AION THERAPEUTIC INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED JULY 31, 2023

Prepared as at September 28, 2023

Management Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") reflects management's assessment of Aion Therapeutic Inc.'s ("Aion" or the "Company") financial and operating results for the three months ended July 31, 2023. This document should be read in conjunction with the condensed interim consolidated financial statements and related notes for the three months ended July 31, 2023 and the audited consolidated financials statements for the year ended April 30, 2023. The financial statements and the financial information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

This MD&A is prepared by management as at September 28, 2023. 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. ("Aion" or the "Company") was incorporated on January 13, 2011 under the *Business Corporations Act* (British Columbia). The Company's registered office is located at 700 West Georgia Street, Suite 2200, Vancouver, BC, V7Y 1K8. The Company is publicly traded on the Canadian Securities Exchange under the symbol "AION".

The Company is a forward-thinking business within the health and wellness sector with a diverse portfolio of intellectual property. With a commitment to innovation and transformative solutions, the Company is poised to drive positive change to redefine the boundaries of health and wellness.

Overall Performance

On June 30, 2020, the Company completed the acquisition (the "Acquisition") of 1196691 B.C. Ltd. d/b/a "PCAI Pharma" and its wholly owned subsidiary AI Pharmaceuticals Jamaica Limited ("AI Pharma"). 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 26, 2020, the Company changed its name to Aion Therapeutic Inc. and began trading under its new name and symbol on August 28, 2020.

During the years ended April 30, 2022, and 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 years 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.

During the year ended April 30, 2023, the Company issued the following Common Shares:

- 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 $552,132 on the settlement.

On June 30, 2022, the Company entered into an asset purchase agreement (the "APA") with Apollon Formularies PLC ("Apollon"), a public Company controlled by common director, Dr. Stephen D. Barnhill. Pursuant to the APA, 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 consideration of $0.028 (£0.018) 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 Company reversed the impairment for patents for $111,659 and recorded the investment in equity for $121,763 with a $10,104 gain on settlement.

During the year ended April 30, 2023, the Company entered into various promissory notes with non-arm's length parties for the principal amount of $237,594. 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 year ended April 30, 2023.

The Company did not enter into any promissory notes during the three months ended July 31, 2023.

Interest expense in the amount of $34,448 was recorded for the three months ended July 31, 2023 (July 31, 2022 – $34,031). As at July 31, 2023, the outstanding loans payable including accrued interest amounted to $1,004,748 (April 30, 2023 – $970,300).

On July 5, 2023, the Company announced that Rosy Mondin resigned as a director of the Company.

Subsequent Events

On August 14, 2023, the Company completed a non-brokered private placement through the issuance of 42,750,000 units, at a price of $0.01 per unit, for total gross proceeds of $427,500. Each unit consists of one Common Share and one-half of one Common Share purchase warrant. Each warrant entitles the holder thereof to purchase one Common Share for a period of eighteen months from the closing date at a price of $0.10 per Common Share.

Selected Financial Information

The following table summarizes financial information for the three months ended July 31, 2023 and the preceding seven quarters:

	Q1 2024	**Q4 2023**	**Q3 2023**	**Q2 2023**	**Q1 2023 (restated)**	**Q4 2022**	**Q3 2022**	**Q2 2022**
	$	$	$	$	$	$	$	$
Revenue	-	-	-	-	-	-	-	-
Net income (loss)	(328,580)	(193,901)	(215,721)	(125,580)	293,317	(1,618,833)	(650,735)	(801,741)
Income (loss) per share, basic and fully diluted	(0.002)	(0.001)	(0.001)	(0.001)	0.002	(0.01)	(0.01)	(0.01)
Total assets	151,357	210,672	627,594	698,757	366,569	150,144	1,313,538	1,354,856
Total liabilities	2,871,817	2,936,498	2,489,523	2,439,371	2,412,134	2,556,753	2,031,676	1,417,824
Shareholders' equity (deficiency)	(2,720,460)	(2,725,826)	(1,861,929)	(1,740,614)	(2,045,565)	(2,406,609)	(718,138)	(62,968)
Cash dividends	-	-	-	-	-	-	-	-

Results of Operations for the Three Months Ended July 31, 2023

The consolidated financial statements have been prepared using IFRS on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent on funding. The Company intends to finance its future requirements through a combination of debt and/or equity issuances. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. This uncertainty may cast significant doubt about the ability of the Company to continue as a going concern.

