AION THERAPEUTIC INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED JULY 31, 2024

Prepared as at November 8, 2024

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, 2024. This document should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the three months ended July 31, 2024 and the audited consolidated financial statements for the year ended April 30, 2024. The condensed interim consolidated 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 November 8, 2024. All amounts are expressed in Canadian dollars, unless otherwise noted.

Reference should also be made to the Company's filings on SEDAR+ at www.sedarplus.ca.

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 three months ended July 31, 2024, the Company completed one tranche of non-brokered private placements (each a "Private Placement") through the issuance of units ("Units") of the Company. Each Unit consisted of one common share and one common share purchase warrant (each whole warrant, a "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 $0.05 per common share. The proceeds from the issuance of Units are allocated between share capital and warrants. The Company has adopted the residual method with respect to the measurement of the Warrants and accordingly the difference between the proceeds raised and the value of the common shares is the residual fair value of the Warrants. During the three months ended July 31, 2024, the value to Warrants assigned for Private Placement was $nil.

On July 31, 2024, the Company entered into a four-year license agreement (the "License Agreement") with I2Pure Corp. ("I2Pure") for the worldwide rights to its patented molecular iodine for use in water disinfection application. Pursuant to the License Agreement, the Company made a cash payment of US $250,000 and issued 13,600,000 Common Shares to I2Pure, valued at US $500,000, with an additional US $500,000 to be paid on the one year anniversary of the License Agreement. The License Agreement was entered into on February 20, 2024, but the conditions relating to the commencement of the License Agreement were not satisfied until July 28, 2024. The License Agreement has a term of four years, and automatically renews for successive terms of one year each, unless one of the parties gives written notice to the other party not less than ninety days prior to the end of an extension term that it does not wish for the License Agreement to renew. The License Agreement commenced in August 2024.

During the three months ended July 31, 2024, the Company issued the following common shares:

- On May 17, 2024, the Company closed a Private Placement and issued 50,000,000 Units of the Company, at a price of $0.015 per Unit, for gross proceeds of $750,000. In connection with the issuance of the Units, the Company issued 50,000,000 common shares and 50,000,000 Warrants.

During the year ended April 30, 2024, the Company completed two tranches of non-brokered private placements (each a "Private Placement") through the issuance of units ("Units") of the Company. Each Unit consisted of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share for a period of eighteen months from the closing date at a price of $0.10 per common share. The proceeds from the issuance of Units are allocated between share capital and warrants. The Company has adopted the residual method with respect to the measurement of the Warrants and accordingly the difference between the proceeds raised and the value of the common shares is the residual fair value of the Warrants.

During the year ended April 30, 2024, the Company issued the following common shares:

- On August 14, 2023, the Company closed a Private Placement and issued 42,750,000 Units of the Company, at a price of $0.01 per Unit, for gross proceeds of $427,500. This includes the subscription received of $100,000 during the prior year ended April 30, 2023. In connection with the issuance of the Units, the Company issued 42,750,000 common shares and 21,375,000 Warrants.
- On October 5, 2023, the Company closed a Private Placement and issued 21,500,000 Units of the Company, at a price of $0.01 per Unit, for gross proceeds of $215,000. In connection with the issuance of the Units, the Company issued 21,500,000 common shares and 10,750,000 Warrants.
- On December 15, 2023, the Company issued 200,000,000 common shares valued at $0.02 per share for the acquisition of Toppen Health Inc. ("Toppen")

During the years ended April 30, 2022, and 2021, the Company completed one and six tranches of private placements, respectively through the issuance of units of the Company. Each Unit consisted of one Common Share and one-half of one Common Share purchase warrant. Each Warrant entitles the holder thereof to purchase one Common Share for a period of twenty-four months from the closing date at a price of $0.15 per Common Share. Furthermore, the Company has the right to accelerate the expiry date to be thirty days following written notice to the holders, if during the term of the Warrants the Common Shares close at or above $0.20 per Common Share on each trading day for a period of ten consecutive trading days on the 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, 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.

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.

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 entered a promissory note for $35,000 during the year ended April 30, 2024. The loan is unsecured, bears interest at 12% per annum and payable within one year.

On May 26, 2024, the Company entered into a loan agreement with arm's length parties in the principal amount of US $300,000 (the "May Loan"). The loan is secured and bears interest at 3.5% per month, maturing on August 31, 2024. On September 6, 2020, the Company extended the maturity of the May Loan to October 31, 2024 and agreed to an extension fee of two percent per month.

