



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND SIX MONTHS ENDED
OCTOBER 31, 2021**

Prepared as at December 30, 2021

Management Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") reflects management's assessment of Aion Therapeutic Inc.'s (formerly, Osoyoos Cannabis Inc.) ("Aion" or the "Company") financial and operating results for the three and six months ended October 31, 2021. This document should be read in conjunction with the condensed interim consolidated financial statements and related notes for the three and six months ended October 31, 2021. The financial statements and the financial information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

This MD&A is prepared by management as at December 30, 2021. All amounts are expressed in Canadian dollars, unless otherwise noted.

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

Disclaimer

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

Overview

Nature of Business

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

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

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

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

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

Overall Performance

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

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

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

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

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

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

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

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

On October 21, 2020, the Company announced the appointment of Dr. James Thompson as President of the Company.

During the six months ended October 31, 2021 and year ended April 30, 2021, the Company completed one and six tranches of non-brokered private placements, respectively (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"). The Company has adopted the residual method with respect to the measurement of the Warrants and accordingly the difference between the proceeds raised and the value of the common shares is the residual fair value of the Warrants. During the six months ended October 31, 2021 and year ended April 30, 2021, the value to Warrants assigned for Private Placements was \$nil.

As a result of the Private Placements, the Company incurred an aggregate of \$25,790 and \$44,322 in cash share issuance costs during the six months ended October 31, 2021 and year ended April 30, 2021, respectively.

During the six months ended October 31, 2021, the Company issued the following Common Shares:

- On June 11, 2021, the Company closed a Private Placement and issued 16,994,475 Units at a price of \$0.0875 per Unit for gross proceeds of \$1,487,017. In connection with the Issuance of the Units, the Company issued 16,994,475 Common Shares and 8,497,238 Warrants. Furthermore, the Company issued 238,562 broker warrants entitling 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.

During the year ended April 30, 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. 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;
- 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
- 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. 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;
- 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; and
- On February 22, 2021, the Company closed a Private Placement and issued 6,666,333 Units of the Company, at a price of \$0.075 per Unit, for gross proceeds of \$499,975. In connection with the issuance of the Units, the Company issued 6,666,333 Common Shares and 3,333,166 Warrants.

The Company received a notice of civil claim from a former CEO (the “Creditor”) demanding repayment of a promissory note in the principal amount of \$125,000 (the “Settlement Note”) 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 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.

On October 29, 2020, the Company entered into an extension and amendment agreement (the “Amendment”) with a convertible debenture (“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 July 31, 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.

Results of Operations for the Three and Six Months Ended October 31, 2021

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

Revenue

Total revenue for the three and six months ended October 31, 2021 and 2020 were \$nil. The Company seeks to generate revenue through the development of combinatorial pharmaceuticals, nutraceuticals and cosmeceuticals utilizing compounds from cannabis (cannabinoids), psychedelic mushrooms (psilocybin), fungi (edible mushroom), natural psychedelic formulations (ayahuasca), and other medicinal plants. At such time, the Company may determine to commercialize such discoveries and intellectual property or may seek to license or sell its intellectual property portfolio.

