



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

**Unaudited Condensed Interim Consolidated
Financial Statements**

**For the Three and Nine Months Ended
January 31, 2023 and 2022**

AION THERAPEUTIC INC.

(Formerly, Osoyoos Cannabis Inc.)

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

NOTICE TO READER

Under National Instrument 51-102 "Continuous Disclosure Obligations", Part 4, Subsection 4.3(3a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

April 3, 2023

Aion Therapeutic Inc.

(Formerly, Osoyoos Cannabis Inc.)

Condensed Interim Consolidated Statements of Financial Position

As at January 31, 2023 and April 30, 2022

(Unaudited - Expressed in Canadian Dollars)

	Notes	<u>January 31, 2023</u>	<u>April 30, 2022</u>
Assets			
Current assets:			
Harmonized sales tax receivable		\$ 178,247	\$ 142,489
Prepaid expenses		-	7,655
		<u>178,247</u>	<u>150,144</u>
Equity investments	13	<u>449,347</u>	-
Total assets		\$ 627,594	\$ 150,144
Liabilities and shareholders' deficiency			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 1,551,313	\$ 1,812,692
Loans payable	8	<u>938,210</u>	<u>744,061</u>
Total liabilities		2,489,523	2,556,753
Shareholders' deficiency			
Share capital	10	14,787,595	14,705,095
Contributed surplus		391,486	391,486
Warrant reserve		653,404	653,404
Share-based payment reserve		1,597,354	1,597,354
Share subscriptions received in advance		100,000	-
Accumulated other comprehensive income		(38,017)	66,595
Accumulated deficit		<u>(19,353,751)</u>	<u>(19,820,543)</u>
Total shareholders' deficiency		<u>(1,861,929)</u>	<u>(2,406,609)</u>
Total liabilities and shareholders' deficiency		\$ 627,594	\$ 150,144

Nature of Operations and Going Concern 1

Approved by the Board of Directors on April 3, 2023

"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 Income (Loss) and Comprehensive Income (Loss)

For the Three and Nine Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	Notes	Three months ended January 31, 2023	Three months ended January 31, 2022	Nine months ended January 31, 2023	Nine months ended January 31, 2022
Expenses					
Accretion	15	\$ 854	\$ -	\$ 2,905	\$ -
Amortization of right-of-use assets	14	5,836	17,485	17,175	63,680
Consulting fees	11	68,341	160,795	214,682	562,479
Foreign exchange loss (gain)		62,530	10,336	(77,882)	14,830
Insurance		28,913	37,500	98,019	70,674
Interest expense		41,624	25,319	115,377	45,976
Investor relations		46,850	42,500	81,850	218,837
Management fees	11	60,000	60,000	194,500	181,500
Office, administration and miscellaneous		442	7,715	3,206	126,593
Professional fees		25,587	-	159,262	53,912
Rent		1,546	20,988	4,602	91,079
Research and development		-	263,850	-	731,792
Transfer agent and regulatory fees		9,442	4,247	32,794	38,205
		(351,965)	(650,735)	(846,490)	(2,199,557)
Gain on sale of equipment	5	135,185	-	135,185	-
Gain on settlement of lease	14	1,059	-	1,059	-
Gain on settlement of debt	10(c), 13	-	-	1,177,038	-
Net income (loss) for the period		\$ <u>(215,721)</u>	\$ <u>(650,735)</u>	\$ <u>466,792</u>	\$ <u>(2,199,557)</u>
Income (Loss) per share – basic		\$ <u>(0.001)</u>	\$ <u>(0.005)</u>	\$ <u>0.003</u>	\$ <u>(0.016)</u>
Income (Loss) per share – diluted		\$ <u>(0.001)</u>	\$ <u>(0.005)</u>	\$ <u>0.003</u>	\$ <u>(0.016)</u>
Weighted average number of common shares outstanding – basic		147,299,269	141,799,269	146,103,617	139,274,727
Weighted average number of common shares outstanding – diluted		147,299,269	141,799,269	168,272,583	139,274,727
Net income (loss) for the period		\$ (215,721)	\$ (650,735)	\$ 466,792	\$ (2,199,557)
Foreign exchange translation adjustment		94,406	(4,435)	(104,612)	(2,272)
Comprehensive income (loss) for the period		\$ <u>(121,315)</u>	\$ <u>(655,170)</u>	\$ <u>362,180</u>	\$ <u>(2,201,829)</u>

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

Aion Therapeutic Inc.