Interest payable expense on loans in the amount of $50,541 was recorded for the three months ended July 31, 2024 (July 31, 2023 – $34,448). As at July 31, 2024, the outstanding loans payable including accrued interest amounted to $2,453,301 (April 30, 2024 – $2,008,075..

On December 15, 2023, the Company completed the acquisition of all of the outstanding shares of Toppen Health Inc., a US-based innovative health and wellness company, dedicated to delivering state-of-the art water filtration solutions (the "Acquisition"). The Acquisition was completed pursuant to a definitive share purchase agreement dated October 10, 2023 (the "Purchase Agreement") with Toppen and shareholders holding a majority of the issued and outstanding shares of Toppen (the "Toppen Shares") and a separate share purchase agreement with the remaining Toppen shareholders, entered into on the closing of the Acquisition (the "Closing Purchase Agreement").

As consideration for the Acquisition, the Company issued 200,000,000 Common Shares of the Company at a price of $0.02 per share (the "Purchase Price"). Of the 200,000,000 Common Shares issued, 155,000,000 were related to the acquisition of the Toppen Shares while 45,000,000 Common Shares of the Company were paid to an advisor of Toppen in connection with certain M&A services relating to the Acquisition. The Company may also be required to pay contingent consideration of US $2,000,000 (the "Earn-Out Payment") if Toppen achieves revenue equal to or greater than US $5,000,000 for the period from October 18, 2023 to April 30, 2025. Eligible revenue for the purposes of the earn-out calculation must exceed forty percent gross margins.

Consideration		
155,000,000 common shares at a value of $0.02 per share	**$**	**3,100,000**
Purchase Price Allocation		
Cash	$	25,614
Accounts receivable		18,327
Inventory		326,009
Prepaid expenses		17,597
Furniture and equipment		109,177
Right-of-use asset		100,525
Accounts payable and accrued liabilities		(274,070)
Lease liability		(100,525)
Loans payable		(1,100,179)

Intangible assets		2,014,352
Loss on acquisition		1,963,173
	$	**3,100,000**

The Earn-Out Payment is considered to be contingent consideration. As of December 15, 2023 and July 31, 2024, management has assessed that the Earnout Payment is not currently determinable and accordingly, has not recognized the Earnout Payment on these consolidated financial statements. In accordance with the Company's accounting policies and *IFRS 3 – Business Combinations*, the measurement period for the Acquisition shall not exceed one year from acquisition date. Accordingly, the accounting for the Acquisition, including the net assets acquired, the Purchase Price, and the Earn-Out Payment, have only been provisionally determined as at July 31, 2024. The following table summarizes the fair value of consideration paid on the acquisition date and the allocation of the Purchase Price to the assets and liabilities acquired. The Company has yet to determine the impact of the contingent consideration on the Acquisition. Once this has been determined, the purchase price allocation may change and such changes may be material.

The Company recorded a loss on acquisition in the amount of $2,863,173 which was comprised of $1,963,173 as the amount of goodwill which was immediately impaired at the time of the Acquisition; and $900,000 of M&A fees paid as 45,000,000 common shares issued on the date of Acquisition, as discussed above.

As at April 30, 2024, the Company determined that the intangible assets acquired were to be impaired as a result of the lack of positive cash-flows due to Toppen being in the early stage of its business cycle. During the year ended April 30, 2024, the Company recorded an impairment of intangible assets in the amount of $2,014,352 (April 30, 2023 - $nil), which was reported on the Company's consolidated statements of operations and comprehensive loss.

The Consideration Shares are subject to a statutory resale restriction of four months and a day from the date of issuance and such further restrictions as may be apply under foreign securities laws. In addition, the Consideration Shares are subject to an escrow period of three years pursuant to the requirements of the Canadian Securities Exchange, with the first release of 10% of the Consideration Shares to take place ten days following the filing of the Company's Business Acquisition Report (BAR) and Listing Statement, and the balance of the consideration shares in equal tranches of 15% every six months following the initial release date.

Subsequent Events

On September 6, 2024, the Company extended the maturity of the May Loan to October 31, 2024 and agreed to an extension fee of two percent per month.

On September 12, 2024, the Company entered into a settlement agreement (the "Settlement Agreement") with a lender. Pursuant to the Settlement Agreement, the Company's required to repay the loan over four tranches of USD $75,000 on September 30, 2024, December 30, 2024, March 31, 2025 and June 30, 2025.