Expenses

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

For the	Three months ended October 31, 2021	Three months ended October 31, 2020	Six months ended October 31, 2021	Six months ended October 31, 2020
	\$	\$	\$	\$
Expenses				
Accretion	-	31,200	-	51,796
Amortization of right-of-use assets	23,098	43,154	46,195	80,119
Bad debt	-	18,500	-	18,500
Consulting fees	185,368	323,323	401,684	513,841
Foreign exchange loss (gain)	1,011	(3,126)	4,494	(3,126)
Insurance	16,974	25,500	33,174	51,000
Interest expense	16,985	22,890	20,657	56,234
Investor relations	123,155	42,169	176,337	49,443
License fees	-	18,648	-	25,986
Management fees	60,000	78,920	121,500	131,420
Office and administration	78,984	80,829	118,878	113,426
Professional fees	51,425	76,149	53,912	96,109
Rent	25,384	-	70,091	-
Share based compensation	-	-	-	83,075
Transfer agent and regulatory fees	30,033	8,659	33,958	16,641
	612,417	766,815	1,080,880	1,284,464
Loss before other income (expense)	(612,417)	(766,815)	(1,080,880)	(1,284,464)
Gain on assignment of lease	-	23,659	-	23,659
Impairment of intangible assets	(189,324)	-	(467,942)	-
Impairment of leasehold improvements	-	(143,711)	-	(143,711)
Net loss for the period	(801,741)	(886,867)	(1,548,822)	(1,404,516)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.02)
Net loss for the period	(801,741)	(886,867)	(1,548,822)	(1,404,516)
Foreign exchange translation adjustment	(1,258)	(3,532)	2,163	(3,532)
Total comprehensive loss for the period	(802,999)	(890,399)	(1,546,659)	(1,408,048)

Accretion expense

Accretion expense for the three and six months ended October 31, 2021 was \$nil as compared to \$31,200 and \$51,796, respectively, for the three and six months ended October 31, 2020. Accretion expense for the three and six months ended October 31, 2020 was in relation to the Company's outstanding loan payable and convertible debentures. The decrease in accretion during the three and six months ended October 31, 2021 is a result of the settlement of convertible debentures and loans payable during the year ended April 30, 2021.

Amortization of right-of-use assets

Amortization of right-of-use assets for the three and six months ended October 31, 2021 was \$23,098 and \$46,195, respectively, as compared to \$43,154 and \$80,119, respectively, for the three and six months ended October 31, 2020. Amortization of right-of-use assets for the periods were in relation to the Company's leases.

Bad debt expense

Bad debt expense for the three and six months ended October 31, 2021 was \$nil as compared to \$18,500 for the three and six months ended October 31, 2020. Bad debt expense relates to the impairment of an amount due from a former related party which was deemed uncollectible during the three and six months ended October 31, 2020.

Consulting fees

Consulting fees for the three and six months ended October 31, 2021 was \$185,368 and \$401,684, respectively, as compared to \$323,323 and \$513,841, respectively for the three and six months ended October 31, 2020. The decrease in consulting fees during the three and six months ended October 31, 2021 as compared to three and six months ended October 31, 2020 was a result of the Company's overall reduction in spending as the Company did not raise any equity capital during the three months ended October 31, 2021.

Foreign exchange loss (gain)

Foreign exchange loss (gain) for the three and six months ended October 31, 2021 \$1,011 and \$4,494, respectively, as compared to gain of \$(3,126) and \$(3,126), respectively, for the three and six months ended October 31, 2020. The foreign exchange loss (gain) for the periods was a result of the Company and its subsidiaries' United States dollar and Jamaican dollar transactions.

Insurance expense

Insurance expense for the three and six months ended October 31, 2021 was \$16,974 and \$33,174, respectively, as compared to \$25,500 and \$51,000, respectively, for the three and six months ended October 31, 2020. The decrease in insurance expense during the three months ended July 31, 2021 was a result of the Company obtaining a new directors and officers policy.

Interest expense

Interest expense for the three and six months ended October 31, 2021 was \$16,985 and \$20,657, respectively, as compared to \$22,890 and \$56,234, respectively, for the three and six months ended October 31, 2020. Interest expense for the periods ended October 31, 2021 and 2020 were related to the Company's outstanding leases, loan payable and convertible debentures. During the six months ended October 31, 2021, the Company did not have any outstanding convertible debentures.

Investor relations

Investor relations expense for the three and six months ended October 31, 2021 was \$123,155 and \$176,337, respectively, as compared to \$42,169 and \$49,443, respectively, for the three and six months ended October 31, 2020. The increase in investor relations expense during the period ended October 31, 2021 was a result of the Company's overall increased activity and need for additional public market support.