(Formerly, Osoyoos Cannabis Inc.)

Condensed Interim Consolidated Statement of Changes in Shareholders' Deficiency

For the Nine Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	Number of common shares outstanding	Share capital	Subscriptions received in advance	Contributed surplus	Warrant reserve	Share-based compensation reserve	Equity portion of convertible debentures	Accumulated deficit	Accumulated other comprehensive income	Shareholders' Deficiency
Balance as of April 30, 2021	124,804,794	\$ 13,256,419	\$ 375,000	\$ 281,816	\$ 640,854	\$ 1,597,354	\$ 109,670	\$ (16,002,153)	\$ 138,504	\$ 397,464
Issuance of units on private placement (Note 10)	16,994,475	1,487,017	(375,000)	-	-	-	-	-	-	1,112,017
Share issuance costs - cash	-	(25,790)	-	-	-	-	-	-	-	(25,790)
Issuance of broker warrants	-	(12,550)	-	-	12,550	-	-	-	-	-
Foreign currency translation	-	-	-	-	-	-	-	-	(2,272)	(2,272)
Net loss for the period	-	-	-	-	-	-	-	(2,199,557)	-	(2,199,557)
Balance as at January 31, 2022	141,799,269	\$ 14,705,096	\$ -	281,816	\$ 653,404	\$ 1,597,354	\$ 109,670	\$ (18,201,710)	\$ 136,232	\$ (718,138)
Balance as of April 30, 2022	141,799,269	\$ 14,705,095	\$ -	\$ 391,486	\$ 653,404	\$ 1,597,354	\$ -	\$ (19,820,543)	\$ 66,595	\$ (2,406,609)
Shares issued for settlement (Note 10)	5,500,000	82,500	-	-	-	-	-	-	-	82,500
Share subscriptions received	-	-	100,000	-	-	-	-	-	-	100,000
Foreign currency translation	-	-	-	-	-	-	-	-	(104,612)	(104,612)
Net income for the period	-	-	-	-	-	-	-	466,792	-	466,792
Balance as at January 31, 2023	147,299,269	\$ 14,787,595	\$ 100,000	\$ 391,486	\$ 653,404	\$ 1,597,354	\$ -	\$ (19,353,751)	\$ (38,017)	\$ (1,861,929)

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
For the Nine Months Ended January 31, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

	Nine months ended January 31, 2023	Nine months ended January 31, 2022
Cash flows from operating activities		
Net income (loss) for the period	\$ 466,792	\$ (2,199,557)
Items not involving cash:		
Accretion on lease obligation	2,905	2,395
Accrued interest payable	112,739	38,434
Amortization of right-of-use assets	17,175	63,680
Gain on sale of equipment	(135,185)	-
Gain on settlement of lease	(1,059)	-
Gain on settlement of debt	(1,177,038)	-
Non-cash working capital adjustments		
Harmonized sales tax receivable	(35,758)	(74,701)
Prepaid expenses	7,655	49,226
Accounts payable and accrued liabilities	548,812	762,022
Total cash used by operating activities	(192,962)	(1,358,501)
Cash flows from investing activities		
Sale of equipment	135,185	-
Total cash provided by investing activities	135,185	-
Cash flows from financing activities		
Shares issued for cash	-	1,112,017
Subscription for shares	100,000	-
Repayment of convertible debentures	-	(500,000)
Repayment of lease obligations	(19,020)	(65,772)
Proceeds from loans payable	236,594	605,365
Repayment of loans payable	(155,185)	-
Share issuance costs	-	(25,790)
Total cash provided by financing activities	162,389	1,125,820
Effect of foreign currency exchange rate changes	(104,612)	(5,295)
Total (decrease) increase in cash during the period	-	(237,976)
Cash and cash equivalents - beginning of period	-	239,829
Cash and cash equivalents - end of period	\$ -	\$ 1,853

The following are non-cash transactions affecting cash flows from investing and financing activities during the nine months ended January 31, 2023:

- The Company issued 5,500,000 common shares valued at \$82,500 on settlement of debt; and
- The Company received equity investments valued at \$449,347 on sale of patents.