On September 20, 2024, the Company closed the first tranche of a non-private placement (the "September Offering") and issued 22,000,000 Units (the "September Units") at a price of $0.011 per Unit for gross proceeds of $242,000. In connection with the Issuance of the September Units, the Company issued 22,000,000 common shares of the Company and 22,000,000 share purchase warrants, exercisable for eighteen months post the September Offering, exercisable at $0.05 per share.

On October 8, 2024, Toppen received the Canadian Standards Association ("CSA") Group certification for certain models of its water filtration solutions.

On October 23, 2024, the Company, through Toppen announced the appointment of Charles Freihofer as its new Chief Revenue Officer ("CRO"). Mr. Freihofer joined Toppen in mid-September to lead the organization's renewed focus on revenue and earnings.

On October 23, 2024, the Company announced that Larry Horwitz resigned as a director effective October 18, 2024.

1. Information Concerning Toppen

Co-founded in 2019 by Owen Boyd, Bill Roche, and Al Dubé, Sanford, Florida-based Toppen is a pioneering force in the field of water filtration, actively driving innovation within the industry with a commitment to delivering healthier water solutions. At the core of Toppen's mission lies the belief that every individual and community should have access to clean, safe, and healthier water and are dedicated to transforming this vision into reality.

Toppen's team has engineered a water filtration system that incorporates mechanical filtration, membrane filtration, adsorption, silver infection control, ion exchange, and chemical additions into a three-stage water purification solution designed to meet the needs of consumers, business, and industries worldwide. Toppen's flagship product, the UltraSafe series water filtration system with its proprietary MicronGuard^{TM}, is a three-stage water filtration system that employs proprietary filters that deliver comprehensive and dependable water solutions for homes, offices, medical clinics, and industrial/agricultural facilities. The system is designed to eliminate an extensive range of contaminants, including bacteria, viruses, cysts, spores, pharmaceuticals, pesticides, heavy metals, and PFAS/PFOS/PFOA that has been independently certified verifying its capacity to remove 99.99% of PFAS from drinking water.

What truly sets Toppen apart is its system's ability to function efficiently in low-pressure environments, ensuring access to clean, safe, and healthier drinking water even in remote or underserved communities.

Toppen's 7,500 sq-ft manufacturing facility is based in Sanford, Florida, and Toppen currently has five employees.

1.1 Toppen Dental Division

Toppen's dental division provides Dental Support Organizations (DSOs) and individual dental practices across the United States with its innovative disinfection products and dental wastewater solutions, removing bacteria and viruses in a chemical-free manner from dental water lines, combatting water-born infection outbreaks.

1.2 Toppen Consumer Division

Toppen's consumer division provides innovative and affordable home water treatment solutions. Its UltraHome series water filtration system uses chemical-free, high-capacity filters to produce high quality drinking water, while leaving healthy minerals like calcium and magnesium that are typically removed with reverse osmosis or like-minded treatment technologies. Toppen provides whole home (filtering the water as it comes into your home) as well as under-sink filtration options.

Toppen also produces a line of filters for hand-held water bottles perfect for individual use.

1.3 Toppen Commercial Division

Toppen's commercial division targets US-based municipalities looking for community filtration solutions, as well as home builders, condominium developers, and property managers requiring whole-home water filtration. The B2B division also concentrates on global opportunities where Toppen's products can ensure access to clean, safe, and healthier drinking water in remote or underserved communities.

Looking ahead, Toppen remains committed in its pursuit of next-generation water systems that not only purify water but also enhance hydration and cellular health, representing a significant advancement in the quest for improved well-being for individuals and communities alike.

Since its inception, Toppen has targeted its patented filtration solutions on the high-level water quality requirements in the US dental space and is currently expanding the B2B offering into Canada. Toppen is also further developing its consumer-focused water filtration solutions (home filtration systems and other lifestyle-related solutions like filtered water bottles), targeting North American and global audiences, with an emphasis on markets in Asia.

Toppen is the assignee of a registered patent application (Pub. No. US 20190151045A1) with the United States Patent and Trademark Office ("USPTO") for its device and system combination method for disinfecting and decontaminating water lines, for example, dental water lines in the absence of a primary chemical component. Furthermore, Toppen has submitted a provisional application with the USPTO for a patent relating to dental chair water bottle micro filters.

2. Toppen Management Team

Toppen's board of directors and management team following the completion of the Acquisition are expected to be comprised of Mr. Boyd, Mr. Roche, Mr. Dubé, and Mr. Aluce, being Toppen's current board of directors and management team. The board of directors and management team of Aion was not altered as a result of the Acquisition.

Brief biographies of the individuals named above are provided below.