License fees

License fees for the three and six months ended October 31, 2021 was \$nil, as compared to \$18,648 and \$25,986, respectively, for the three and six months ended October 31, 2020. License fees for the periods ended October 31, 2021 and 2020 were in relation to R&D and processing fees to AI Pharma's Jamaican-based *Cannabis License Authority* (CLA) licensed medical cannabis partner.

Management fees

Management fees for the three and six months ended October 31, 2021 were \$60,000 and \$121,500, respectively, as compared to \$78,920 and \$131,420, respectively, for the three and six months ended October 31, 2020. Management fees for the periods ended October 31, 2021 and 2020 were in relation to fees payable to certain of the Company's key management and related parties.

Office and administration expense

Office and administration expense for the three and six months ended October 31, 2021 was \$78,984 and \$118,878, respectively, as compared to \$80,829 and \$113,426, respectively, for the three and six months ended October 31, 2020. The office and administration expenses during the periods ended October 31, 2021 and 2020 was a result of the Company's overall increased business activity as a result of the acquisition of PCAI Pharma and its wholly-owned subsidiary AI Pharma.

Professional fees

Professional fees for the three and six months ended October 31, 2021 were \$51,425 and \$53,912, respectively, as compared to \$76,149 and \$96,109, respectively, for the three and six months ended October 31, 2020. Professional fees relate to legal fees incurred for transactions, financings, and audit fees.

Rent

Rent for the three and six months ended October 31, 2021, was \$25,384 and \$70,091, respectively, as compared to \$nil and \$nil, respectively, for the three and six months ended October 31, 2020. Rent was in relation to R&D and processing center to AI Pharma's Jamaican-based *Cannabis License Authority* (CLA) licensed medical cannabis partner.

Share based compensation

Share-based compensation for the three and six months ended October 31, 2021, was \$nil and \$nil, respectively, as compared to \$nil and \$83,075, respectively, for the three and six months ended October 31, 2020. Share-based compensation for the six months ended October 31, 2020, was in relation to the issuance of options under the Company's stock option plan and warrants issued to directors, officers and a consultant.

Transfer agent and regulatory fees

Transfer agent and regulatory fees for the three and six months ended October 31, 2020, were \$30,033 and \$33,958, respectively, as compared to \$8,659 and \$16,641, respectively, for the three and six months ended October 31, 2020. This relates to the Company's filing fees and other regulatory costs which increased in the current period due to late fees paid to the regulators for late filing for the year end and quarter statements.

Gain on assignment of lease

Gain on assignment of lease for the three and six months ended October 31, 2021 was \$nil as compared to \$23,659 for the three and six months ended October 31, 2020. Gain on settlement of lease relates to the gain recognized from the extinguishment of an outstanding lease liability related to the Company's assignment of its sub-leased premises in British Columbia, Canada.

Impairment of intangible assets

Impairment of intangible assets for the three and six months ended October 31, 2021 was \$189,324 and \$467,942, respectively, as compared to \$nil for the three and six months ended October 31, 2020. Impairment of intangible assets during the period ended October 31, 2021 was a result of the lack of revenue from AI Pharma (cash-generating unit).

Impairment of leasehold improvements

Impairment of leasehold improvements for the three and six months ended October 31, 2021 was \$nil as compared to \$143,711 for the three and six months ended October 31, 2020. Impairment of leasehold improvements during the three and six months ended October 31, 2020 was related to the assignment of its sub-leased premises in British Columbia, Canada.

Foreign exchange translation adjustment

Foreign exchange translation adjustment loss (gain) for the three and six months ended October 31, 2021 was \$1,258 and \$(2,163), respectively, as compared to a loss of \$3,532 for the three and six months ended October 31, 2020. Foreign exchange translation adjustment relates to the translation of the Company's subsidiaries from their functional currency to the Company's presentation currency in Canadian dollars.

Net Loss and Comprehensive Loss

During the three months ended October 31, 2021, the Company recorded a net loss of \$801,741 as compared to net loss of \$886,867 during the three months ended October 31, 2020. During the six months ended October 31, 2021, the Company recorded a net loss of \$1,548,822 as compared to a net loss of \$1,404,516 during the six months ended October 31, 2020.

