	\$ -	\$ 500,000
Balance, April 30, 2020	\$ 2,011,200	\$ 143,711	\$ 2,154,911

- a) As at January 31, 2021, no amortization had been taken on equipment as they were not yet in use by the Company. Equipment is comprised of two identical extraction systems (the "Extraction Systems");
- b) During the nine months ended January 31, 2021, the Company assigned its sub-leased premises to a third party. As a result, an impairment expense in the amount of \$143,711 was recorded related to these leasehold improvements. During the nine months ended January 31, 2021, the Company capitalized \$nil (January 31, 2020 – \$104,069) as leasehold improvements;
- c) Subsequent to January 31, 2021, on February 22, 2021, the Company terminated an equipment lease (the "Equipment Lease") and a profit-sharing agreement (the "Profit Sharing Agreement") with 2623942 Ontario Limited, which were to commence on November 1, 2020 and entered into an agreement to sell one of its Extraction Systems. As a result, equipment in the amount of \$1,005,600 was reclassified to assets held for sale (*Note 7*); and
- d) As at January 31, 2021, the remaining equipment was deemed impaired an impairment charge was recorded in the amount of \$505,600. The value of the equipment of \$500,000 was determined based on the sale of the other Extraction System that was reclassified to asset held for sale, and sold subsequent to period end to an arm's length party (*Note 7*).

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6. INTANGIBLE ASSETS

The Company's intangible assets are comprised of the following:

	Intellectual Property	Patents	Total
<u>Cost</u>			
Balance at April 30, 2019	\$ -	\$ -	\$ -
Additions	-	-	-
Balance at April 30, 2020	\$ -	\$ -	\$ -
Additions	1,022,440	114,796	1,137,236
Balance at January 31, 2021	\$ 1,022,440	\$ 114,796	\$ 1,137,236
<u>Net Book Value</u>			
Balance, January 31, 2021	\$ 1,022,440	\$ 114,796	\$ 1,137,236
Balance, April 30, 2020	\$ -	\$ -	\$ -

The Company's intangible assets relate to the development of intellectual property and development of a patent portfolio, as described in Note 1. These intangible assets are currently in the development phase and are not yet in use. Amortization will be recorded on these intangible assets from the date when they are available for use.

7. ASSETS HELD FOR SALE

As at January 31, 2021, the Company committed to sell certain equipment. The equipment sale was completed on February 22, 2021 to 2623942 Ontario Limited (the "Licensed Producer"). The total consideration for the sale of this equipment was \$565,000 including sales taxes, which has been recorded as assets held for sale and has been written down to its realizable value and the difference has been recorded as an impairment charge. The sale consideration has been settled by the issuance of:

- i) a convertible debenture in the amount of \$400,000, bearing interest at 5% per annum accrued monthly in arrears, with the principal and interest convertible, at anytime prior to maturity, by the Company at \$0.0025 per common share of the Licensed Producer, maturing on February 22, 2024;
- ii) a promissory note in the amount of \$100,000, bearing interest at 10% per annum accrued monthly in arrears, maturing on February 22, 2022; and
- iii) a promissory note in the amount of \$65,000, bearing interest at 10% per annum accrued monthly in arrears, maturing on the earlier of the receipt of the sale tax refund amount from the Canada Revenue Agency by the Licensed Producer or August 22, 2021.

Balance at April 30, 2020	\$ -
Reclassification from property and equipment (Note 5)	1,005,600
Impairment	(505,600)
Balance at January 31, 2021	\$ 500,000

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8. LOAN PAYABLE

The loan payable to the former CEO (the “Creditor”) arises from the surrender of shares and was unsecured and non-interest bearing with an initial due date of March 15, 2020 in a principal amount of \$1,000,000 (the “Loan”). Effective May 1, 2018, the Loan was discounted to fair value of \$718,184 using a market rate. The Loan was to be accreted to fair value over the term. On May 23, 2019, the