<u>Owen Boyd (Co-founder, Director, President, Chief Executive Officer)</u>

Mr. Boyd has been working on water filtration technology and product development for over 30 years, most notably with dental industry water solutions provider, Solmetex, which he co-founded with Mr. Dubé in 1994. He has been awarded and recognized with The Environmental Protection Agency's Innovation Technology Award, the Engineering News Record for Best Technology Award, and the National Academy of Engineering's Grainger Challenge Silver Award for advancements in water filtration technology.

Mr. Boyd spearheaded the development of Toppen's revolutionary MicronGuard™ technology and jointly holds the patent for the Toppen's Ultra Dental Filter with Bill Roche.

<u>Bill Roche (Co-founder, Director, Chief Technology Officer)</u>

Mr. Roche has over 30 years of experience innovating water filtration products. He spent almost 10 years as the VP of Operations for Argonide Corporation in Florida, another leader in the water filtration technology space, and his experience with plastic blow molding and injected plastic parts for water filtration has been pivotal in advancing Toppen's product designs.

He jointly holds the patent for Toppen's Ultra Dental Filter with Mr. Boyd.

Al Dubé (Co-founder, Director, Chief Operating Officer, Secretary)

Like his colleagues, Mr. Dubé also has a long history in water filtration, co-founding Solmetex with Mr. Boyd back in 1994, and is credited with creating the dental amalgam separator (a device designed to capture amalgam particles from dental office wastewater) industry in the US.

Greg Aluce (Director)

Greg Aluce is a strategic consultant covering the energy services, exploration, and production sectors. He was a senior level executive at Layne Christiansen, a $500B+ global leader in water management, construction, and drilling. He served as Layne Christiansen's President of Water Technology from 2001 to 2010, and as Division President, Executive VP, and Corporate Officer from 2010 to 2012.

Selected Financial Information

The following table summarizes financial information for the three months ended July 31, 2024 and the preceding seven quarters:

	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
	$	**$**	$	$	$	$	$	$
Revenue	434,860	145,436	222,043	-	-	-	-	-
Net income (loss)	(370,811)	(5,399,303)	(377,954)	(181,359)	(328,580)	(193,901)	(215,721)	(125,580)
Income (loss) per share, basic and fully diluted	(0.001)	(0.013)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)
Total assets	1,217,002	702,861	5,887,752	329,857	151,357	210,672	627,594	698,757
Total liabilities	5,271,079	4,574,710	4,854,924	3,019,571	2,871,817	2,936,498	2,489,523	2,439,371
Shareholders' equity (deficiency)	(4,054,077)	(3,871,849)	1,032,828	(2,689,714)	(2,720,460)	(2,725,826)	(1,861,929)	(1,740,614)
Cash dividends	-	-	-	-	-	-	-	-

Results of Operations for the Three Months Ended July 31, 2024

The Company's condensed interim 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.

	July 31, 2024	July 31, 2023
Revenue	$ 434,860	$ -
Cost of revenue	(241,444)	-
Gross profit	193,416	-
Operating expenses		
Accretion	$ 1,961	$ -
Advertising and marketing	3,500	-
Amortization of right-of-use asset	22,053	-
Consulting fees	190,226	68,527
Depreciation of property and equipment	6,623	-
Foreign exchange loss	361	131,762
Insurance	2,765	32,400
Interest expense	51,249	31,516
Investor relations	10,000	-
Management fees	60,000	60,000
Office, administration and miscellaneous	62,393	265
Professional fees	13,210	-
Rent	5,801	600
Salaries and wages	127,155	-
Transfer agent and regulatory fees	6,930	3,510
Total operating expenses	564,227	328,580
Net loss for the period	$ (370,811)	$ (328,580)
Loss per share – basic and diluted	$ (0.001)	$ (0.002)
Weighted average number of common shares outstanding - Basic and diluted	452,310,139	147,299,269
Net loss for the period	$ (370,811)	$ (328,580)
Foreign currency translation adjustment	(11,417)	178,946
Comprehensive loss for the period	$ (382,228)	$ (149,634)

Revenue

Total revenue for the three months ended July 31, 2024 amounted to $434,860, as compared to $nil for the three months ended July 31, 2023. The increase in revenue is to the Acquisition of Toppen as noted above.

Accretion expense

Accretion expense for the three months ended July 31, 2024 amounted to $1,961, as compared to $nil for the three months ended July 31, 2023. The accretion expense in the current period relates to a commercial property leased by Toppen in Florida, USA.