During the three months ended October 31, 2021, the Company recorded a comprehensive loss of \$802,999 as compared to a comprehensive loss of \$890,399 during the three months ended October 31, 2020. During the six months ended October 31, 2021, the Company recorded a comprehensive loss of \$1,546,659 as compared to a comprehensive loss of \$1,408,048 during the six months ended October 31, 2020.

Liquidity and Capital Resources

As at October 31, 2021, the Company had total assets of \$1,354,856 (April 30, 2021 – \$1,603,503) consisting of cash of \$10,575, GST and HST receivable of \$104,385, deferred costs of \$17,500, prepaid expenses of \$204,217, property and equipment of \$1,000,000 and right-of-use assets of \$18,179.

As at April 30, 2021, the Company had total assets of \$1,603,503 consisting of cash and cash equivalents of \$239,829, deferred costs of \$17,500, prepaid expenses of \$217,363, property and equipment of \$500,000, right-of-use assets of \$63,811 and other receivable of \$565,000.

The decrease in assets from April 30, 2021 was primarily a result of the decrease in cash and right-of-use assets.

As at October 31, 2021, the Company had total liabilities of \$1,417,824 (April 30, 2021 – \$1,206,039) consisting of accounts payable and accrued liabilities of \$890,648, lease obligations of \$19,398, and loan payable of \$507,778.

As at April 30, 2021, the Company had total liabilities of \$1,206,039 consisting of accounts payable and accrued liabilities of \$625,855, GST and HST payable of \$13,653, lease obligations of \$66,531, and long-term convertible debentures of \$500,000.

Cash Used in Operating Activities

The Company used cash in operating activities in the amount of \$1,260,465 (October 31, 2020 – \$1,091,253) during the six months ended October 31, 2021 due to the reasons as discussed above.

Cash Used in Investing Activities

The Company used cash by investing activities in the amount of \$49,938 during the six months ended October 31, 2021 as compared to cash used by investing activities of \$591,679 during the six months ended October 31, 2020. Cash used by investing activities related to the repayment of lease obligations during the six months ended October 31, 2021 (October 31, 2020 repayment of lease obligations offset by the return of a rental deposit). During the six months ended October 31, 2020, the Company had invested \$556,044 which was impaired at the end of the year.

Cash Provided by Financing Activities

The Company was provided cash by financing activities in the amount of \$1,078,967 during the six months ended October 31, 2021 as compared to \$1,359,076 during the six months ended October 31, 2020. These relate to the Company's Private Placements (see "*Private Placement of Units*" below) less share issuance costs and unsecured loans.

Summary

The Company recorded a net loss of \$1,548,822 during the six months ended October 31, 2021 as compared to a net loss of \$1,404,516 during the six months ended October 31, 2020. As at October 31, 2021, the Company had a working capital deficiency of \$1,081,147 as compared to \$731,347 as at April 30, 2021 and total shareholders' deficiency of \$62,968 (April 30, 2021 – shareholders' equity of \$397,464).

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

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

The ability of the Company to continue as a going concern is dependent on raising additional financing, the development of its projects and generation of profitable operations in the future. The Company intends to finance its future requirements through a combination of debt and/or equity issuances. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. This uncertainty may cast significant doubt about the ability of the Company to continue as a going concern. These 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.

OUTSTANDING SHARE DATA

There were 141,799,269 common shares issued and outstanding as at October 31, 2021 and 141,799,269 common shares issued and outstanding as at December 30, 2021, being the date of this report. There were 6,725,000 stock options and 38,372,648 warrants issued and outstanding as at October 31, 2021 and 6,725,000 stock options and 38,372,648 warrants issued and outstanding as at December 30, 2021.