These consolidated financial statements do not include any adjustments to the carrying value or presentation of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

Revenue

Total revenue for the three months ended July 31, 2023 and 2022 were $nil.

Expenses

The following summarizes the Company’s expenses, net income (loss) and comprehensive income (loss) for the three months ended July 31, 2023 and 2022:

		Three Months Ended July 31, 2023		Three Months Ended July 31, 2022 (Restated-See Note 15)
Expenses				
Accretion	**$**	**-**	$	1,068
Amortization of right-of-use asset		**-**		5,548
Consulting fees		**68,527**		72,664
Foreign exchange loss		**131,762**		12,980
Insurance		**32,400**		37,920
Interest expense		**31,516**		34,775
Investor relations		**-**		15,000
Management fees		**60,000**		74,500
Office, administration and miscellaneous		**265**		179
Professional fees		**-**		120,000
Rent		**600**		1,214
Transfer agent and regulatory fees		**3,510**		4,730
		(328,580)		(380,578)
Reversal of impairment on intangible assets		**-**		111,659
Gain on settlement of debt		**-**		562,236
Net income (loss) for the period	**$**	**(328,580)**	$	293,317
Income (loss) per share – basic	**$**	**(0.002)**	$	0.002
Income (loss) per share – diluted	**$**	**(0.002)**	$	0.002
Weighted average number of common shares outstanding – basic		**147,299,269**		143,712,312
Weighted average number of common shares outstanding – diluted		**147,299,269**		178,119,040
Net income (loss) for the period	**$**	**(328,580)**	$	293,317
Foreign exchange translation adjustment		**178,946**		(14,773)
Comprehensive income (loss) for the period	**$**	**(149,634)**	$	278,544

Accretion expense

Accretion expense for the three months ended July 31, 2023 was $nil as compared to $1,068 for the three months ended July 31, 2022. Accretion expense for the respective periods were in relation to the Company's interest accretion expense on its lease liability relating to lease of property.

Amortization of right-of-use asset

Amortization of right-of-use asset for the three months ended July 31, 2023 was $nil as compared to $5,548 for the three months ended July 31, 2022. Amortization of right-of-use asset for the respective periods were in relation to the Company's leases. The lease in Jamaica was terminated during the year ended April 30, 2023.

Consulting fees

Consulting fees for the three months ended July 31, 2023 was $68,527 as compared to $72,664 for the three months ended July 31, 2022. The decrease in consulting fees during the three months ended July 31, 2023 as compared to 2022 was a result of the Company's overall reduction in spending as the Company raised limited capital during the years ended April 30, 2023 and 2022.

Foreign exchange loss

Foreign exchange loss for the three months ended July 31, 2023 was $131,762 as compared to a foreign exchange loss of $12,980 for the three months ended July 31, 2022. Foreign exchange losses for the respective periods were a result of the Company and its subsidiaries' Jamaican dollar transactions.

Insurance expense

Insurance expense for the three months ended July 31, 2023 was $32,400 as compared to $37,920 for the three months ended July 31, 2022. The decrease in insurance expense during the three months ended July 31, 2023 was a result of the Company obtaining a new directors and officers insurance policy.

Interest expense

Interest expense for the three months ended July 31, 2023 was $31,516 as compared to $34,775 for the three months ended July 31, 2022. Interest expense for the respective periods were related to the Company's loans payable.

Investor relations

Investor relations expense for the three months ended July 31, 2023 was $nil as compared to $15,000 for the three months ended July 31, 2022. The decrease in investor relations expense during the three months ended July 31, 2023 was a result of the overall reduction in spending.