Company securitized, extended and revised the terms of the Loan. The principal amount of \$1,000,000 was renegotiated to bear simple interest at a rate of 5% per annum, payable in five equal annual installments of \$200,000. Additionally, subject to terms and conditions of an escrow agreement, the Company issued 125,000 Common Shares to the Creditor valued at \$25,000, with 25,000 Common Shares vesting immediately and 20,000 Common Shares vesting on each of the five anniversary dates beginning on March 15, 2020. As a result, financing costs in the amount of \$25,000 was deferred and amortized over the term of the amended Loan. As at January 31, 2021, the financing costs amounted to \$20,000 (April 30, 2020 – \$20,000) which has been reflected as deferred costs on the consolidated statements of financial position.

As at April 30, 2019, the carrying value of the Loan amounted to \$870,830, comprised of a principal amount of \$1,000,000 and \$129,170 of an unamortized discount. During the prior comparative period ended January 31, 2020, the Company fully-accreted the Loan and recorded an accretion expense of \$129,170 (January 31, 2021 – \$nil).

On September 23, 2019, the Company and the Creditor entered into a settlement, whereby, the Company issued 1,500,000 Common Shares to the Creditor fair valued at \$105,000, paid cash of \$125,000 and executed a promissory note in the principal amount of \$125,000, bearing interest at 5% per annum and matured on May 31, 2020 (the “Settlement Note”). The settlement resulted in a gain on restructuring of debt in the amount of \$645,000 during the three and nine months ended January 31, 2020.

On September 3, 2020, the Company received a notice of civil claim from the Creditor demanding repayment of the Settlement Note in the amount of \$125,000 plus accrued interest at 5% per annum and collection costs of \$10,000. On October 2, 2020, the Company settled the claim with the Creditor and agreed to repay the principal amount of \$125,000 plus \$16,421 of interest and collection costs over a period of 45 days (the “Settlement”) in two installments. On December 18, 2020, the Company fully repaid the remaining principal of the Settlement Note plus additional interest and collection costs to fully settle the notice of civil claim with the Creditor. The Company recorded an interest expense of \$417 and \$2,895 during the three and nine months ended January 31, 2021 respectively.

9. CONVERTIBLE DEBENTURES

During the year ended April 30, 2018, the Company issued convertible debentures in the aggregate principal amount of \$1,130,000 (the “Debentures”). The Debentures had a maturity of 3 years, bearing interest at 10% per annum, payable in cash or convertible into Common Shares at the option of the holder at a conversion price of \$0.15 per share. In connection with the Debentures, the Company issued 7,533,530 Common Share purchase warrants, each warrant exercisable at \$0.20 per share for a period of 2 years from the date of issuance.

The warrants were considered to be transaction costs related to the Debentures and had a fair value of \$623,521, calculated using the Black-Scholes pricing model. Of this amount, \$144,116 was allocated to the equity component of the Debentures and the remaining amount allocated to the liability component, to be accreted over the term of the Debentures.

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9. CONVERTIBLE DEBENTURES (continued)

Furthermore, 342,500 Common Shares valued at \$51,375 were issued to the Debenture holders and were recorded as transaction costs. Of the \$51,375 in transaction costs, \$11,875 was recorded as share issuance costs and the remaining amount was recorded against the liability portion of the Debentures, accreted over the term of the Debentures.

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 to the equity component of the Debentures of \$10,886.

On April 25, 2019, certain holders of the Company's Debentures elected to convert a face value of \$525,000 of the Debentures at the conversion price of \$0.15 per Common Share resulting in the Company issuing 3,500,000 Common Shares. During the year ended April 30, 2020, the Company issued an aggregate of 166,667 Common Shares to settle \$25,000 of accrued interest on the Debentures.