The following are non-cash transactions affecting cash flows from investing and financing activities during the nine months ended January 31, 2022:

- The Company issued 238,562 broker warrants valued at \$12,550 as share issuance costs.

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, 2023 and 2022

(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 next fiscal year. As at January 31, 2023, the Company had cash and cash equivalents of \$nil (April 30, 2022 - \$nil), working capital deficiency of \$2,311,276 (April 30, 2022 – \$2,406,609), and an accumulated deficit of \$19,353,751 (April 30, 2022 – \$19,820,543). 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 issuance. 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.

Aion Therapeutic Inc.

(Formerly, Osoyoos Cannabis Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended January 31, 2023 and 2022

(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. The functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the Company's reporting currency.

Statement of compliance

These condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standards ("IAS") 34 – *Interim Financial Reporting* and do not include all information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financials for the year ended April 30, 2022. These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements have been reviewed and approved by the Company's Audit Committee and its Board of Directors on April 3, 2023.

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.

Aion Therapeutic Inc.

(Formerly, Osoyoos Cannabis Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

Significant accounting judgments and estimates (continued)

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.

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 condensed interim consolidated financial statements include:

Share-based payments

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.

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.

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.

Aion Therapeutic Inc.

(Formerly, Osoyoos Cannabis Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

Significant accounting judgments and estimates (continued)

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.

Leases

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

Contingencies

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

Capitalization of development costs

Initial capitalization of development costs is based on management's judgment that technical and economic feasibility is confirmed. 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.

Aion Therapeutic Inc.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

Significant accounting judgments and estimates (continued)

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 consolidated financial statements at April 30, 2022 have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

Fair value of available-for-sale (“AFS”) financial assets

The Company reviews AFS investments and records its fair value at each financial statement reporting date. For public companies, fair value is determined based on the quoted market value. For private companies, certain subjective measures, including recent share transactions, prices for comparable entities, review of cash flow projections and the company prospects, financial ratios and discounted cash flows are techniques used to determine fair value.

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 (the “Purchase Price”).

Consideration

36,000,000 Common Shares at a value of \$0.07 per share	\$ 2,520,000
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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
	\$ 2,520,000

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.

Aion Therapeutic Inc.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

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, 2020	\$ 2,011,200	\$ 143,711	\$ 2,154,911
Asset sold, subsequently returned ^(c)	(500,000)	-	(1,005,600)
Impairment ^(d)	(1,011,200)	(143,711)	(649,311)
Balance at April 30, 2021	\$ 500,000	\$ -	\$ 500,000
Additions ^(e)	500,000	-	500,000
Impairment ^(f)	(1,000,000)	-	(1,000,000)
Balance at April 30, 2022 and January 31, 2023	\$ -	\$ -	\$ -
<u>Net Book Value</u>			
Balance, January 31, 2023	\$ -	\$ -	\$ -
Balance, April 30, 2022	\$ -	\$ -	\$ -

- a) The equipment is comprised of two identical extraction systems (the "Extraction Systems"), which the Company acquired in 2019.
- b) During the year ended April 30, 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 year ended April 30, 2021.
- c) In February 2021, the Company terminated an equipment lease and a profit-sharing agreement with 2623942 Ontario Limited which were to commence on November 1, 2020, and sold one of its Extraction Systems to an arm's-length party at a price of \$500,000 (*Note 7*).
- d) During the year ended April 30, 2021, the value of each Extraction Systems was estimated to be \$500,000 based on the selling price, and impairment expense of \$1,011,200 was recorded.
- e) During the year ended April 30, 2022, The Extraction System was returned to the Company, and the Company recorded the addition of equipment at \$500,000 (*Note 7*).
- f) Additions during the year ended April 30, 2022 related to the return of one of the Company's extraction system amounting to \$500,000 (*Note 7*).
- g) As at April 30, 2022, the two Extraction Systems were fully impaired to \$Nil due to no indication of a future economic benefit being generated. The two Extraction Systems have not been used since acquired by the Company and impairment expense of \$1,000,000 was recorded during the year ended April 30, 2022.
- h) On January 31, 2023, the Company sold its fully impaired Extraction Systems for \$135,185 and recorded a gain on the sale of the equipment.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