Private Placement of Units

The Company completed one and six tranches of Private Placements through the issuance of Units during the six months ended October 31, 2021 and year ended April 30, 2021, respectively. Each Unit consisted of one Common Share and one-half of one Common Share purchase Warrant. Each Warrant entitles the holder thereof to purchase one Common Share for a period of twenty-four months from the closing date at a price of \$0.15 per Common Share. Furthermore, the Company has the right to accelerate the expiry date to be thirty days following written notice to the holders, if during the term of the Warrants the Common Shares close at or above \$0.20 per Common Share on each trading day for a period of ten consecutive trading days on the CSE.

On 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 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, each Broker Warrant entitles the holder thereof to purchase one Common Share for a period of twenty-four months from the closing date at a price of \$0.15 per Common Share.

On 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. In connection with the Issuance of the Units, the Company issued 9,090,907 Common Shares and 4,545,454 Warrants.

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 Units, the Company issued 15,384,615 Common Shares and 7,692,308 Warrants.

On February 22, 2021, the Company closed a Private Placement and issued 6,666,333 Units of the Company, at a price of \$0.075 per Unit, for gross proceeds of \$499,975. In connection with the issuance of the Units, the Company issued 6,666,333 Common Shares and 3,333,166 Warrants.

On June 11, 2021, the Company closed a Private Placement and issued 16,994,475 Units at a price of \$0.0875 per Unit for gross proceeds of \$1,487,017. In connection with the Issuance of the Units, the Company issued 16,994,475 Common Shares and 8,497,238 Warrants. Furthermore, the Company issued 238,562 broker warrants entitling 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.

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 above. 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 (the “Purchase Price”).

Consideration

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

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

Following the Acquisition, the Company determined that the entire amount of goodwill was impaired and reduced the recoverable amount to \$nil, resulting in a loss on impairment of \$2,538,542. The entire amount of goodwill impairment was reported in the statement of loss and comprehensive loss during the year ended April 30, 2021 and related to the specific cash generating unit of AI Pharma. As at October 31, 2021 and April 30, 2021, there were no provisional amounts for items for which the accounting is incomplete.

Since the date of the Acquisition, the Company had capitalized intangible assets in the amount \$1,912,784. As a result of the impairment of the specific cash generating unit of AI Pharma, this amount was determined to be impaired.

Share Capital

Preferred Shares

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

As at October 31, 2021 and the date hereof, there are no issued or outstanding preferred shares.

Common Shares

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

As at October 31, 2021, the Company had 141,799,269 Common Shares issued and outstanding. Refer to *Private Placement of Units* for the details of Common Share issuances.

Warrants

During the six months ended October 31, 2021, the Company issued the following warrants:

- On June 11, 2021 and in connection with a Private Placement, the Company issued 8,497,238 Warrants exercisable until June 11, 2023 at an exercise price of \$0.15 per Common Share. These warrants were valued at \$nil, using the residual value method; and
- On July 11, 2021 and in connection with a Private Placement, the Company issued 386,750 broker warrants exercisable until June 11, 2023 at an exercise price of \$0.15 per Common Share, valued at \$12,550. The fair value of the Brokers Warrants of \$12,550, was recorded as share issuance costs estimated using the Black-Scholes option pricing model with the following assumptions: volatility of 160%, risk-free interest rate of 0.27%, expected life of 2 years and expected dividend yield of 0.00%;

During the year ended April 30, 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;
- 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 \$17,333, was recorded as share issuance costs estimated using the Black-Scholes option pricing model with the following assumptions: volatility of 161%, 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.; and
- On February 22, 2021 and in connection with a Private Placement, the Company issued 3,333,166 Warrants exercisable until February 21, 2023 at an exercise price of \$0.15 per Common Share. These warrants were valued at \$nil, using the residual value method.

Options

As at October 31, 2021 and the date hereof, the Company had 6,725,000 options issued and outstanding respectively.

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

On February 2, 2021, the Company granted 4,000,000 options to the Company’s directors, officers and consultants. These options were granted in accordance with the Company’s stock option plan and are exercisable until February 1, 2024 at an exercise price of \$0.15 per Common Share. These options vested on date of grant.

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.