On October 29, 2020, the Company entered into an extension and amendment agreement (the "Amendment") with a Debenture holder who held a 10% Debenture maturing on November 1, 2020 in the principal amount of \$262,500 and a 10% Debenture maturing on December 10, 2020 in the principal amount of \$237,500. Pursuant to the Amendment, the maturity dates of these Debentures were both extended until April 30, 2021 (the "Amended Maturity Date") and the Company agreed to pay interest at a rate of 12% per annum on the Debentures from their respective maturity dates until the Amended Maturity Date. The Company also agreed to amend the conversion price of the Debentures from \$0.15 per Common Share to \$0.125 per Common Share and agreed to pay to the Debenture holder an extension fee of \$20,000. Furthermore, the Company settled \$61,822 representing (i) all interest payable on the Debentures up until the Amended Maturity Date in the aggregate amount of \$41,822, and (ii) the extension fee of \$20,000 through the issuance of 772,775 Common Shares at a price of \$0.08 per share (see Note 10(c)).

As a result of the Amendment, the Company allocated \$483,993 of the outstanding principal amount of \$500,000 of the Debentures to the liability component of the Debentures and the remaining amount of \$16,007 to the equity component of the Debentures. Furthermore, the extension fee of \$20,000 was recorded as a transaction cost, of which \$641 was recorded as issuance cost related to the equity component of the Debentures and the remaining amount of \$19,359 was allocated to the liability portion of the Debentures, to be accreted until the Amended Maturity Date.

As at January 31, 2021, the Company's Debentures were comprised of the following:

	Equity component of convertible debenture	Liability component 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
Adjustment	15,366	(35,366)	(20,000)
Amortization of finance costs	-	52,277	52,277
Accretion	-	39,027	39,027
Balance, January 31, 2021	\$ 109,670	\$ 482,134	\$ 591,804

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10. CAPITAL STOCK

The Company is authorized to issue the following capital stock:

- 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 January 31, 2021, the Company had 118,138,461 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 and nine months ended January 31, 2021 and 2020. As of January 31, 2021, there were no preferred shares issued and outstanding (April 30, 2020- nil)

c) Share issuances

During the nine months ended January 31, 2021, the Company completed five tranches of non-brokered private placements (each a “Private Placement”) through the issuance of units (“Units”) of the Company. Each Unit consisted 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”).

As a result of the Private Placements, the Company incurred an aggregate of \$29,114 in cash share issuance costs during the nine months ended January 31, 2021.

During the nine months ended January 31, 2021, the Company issued the following Common Shares:

- On June 16, 2020, the Company closed a 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 fair value price of \$0.07 per Common Share, for a total Purchase Price of \$2,520,000;

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10. CAPITAL STOCK (continued)

c) Share issuances (continued)

- On July 20, 2020, the Company closed a 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.
- On July 31, 2020, the Company closed a 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 ("Broker Warrants"), 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 (see Note 10(d) for the valuation of these broker warrants);
- On September 18, 2020, the Company closed a Private Placement and issued 9,090,907 Units of the Company, at a price of \$0.055 per Unit, for gross proceeds of \$500,000; of which \$489,000 was received in cash and \$11,000 was issued in settlement of outstanding director fees (Note 11). In connection with the Issuance of the Units, the Company issued 9,090,907 Common Shares and 4,545,454 Warrants.
- On October 29, 2020, the Company issued 772,775 Common Shares, at a price of \$0.08 per Common Share, in settlement of \$61,822 in interest and an extension fee in relation to the Debentures (Note 9); and
- On December 23, 2020, the Company closed a Private Placement and issued 15,384,615 Units of the Company, at a price of \$0.065 per Unit, for gross proceeds of \$1,000,000. In connection with the issuance of the Units, the Company issued 15,384,615 Common Shares and 7,692,308 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 (Note 8);
- On August 15, 2019, the Company agreed to issue 166,667 Common Shares to repay interest accrued for \$25,000 on Debentures (Note 9);
- On September 23, 2019, the Company issued 1,500,000 Common Shares valued at \$105,000 to the former CEO for the Loan settlement (Note 8); 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.