6. INTANGIBLE ASSETS

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

	Intellectual Property	Patents	Total
<u>Cost</u>			
Balance at April 30, 2020	\$ -	\$ -	\$ -
Additions	1,333,183	111,659	1,444,842
Impairment	(1,333,183)	(111,659)	(1,444,842)
Balance at April 30, 2021, April 30, 2022 and January 31, 2023	\$ -	\$ -	\$ -
<u>Net Book Value</u>			
Balance, January 31, 2023 and April 30, 2022	\$ -	\$ -	\$ -

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 were currently in the development phase and were not yet in use. During the year ended April 30, 2021, these intangible assets were deemed to be impaired as a result of the lack of revenue from the AI Pharma. Accordingly, the intangible assets were determined to be impaired as at April 30, 2021.

7. OTHER RECEIVABLE

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 other receivable. The sale consideration was to be settled by the issuance of the below (collectively, the "Debt"):

- 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.

During the year ended April 30, 2022, the Company entered into a settlement agreement (the "Machine Settlement") with the Licensed Producer where the Company settled and retired the outstanding debt in the principal amount of \$565,000 in exchange for the return of the purchased equipment to the Company. This equipment was returned during the year ended April 30, 2022, resulting in \$500,000 being recorded as an addition to property and equipment (Note 5) with the remaining \$65,000 allocated to Harmonized sales tax receivable.

Other receivables as at January 31, 2023 and April 30, 2022 amounted to \$nil.

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

8. LOANS PAYABLE

During the nine months ended January 31, 2023, the Company entered into various promissory notes with non-arm's length parties for the principal amount of \$236,594. These promissory notes are unsecured, bear interest at 18% per annum and are due on demand. The Company repaid \$155,185 of these promissory notes during the nine months ended January 31, 2023.

Interest expense in the amount of \$112,739 was recorded for the nine months ended January 31, 2023 (January 31, 2022 – \$38,434). As at January 31, 2023, the outstanding loans payable including accrued interest amounted to \$938,210 (April 30, 2022 – \$744,061).

9. CONVERTIBLE DEBENTURES

The Company has convertible debentures ("Debentures") with principal of \$500,000 bearing interest at 10% from a CSE-listed investment company. \$262,500 of Debentures were matured on November 1, 2020 and \$237,500 of Debentures were matured on December 10, 2020.

On October 29, 2020, the Company entered into an extension and amendment agreement (the "Amendment") with the debenture holder. Pursuant to the Amendment, the maturity dates of these Debentures were 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.

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 a result of the repayment, the equity portion of the convertible debenture in the amount of \$109,670 was transferred to contributed surplus.

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9. CONVERTIBLE DEBENTURES (continued)

As at January 31, 2023 and April 30, 2022, the Company's Debentures were comprised of the following:

		Equity component		Liability component		Total
Balance, April 30, 2020	\$	94,304	\$	426,196	\$	520,500
Adjustment		15,366		(35,366)		(20,000)
Amortization of finance costs		-		61,956		61,956
Accretion		-		47,214		47,214
Balance, April 30, 2021	\$	109,670	\$	500,000	\$	609,670
Repayment		-		(500,000)		(500,000)
Transfer to contributed surplus		(109,670)		-		(109,670)
Balance, April 30, 2022 and January 31, 2023	\$	-	\$	-	\$	-

10. SHARE CAPITAL

The Company is authorized to issue the following shares:

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

a) Common shares

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, 2023, the Company had 147,299,269 (April 30, 2022 – 141,799,269) class A common shares issued and outstanding.