Management fees

Management fees for the three months ended July 31, 2023 was $60,000 as compared to $74,500 for the three months ended July 31, 2022. Management fees for the periods ended July 31, 2023 and 2022 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 months ended July 31, 2023 was $265 as compared to $179 for the three months ended July 31, 2022.

Professional fees

Professional fees for the three months ended July 31, 2023 was $nil as compared to $120,000 for the three months ended July 31, 2022. Professional fees relate to legal fees incurred for transactions, financings, and audit fees. The professional fees during the three months ended July 31, 2022 is primarily attributable to legal costs to complete various settlements.

Rent

Rent for the three months ended July 31, 2023 was $600 as compared to $1,214 for the three months ended July 31, 2022.

Transfer agent and regulatory fees

Transfer agent and regulatory fees for the three months ended July 31, 2023 was $3,510 as compared to $4,730 for the three months ended July 31, 2022. Transfer agent and regulatory fees relate to the Company's compliance and filing requirements.

Reversal of impairment on intangible assets

Reversal of impairment of intangible assets for the three months ended July 31, 2023 was $nil as compared $111,659 for the three months ended July 31, 2022.

On June 30, 2022, the Company entered into an asset purchase agreement (the "APA") with Apollon Formularies PLC ("Apollon"), a public Company controlled by common director, Dr. Stephen D. Barnhill. Pursuant to the APA, 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 consideration of $0.028 (£0.018) 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 Company reversed the impairment for patents for $111,659 and recorded the investment in equity for $121,763 with a $10,104 gain on settlement. As of the year ended April 30, 2023, these investments were measured at $12,955 with an unrealized loss of $108,808 recorded in the consolidated statement of loss.

Gain on settlement of debt

During the three months ended July 31, 2023, the Company recorded a gain on settlement of debt of $nil as compared to $562,236 for the three months ended July 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. During the year ended April 30, 2023, the Company recorded a gain on settlement of debt of $552,132 as a result of this settlement.

On June 30, 2022, the Company entered into an asset purchase agreement (the "APA") with Apollon Formularies PLC ("Apollon"), a public Company controlled by common director, Dr. Stephen D. Barnhill. Pursuant to the APA, 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 consideration of $0.028 (£0.018) 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 Company reversed the impairment for patents for $111,659 and recorded the investment in equity for $121,763 with a $10,104 gain on settlement during the year ended April 30, 2023.

Foreign currency translation adjustment

Foreign currency translation adjustment for the three months ended July 31, 2023 was a gain of $178,946 as compared to a loss of $14,773 for the three months ended July 31, 2022. 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 July 31, 2023, the Company recorded a net loss of $328,580 as compared to net income of $293,317 for the three months ended July 31, 2022.

During the three months ended July 31, 2023, the Company recorded a comprehensive loss of $149,634 as compared to comprehensive income of $278,544 for the three months ended July 31, 2022.

Restatement of Prior Period Comparative Financial Statements

The comparative financial statements for the prior period ended July 31, 2022 are restated to reflect the reversal of the impairment of intangible assets and adjustment to the gain on settlement of debt. There are no changes to the total cash used in operating activities or total cash provided by financing activities.

The effect of the changes in the comparative financial statements is summarized as follows:

	For the Three Months Ended July 31, 2022	
	Prior to Restatement	**Restated**
	$	**$**
Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive (Income) Loss:		
Foreign exchange loss	1,347	**12,980**
Total operating loss	(368,945)	**(380,578)**
Reversal of impairment of intangible assets	-	**111,659**
Gain on settlement of debt	1,177,038	**562,236**
Net income for the period	808,093	**293,317**
Income per share-basic	0.006	**0.002**
Income per share-diluted	0.005	**0.002**
Comprehensive income for the period	793,320	**278,544**
Condensed Interim Consolidated Statements of Cash Flows:		
Net Income for the period	808,093	**293,317**
Items not involving cash:		
Reversal of impairment of intangible assets	-	**(111,659)**
Gain on settlement of debt	(1,177,038)	**(562,236)**
Non-cash working capital adjustment:		
Accounts payable and accrued liabilities	285,414	**297,047**

Liquidity and Capital Resources

As at July 31, 2023, the Company had total assets of $151,357 (April 30, 2023 – $210,672) consisting of cash of $33,920, harmonized sales tax receivable of $39,706, loans and advances of $64,776 and equity investments of $12,955.