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10. CAPITAL STOCK (continued)

d) Warrants

During the nine months ended January 31, 2021, 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 10(f));
- On June 16, 2020 and in connection with a 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 a 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 a 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;
- On July 31, 2020 and in connection with a 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 interest rate of 0.27%, expected life of 2 years and expected dividend yield of 0.00%;
- On September 18, 2020 and in connection with a Private Placement, the Company issued 4,545,454 Warrants exercisable until September 17, 2022 at an exercise price of \$0.15 per Common Share. These warrants were valued at \$nil, using the residual value method.
- On December 23, 2020 and in connection with a Private Placement, the Company issued 7,692,308 Warrants exercisable until December 22, 2022 at an exercise price of \$0.15 per Common Share. These warrants were valued at \$nil, using the residual value method.

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

- 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;

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10. CAPITAL STOCK (continued)

d) Warrants (continued)

- 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.

As at January 31, 2021, the Company had the following warrants issued and outstanding:

	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	22,341,932	0.15
Issued (Broker warrants)	386,750	0.15
Expired	(306,400)	0.50
Expired	(357,000)	0.25
Outstanding, January 31, 2021	26,423,682	0.18

As at January 31, 2021, the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price (\$)	Remaining Life (Years)	Expiry Date
100,000	0.10	0.33	May 31, 2021
20,000	0.50	0.72	October 21, 2021
200,000	0.50	0.93	January 5, 2022
750,000	0.15	1.37	June 15, 2022
4,250,000	0.15	1.38	June 19, 2022
5,104,170	0.15	1.49	July 30, 2022
386,750	0.15	1.49	July 30, 2022
4,545,454	0.15	1.63	September 17, 2022
7,692,308	0.15	1.89	December 22, 2022
1,500,000	0.25	2.12	March 14, 2023
1,100,000	0.45	2.12	March 14, 2023
575,000	0.25	3.19	April 8, 2024
200,000	0.45	3.19	April 8, 2024
26,423,682	0.18	1.78	

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10. CAPITAL STOCK (continued)

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	0.27%
Expected volatility	120%
Expected dividends yield	0%
Forfeiture rate	0%

The Company recorded a share-based compensation expense in the amount of \$81,705 (January 31, 2020 – \$nil) for the nine months ended January 31, 2021.

As at January 31, 2021, the Company had the following options issued and outstanding:

	Number of Options	Weighted Average Exercise Price (\$)
Outstanding, April 30, 2019, and April 30, 2020	-	-
Granted	2,725,000	0.10
Outstanding, January 31, 2021	2,725,000	0.10

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	2.32	May 28, 2023

f) Share-based Compensation

During the nine months ended January 31, 2021:

The Company recognizes compensation expense for all stock options and warrants granted as compensation using the fair value method of accounting. For the nine months ended January 31, 2021, 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	0.29%
Expected volatility	120%
Expected dividends yield	0%
Forfeiture rate	0%

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11. 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 these condensed interim consolidated financial statements include the following:

During the three and nine months ended January 31, 2021, amounts paid for key management services include the following:

	Three months ended January 31, 2021	Nine months ended January 31, 2021
Fees for services of CEO	\$ 45,000	\$ 112,500
Fees for services of CFO	12,500	27,500
Fees for services of prior Executive Chairman	-	22,500
Fees for services of President	38,428	64,848
Management fees	\$ 95,928	\$ 227,348
Fees for services of Executive Chairman ⁽¹⁾	77,875	315,208
Fees for services of Chief Science Officer ⁽²⁾	39,170	78,191
Director fees ⁽³⁾	15,000	46,000
Share-based compensation to directors and officers from options issued (Note 10 (e))	-	80,955
	\$ 227,973	\$ 747,702

⁽¹⁾ Of the total fees to the Executive Chairman, \$269,781 has been capitalized to intangible assets with the remaining balance reflected in consulting fees.

⁽²⁾ The total fees to the Chief Science Officer of \$78,191 have been capitalized to intangible assets.

⁽³⁾ Director fees include \$11,000 of fees which were settled on September 18, 2020 through the issuance of 200,000 Units in a Private Placement.