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 nine months ended January 31, 2023 and year ended April 30, 2022.

c) Share issuances

Nine months ended January 31, 2022

On June 30, 2022, Dr. Stephen D. Barnhill resigned as a Director of the Company and from all subsidiary level appointments, and Dr. Herbert Fritsche resigned as Chief Science Officer of the Company. In connection with Dr. Barnhill's resignation, the Company issued an aggregate of 5,500,000 common shares valued at \$82,500 to settle all amounts owing by the Company and its subsidiaries to Dr. Barnhill. The Company recorded a gain of \$727,691 on the settlement.

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10. SHARE CAPITAL (continued)

On August 5, 2022, the Company received \$100,000 being subscription for 9,090,909 common shares at \$0.011 per share. These common shares remain unissued as at January 31, 2023.

Year ended April 30, 2022

During the year ended April 30, 2022 and year ended April 30, 2021, the Company completed one and six tranches of 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"). In connection with the Private Placements, the Company incurred share issuance costs of \$25,790 and \$44,322 in cash during the year ended April 30, 2022 and 2021, respectively.

During the year ended April 30, 2022, 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 \$1,487,016. 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 (see Note 10(d) for the valuation of these broker warrants).

d) Warrants

The Company did not issue any warrants during the nine months ended January 31, 2023.

During the year ended April 30, 2022, 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 June 11, 2021 and in connection with a Private Placement, the Company issued 238,562 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%.

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10. SHARE CAPITAL (continued)

As at January 31, 2023, the Company had the following warrants issued and outstanding:

	Number of Warrants	Weighted Average Exercise Price (\$)
Outstanding, April 30, 2021	29,756,848	0.17
Issued	8,497,238	0.15
Issued (Broker warrants)	238,562	0.15
Expired	(120,000)	0.12
Expired	(200,000)	0.18
Outstanding, April 30, 2022	38,172,648	0.17
Expired	(750,000)	0.15
Expired	(4,250,000)	0.15
Expired	(5,104,170)	0.15
Expired	(386,750)	0.15
Expired	(4,545,454)	0.15
Expired	(7,692,308)	0.15
Outstanding, January 31, 2023	15,443,966	0.20

As at January 31, 2023, the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price (\$)	Remaining Life (Years)	Expiry Date
3,333,166	0.15	0.22	February 21, 2023
1,500,000	0.25	0.27	March 14, 2023
1,100,000	0.45	0.27	March 14, 2023
575,000	0.25	1.44	April 8, 2024
200,000	0.45	1.44	April 8, 2024
8,497,238	0.15	0.62	June 11, 2023
238,562	0.15	0.62	June 11, 2023
15,443,966	0.20	0.52	

e) Stock options

The Company did not grant any options during the nine-month period ended January 31, 2023.

The Company did not grant any options during the year ended April 30, 2022.

As at January 31, 2023 and April 30, 2022, the Company had the following options issued and outstanding:

	Number of Options	Weighted Average Exercise Price (\$)
Outstanding, April 30, 2020	-	-
Granted	2,725,000	0.10
Granted	4,000,000	0.15
Outstanding, April 30, 2021, April 30, 2022 and January 31, 2023	6,725,000	0.13

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10. SHARE CAPITAL (continued)

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

Outstanding	Exercisable	Exercise Price (\$)	Remaining Life (Years)	Expiry Date
2,725,000	2,725,000	0.10	0.32	May 28, 2023
4,000,000	4,000,000	0.15	0.98	February 1, 2024
6,725,000	6,725,000	0.13	0.71	

f) Share-based compensation

During the nine months ended January 31, 2023:

The Company did not issue any stock options during the nine months ended January 31, 2023.

During the year ended April 30, 2022:

The Company did not issue any stock options during the year ended April 30, 2022.