As at April 30, 2023, the Company had total assets of $210,672 consisting of cash of $336, harmonized sales tax receivable of $197,381 and equity investments of $12,955.

The decrease in assets from April 30, 2023 to July 31, 2023 was primarily a result of the decrease in harmonized sales tax receivable.

As at July 31, 2023, the Company had total liabilities of $2,871,817 (April 30, 2023 – $2,936,498) consisting of accounts payable and accrued liabilities of $1,867,069 and loans payable of $1,004,748.

As at April 30, 2023, the Company had total liabilities of $2,936,498 consisting of accounts payable and accrued liabilities of $1,966,198 and loans payable of $970,300.

Cash Used in Operating Activities

The Company used cash in operating activities in the amount of $235,586 (July 31, 2022 – $81,151) during the three months ended July 31, 2023 due to the reasons as discussed above.

Cash Used in Investing Activities

The Company used cash in operating activities in the amount of $64,776 (July 31, 2022 – $nil) during the three months ended July 31, 2023. On July 31, 2023, the Company advanced a loan of $64,776 (US $50,000) to an arms-length party under a promissory note. The promissory note bears interest at 10% per annum and matures on October 1, 2023.

Cash Provided by Financing Activities

The Company was provided cash by financing activities in the amount of $155,000 during the three months ended July 31, 2023 as compared to $112,831 during the three months ended July 31, 2022. During the three months ended July 31, 2023, the Company received cash for subscription of units for $155,000. During the three months ended July 31, 2022, the Company received loans of $139,000, repaid $20,000 of loans and repaid $6,169 for lease obligations.

Summary

During the three months ended July 31, 2023 and 2022, the Company had a comprehensive loss of $149,634 as compared to a comprehensive income of $278,544, respectively. As at July 31, 2023, the Company had a working capital deficiency of $2,733,415 (April 30, 2023 - $2,738,781) and total shareholders' deficiency of $2,720,460 (April 30, 2023 – $2,725,826).

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 147,299,269 common shares issued and outstanding as at July 31, 2023 and 190,049,269 common shares issued and outstanding as at September 28, 2023, being the date of this report. There were 1,750,000 stock options and 775,000 warrants issued and outstanding as at July 31, 2023 and 1,750,000 stock options and 22,150,000 warrants issued and outstanding as at September 28, 2023, being the date of this report.

Share Capital

Preferred Shares

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

As at July 31, 2023 and the date hereof, there are no issued or outstanding preferred shares.

Common Shares

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

As at July 31, 2023, the Company had 147,299,269 Common Shares issued and outstanding and 190,049,269 Common Shares issued and outstanding as at the date hereof.

Warrants

The Company did not issue any share purchase warrants during the three months ended July 31, 2023 and the year ended April 30, 2023.

As at July 31, 2023, the Company had the following share purchase warrants issued and outstanding:

	Number of Warrants	Weighted Average Exercise Price ($)
Outstanding, April 30, 2022	**38,172,648**	**0.17**
Expired	(28,661,848)	-
Outstanding, April 30, 2023	**9,510,800**	**0.16**
Expired	(8,735,800)	-
Outstanding, July 31, 2023	**775,000**	**0.30**

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

Outstanding	Exercise Price ($)	Remaining Life (Years)	Expiry Date
575,000	0.25	0.69	April 8, 2024
200,000	0.45	0.69	April 8, 2024
775,000	**0.30**	**0.69**	

Stock Options

The Company did not grant any stock options during the three months ended July 31, 2023 and the year ended April 30, 2023.