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

	Three months ended January 31, 2020	Nine months ended January 31, 2020
Fees for services of prior CEO	\$ 27,500	\$ 87,500
Fees for services of CFO	7,500	22,500
Fees for services of Chief Operating Officer	30,000	90,000
Management fees	\$ 65,000	\$ 200,000
Consulting fees paid to Directors	-	84,000
	\$ 65,000	\$ 284,000

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11. RELATED PARTY TRANSACTIONS (continued)

As at January 31, 2021, the Company had the following balances with related parties:

- Included in due from related parties is \$nil (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 \$13,400 (April 30, 2020 – \$28,881) due to related parties.

During the nine months ended January 31, 2021, the Company recorded bad debt expense in the amount of \$18,500 (January 31, 2020 – \$nil) related to an amount due from related parties. Amounts due from related parties were non-interest bearing with no terms of repayment, other than the loan payable as discussed in Note 8.

The right-of-use assets (Note 14), the lease obligations (Note 15), and the license fees of \$19,607 and \$45,593 for the three and nine months ended January 31, 2021 were paid to entities which are considered to be related parties by virtue of a common officer and director.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, due from related party, rental deposit, accounts payable and accrued liabilities, 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 accounts payable and accrued liabilities is fair value, taking into account their short-term nature. 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, price risk and foreign currency 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 January 31, 2021:

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.

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12. FINANCIAL INSTRUMENTS (continued)

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 January 31, 2021, the Company had cash of \$262,025 and current liabilities of \$1,012,369.

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.

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 January 31, 2021, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

13. CONTINGENCIES AND COMMITMENTS

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 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. 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.

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14. 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
Early termination of sub-leased premises	(323,906)
Amortization	(104,916)
Foreign exchange adjustment	(11,799)
Balance, January 31, 2021	\$ 95,183

Right-of-use assets consisted of a sub-leased premise in Canada and sub-lease of commercial space in Jamaica amortized over 18 months. During the nine months ended January 31, 2021, the Company amortized \$104,916 (January 31, 2020 – \$82,923) of its right-of-use assets. The Company also recorded a net gain of \$23,659 on the assignment of its sub-leased premises in Canada as described in Note 13.

15. 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	23,324
Lease payments made during the period	(139,301)
Early termination of sub-leased premises (Note 13)	(370,063)
Foreign exchange adjustment	10,747
Balance, January 31, 2021	\$ 98,045

As at January 31, 2021 and April 30, 2020:

	January 31, 2021	April 30, 2020
Less than one year	\$ 98,045	\$ 110,916
Greater than one year	-	296,796
Total lease obligation	\$ 98,045	\$ 407,712

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16. NON-CASH TRANSACTIONS

The following are non-cash transactions affecting cash flows from investing and financing activities during the nine months ended January 31, 2021:

- The Company issued 36,000,000 Common 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;
- The Company settled \$54,167 of accrued interest with the issuance of 1,083,340 Units as part of a Private Placement;
- The Company settled \$12,604 of accrued interest; \$29,218 of prepayment of interest and \$20,000 of extension fees with the issuance of 772,775 Common Shares; and
- The Company settled \$11,000 of directors' fees with the issuance of 200,000 Units as part of a Private Placement.

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

- The Company issued 125,000 Common Shares valued at \$25,000 for a deferred finance fee; and
- The Company issued 1,500,000 Common Shares valued at \$105,000 for a debt settlement.

17. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the condensed interim consolidated financial statement presentation adopted for the current period. Such reclassifications did not have an impact on previously reported net and comprehensive loss.

18. SUBSEQUENT EVENTS

- On February 2, 2021, the Company issued stock options for the purchase of 4,000,000 common shares to a number of the Company's officers, directors and consultants. These stock options vested immediately, and shall be exercisable until February 1, 2024 at a price of \$0.15 per share.
- On February 22, 2021, the Company completed a non-brokered private placement through the issuance of 6,666,333 units, at a price of \$0.075 per unit, for total gross proceeds of \$499,975. 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; and
- On February 22, 2021, the Company sold equipment for a total consideration of \$565,000 including applicable sales taxes, as discussed in Notes 5 and 7.