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 Condensed Interim Consolidated financial statements include the following:

During the three and nine months ended January 31, 2023, amounts expensed for key management services include the following:

	Three months ended January 31, 2023	Nine months ended January 31, 2022
Fees for services of CEO	\$ 45,000	\$ 135,000
Fees for services of CFO	15,000	45,000
Fees for services of Director	-	14,500
Management fees	\$ 60,000	\$ 194,500

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11. RELATED PARTY TRANSACTIONS (continued)

During the three and nine months ended January 31, 2022, amounts paid for key management services include the following:

	Three months ended January 31, 2022		Nine months ended January 31, 2022	
Fees for services of CEO	\$	45,000	\$	135,000
Fees for services of CFO		15,000		46,500
Management fees	\$	60,000	\$	181,500
Fees for services of Executive Chairman		76,703		221,323
Fees for services of Chief Science Officer		36,751		111,699
	\$	173,454	\$	514,522

As at January 31, 2023, the Company had the following balances with related parties:

- Included in accounts payable and accrued liabilities is \$217,650 (April 30, 2022 – \$370,344) due to related parties.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, due from related party, equity investments, 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 convertible debentures and the loan payable are measured on the statement of financial position using level 3 of the fair value hierarchy.

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

Financial risk management and objectives

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, foreign currency risk, and commodity price risk).

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors.

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

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12. FINANCIAL INSTRUMENTS (continued)

Financial risk management and objectives (continued)

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 January 31, 2023, the Company had cash and cash equivalents of \$nil and current liabilities of \$2,489,523.

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 exposed to price risk as it does possess investments in publicly traded securities.

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12. FINANCIAL INSTRUMENTS (continued)

Financial risk management and objectives (continued)

(c) *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. This risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. As at January 31, 2023 and April 30, 2022, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

13. EQUITY INVESTMENTS

On June 30, 2022, the Company entered into an asset purchase agreement (the "APA") with Apollon Formularies PLC ("Apollon"), pursuant to which the Company sold four patent applications, and all associated supporting data to Apollon (collectively, the "Intellectual Property"). In consideration for the Intellectual Property, Apollon: (i) issued the Company an aggregate of 4,348,679 common shares in the capital of Apollon at a deemed price of £0.066 per common share; and (ii) agreed to pay the Company an indefinite royalty fee of 4% of the global net revenue generated by the Intellectual Property (the "Royalty"). The Royalty is payable quarterly in arrears, commencing upon the first commercial product sales utilizing the Intellectual Property. These patents were considered impaired and written off in the prior years. The equity investments amounted to \$449,347 as at January 31, 2023 (April 30, 2022 - \$nil).

14. RIGHT-OF-USE ASSET

Balance, April 30, 2021	\$	63,811
Amortization		(65,293)
Foreign exchange adjustment		1,482
Balance, April 30, 2022	\$	-
Addition during the period		45,093
Amortization		(17,175)
Early termination of sub-leased premises		(28,511)
Foreign exchange adjustment		593
Balance, January 31, 2023	\$	-

Right-of-use asset consisted of a sub-lease of commercial space in Jamaica amortized over 24 months. During the nine months ended January 31, 2023, the Company amortized \$17,175 (January 31, 2022 - \$63,680) of its right-of-use asset. Effective January 31, 2023, the Company terminated the lease and recorded a net gain of \$1,059.

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15. LEASE LIABILITIES

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 liabilities is presented in the table below:

Balance, April 30, 2021	\$	66,531
Interest accretion expense		2,455
Lease payments expensed during the year		(65,772)
Foreign exchange adjustment		(3,214)
Balance, April 30, 2022	\$	-
Addition during the period		45,093
Interest accretion expense		2,905
Lease payments made during the period		(19,020)
Early termination of sub-leased premises		(29,570)
Foreign exchange adjustment		592
Balance, January 31, 2023	\$	-

As at January 31, 2023 and April 30, 2022:

	January 31, 2023	April 30, 2022
Less than one year	\$ -	\$ -
Greater than one year	-	-
Total lease obligation	\$ -	\$ -

16. CAPITAL MANAGEMENT

The Company's capital structure as been defined by management as being comprised of shareholders' equity. 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 and to finance its activities and general corporate costs. This is achieved by the Board of Directors review and acceptance of budgets that are achievable within existing resources made available from private placements or other funding.

The Company monitors its capital structure using annual forecasted cash flows, budgets and targets.

The Company currently has no source of revenues as such the Company is dependent upon external financing to fund its activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Based on available funds, the Company manages its capital structure and makes adjustments to it to maintain flexibility while achieving the objectives stated above as well as support future business opportunities. To manage the capital structure the Company may adjust its operating expenditure plans, or issue new common shares and warrants.

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.