During the three months ended July 31, 2023, 2,725,000 stock options expired, unexercised, and 2,250,000 stock options were forfeited and cancelled.

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

	Number of Options	Weighted Average Exercise Price ($)
Outstanding, April 30, 2023	**6,725,000**	**0.13**
Expired	(2,725,000)	0.10
Cancelled	(2,250,000)	0.15
Outstanding, July 31, 2023	**1,750,000**	**0.15**

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

Outstanding	Exercisable	Exercise Price ($)	Remaining Life (Years)	Expiry Date
1,750,000	1,750,000	0.15	0.51	February 1, 2024

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 months ended July 31, 2023 and 2022, amounts expensed for key management services include the following:

	July 31, 2023	July 31, 2022
Fees for services of CEO	$ 45,000	$ 45,000
Fees for services of CFO	15,000	15,000
Fees for services of Director	-	14,500
Management fees	**$ 60,000**	**$ 74,500**

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

- Included in accounts payable and accrued liabilities is $248,400 (April 30, 2023 – $283,500) due to related parties.

The right-of-use asset, the lease obligations and repayment of lease obligation of $nil (2022 – $6,169) for the three months ended July 31, 2023, were paid to entities which are under common control with the Company.

Loan Payable

During the year ended April 30, 2023, the Company entered into various promissory notes with non-arm's length parties for the principal amount of $237,594. 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 year ended April 30, 2023, which included proceeds from sale of equipment for $135,185 received directly by the promissory note holder and applied against the principal amount of the promissory notes.

The Company did not enter into any promissory notes during the three months ended July 31, 2023.

Interest expense in the amount of $34,448 was recorded for the three months ended July 31, 2023 (July 31,2022 – $34,031). As at July 31, 2023, the outstanding loans payable including accrued interest amounted to $1,004,748 (April 30, 2023 – $970,300).

Loans and Advances

On July 31, 2023, the Company advanced a loan of $64,776 (US $50,000) to an arms-length party under a promissory note. The promissory note bears interest at 10% per annum and matures on October 31, 2023.

Off Balance Sheet Arrangements

As at July 31, 2022, 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 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.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating polices of an entity and be exposed to the variable returns from its activities. The financial statements of 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 (deficiency), and the disclosure of contingent assets and liabilities, as at the date of the consolidated 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, impairment of equipment, 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 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.

Impairment 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 the 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. 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.

Impairment of intangible assets

The values associated with intangible assets involve significant estimates and assumptions, including discount rates and useful lives. At least annually, the carrying amount of intangible assets are reviewed for potential impairment. Among other things, this review considers the recoverable amounts of the intangible assets 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.

Financial Instruments and Other Risk Factors

The Company's financial instruments consist of cash, equity investments, loans and advances, accounts payable and loan payable.

The Company's cash and equity investment 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 fair value of the Company's loans and advances, accounts payable and loans payable approximate their fair values due to their short-term nature.

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.

<u>Credit risk</u>

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.

<u>Liquidity risk</u>

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

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

As at July 31, 2023, the Company had cash and cash equivalents of $33,920 and current liabilities of $2,871,817.

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 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 as the terms of its loans payable are based on fixed interest rates.

(b) *Price risk*

The Company is exposed to significant price risk via its equity investment, as this is based on the price in the quoted market.

(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 July 31, 2023 and April 30, 2023, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

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.

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.

Corporate Information

Directors and Officers

Graham Simmonds – Executive Vice Chair & Chief Executive Officer
Paul Crath – Lead Independent Director
Larry Horwitz – Director
Sara Lee Irwin – Director
Dr. Anthony Hall – Director
Rakesh Malhotra – Chief Financial Officer

Corporate Office

700 West Georgia Street, Suite 2200, Vancouver, BC, V7Y 1K8.

Independent Auditor

DNTW Toronto LLP, Canada

Transfer Agent

Capital Transfer Agency ULC, Toronto

Other Information

Additional information on the Company is available on SEDAR+ at www.sedarplus.ca.