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

	Three months ended October 31, 2021		Six months ended October 31, 2021	
Fees for services of CEO	\$	45,000	\$	90,000
Fees for services of CFO		15,000		31,500
Management fees	\$	60,000	\$	121,500
Fees for services of Executive Chairman		77,293		144,620
Fees for services of Chief Science Officer		37,884		74,948
Share-based compensation to directors and officers from options issued (Note 10 (e))		-		-
	\$	175,177	\$	341,068

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

	Three months ended October 31, 2020	Six months ended October 31, 2020
Fees for services of CEO	\$ 45,000	\$ 67,500
Fees for services of CFO	7,500	15,000
Fees for services of prior Executive Chairman	-	22,500
Fees for services of President	26,420	26,420
Management fees	\$ 78,920	\$ 131,420
Fees for services of Executive Chairman	213,750	213,750
Fees for services of Chief Science Officer	39,021	39,021
Director fees ⁽¹⁾	31,000	31,000
Share-based compensation to directors and officers from options issued (Note 9 (e))	-	80,955
	\$ 362,691	\$ 496,146

⁽¹⁾ 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.

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

- Included in accounts payable and accrued liabilities is \$124,872 (April 30, 2021 – \$49,456) due to related parties.

The right-of-use assets (Note 14), the lease obligations (Note 15), rent and licensee fees for the six months ended October 31, 2021 were paid to entities which are considered to be related parties by virtue of a common officer and director.

Loan Payable

On July 27, 2021, the Company entered into a promissory note (the “Note Payable A”) with a non-arm’s length party for the principal amount of \$150,000. The Note Payable A is unsecured, bears interest at 18% per annum and is due on demand.

On August 26, 2021, the Company entered into a promissory note (the “Note Payable B”) with a non-arm’s length party for the principal amount of \$150,000. The Note Payable B is unsecured, bears interest at 18% per annum and is due on demand.

On September 22, 2021, the Company entered into a promissory note (the “Note Payable C”) with a non-arm’s length party for the principal amount of \$150,000. The Note Payable C is unsecured, bears interest at 18% per annum and is due on demand.

On October 31, 2021, the Company entered into a promissory note (the “Note Payable D”) with a non-arm’s length party for the principal amount of \$42,740 (US \$34,500). The Note Payable D is unsecured, bears interest at 18% per annum and is due on demand.

Interest expense in the amount of \$14,742 and \$15,038, respectively, was recorded for the three and six months ended October 31, 2021 (October 31, 2020 – \$nil)

As at October 31, 2021, the outstanding loans payable amounted to \$507,778 (April 30, 2021 – \$nil).

Convertible Debentures

During the three months 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.

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 three months 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 July 31, 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.

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.

In May 2021, the Company repaid the outstanding Debenture balance of \$500,000. As at October 31, 2021, the Company’s outstanding convertible debenture amounted to \$nil (April 30, 2021 - \$500,000).

Off Balance Sheet Arrangements

As at October 31, 2021, the Company had no material off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

Significant Accounting Policies

These unaudited 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information. The functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the Company's presentation currency.

These consolidated financial statements have been prepared in accordance with International Accounting Standards 1, Presentation of Consolidated Financial Statements using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of the Company's subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. These 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 judgements and estimates

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

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 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 earnings. 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.

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.

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.

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 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 to the financial statements. 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.

Financial Instruments and Other Risk Factors

The Company's financial instruments consist of cash and cash equivalents, 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 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, 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 consolidated financial statements. The following analysis provides a measurement of risks as at October 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.

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 October 31, 2021, the Company had cash of \$10,575 and current liabilities of \$1,417,824.

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

Market Risk

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

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

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.

Risks and Uncertainties

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

Additional Financing

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

Investments may be pre-revenue

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

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

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

Research and development

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

Intellectual property and proprietary protection

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

Reliance on management

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

COVID-19

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.

Corporate Information

Directors and Officers

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

Corporate Office

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

Independent Auditor

Harbourside CPA LLP, Vancouver

Transfer Agent

Capital Transfer Agency ULC, Toronto

Other Information

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