Advertising and marketing

Advertising and marketing expenses for the three months ended July 31, 2024 amounted to $3,500, as compared to $nil, for the three months ended July 31, 2023. This expense relates to the advertising and marketing the sale of products manufactured by Toppen.

Amortization of right-of-use assets

Amortization of right-of-use assets for the three months ended July 31, 2024 amounted to $22,053, as compared to $nil for the three months ended July 31, 2023. Amortization of right-of-use asset expense in the current period relates to a commercial property leased by Toppen in Florida, USA.

Consulting fees

Consulting fees for the three months ended July 31, 2024 was $190,226, as compared to $68,527 for the three months ended July 31, 2023. The increase in consulting fees was a result of the Company hiring additional consultants to assist with the Acquisition and integration of Toppen.

Depreciation on property and equipment

Depreciation for the three months ended July 31, 2024 amounted to $6,623, as compared to $nil for the three months ended July 31, 2023. Depreciation for the respective periods were in relation to the Company's property and equipment acquired from the Acquisition of Toppen.

Foreign exchange loss

Foreign exchange loss for the three months ended July 31, 2024 amounted to $361, as compared to a foreign exchange loss of $131,762 during the three months ended July 31, 2023. The foreign exchange gain or loss for the periods was a result of the Company and its subsidiaries' transactions in the United States dollars.

Insurance expense

Insurance expense for the three months ended July 31, 2024 was $2,765, as compared to $32,400 for the three months ended July 31, 2023. The decrease in insurance expense was due to the temporary non-renewal of the Company's directors and officers' insurance policy. The insurance expense in the current period relates to Toppen's general liability insurance.

Interest expense

Interest expense for the three months ended July 31, 2024 was $51,249, as compared to $31,516 for the three months ended July 31, 2023. Interest expense for the three months ended July 31, 2024 and 2023 were related to the Company's loans payable.

Investor relations

Investor relations expense for the three months ended July 31, 2024 were $10,000 as compared to $nil for the three months ended July 31, 2023. The Company's increase in investor relations expense during the three months ended July 31, 2024 was to increase exposure on the Company post the Toppen acquisition.

Management fees

Management fees for the for the three months ended July 31, 2024 was $60,000, as compared to $60,000 for the three months ended July 31, 2023. Management fees for the three months ended July 31, 2024 and 2023 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, 2024 was $62,393, as compared to $265 for the three months ended July 31, 2023. The increase in office and administration expense during the three months ended July 31, 2024 relates to additional expense incurred in the Acquisition of Toppen.

Professional fees

Professional fees for the three months ended July 31, 2024 was $13,210, as compared to $nil for the three months ended July 31, 2023. Professional fees during the three months ended July 31, 2024 relate to legal expenses associated with the Company and Toppen's activities.

Rent

Rent for the for the three months ended July 31, 2024 was $5,801, as compared to $600 for the three months ended July 31, 2023. Rent relates to general taxes, maintenance, and utilities associated with a commercial lease held by Toppen in Florida, USA.

Salaries and wages

Salaries and wages for the three months ended July 31, 2024 amounted to $127,155, as compared to $nil for the three months ended July 31, 2023. The increase in salaries and wages relates to the operating expenses of Toppen as noted above.

Transfer agent and regulatory fees

Transfer agent and regulatory fees for the three months ended July 31, 2024 amounted to $6,930, as compared to $3,510 for the three months ended July 31, 2023. Transfer agent and regulatory fees relate to the Company's compliance and filing requirements.

Foreign exchange translation adjustment

Foreign exchange translation adjustment loss for the three months ended July 31, 2024 amounted to $11,417, as compared to a foreign exchange translation adjustment gain of $178,946 during the three months ended July 31, 2023. 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 Income (Loss) and Comprehensive Income (Loss)

During the three months ended July 31, 2024, the Company recorded a net loss of $370,811, as compared to net loss of $328,580 during the three months ended July 31, 2023. During the three months ended July 31, 2024, the Company recorded a comprehensive loss of $382,228 as compared to a comprehensive loss of $149,634 during the three months ended July 31, 2023.

Liquidity and Capital Resources

As at July 31, 2024, the Company had total assets of $1,217,002 (April 30, 2024 – $702,861) consisting of cash of $80,956, harmonized sales tax receivable of $27,825, accounts receivable of $39,939, inventory of $527,205, prepaid expenses of $398,524, property and equipment of $90,672, and right-of-use asset of $51,881.

As at April 30, 2024, the Company had total assets of $702,861 consisting of cash of $68,336, harmonized sales tax receivable of $45,609, accounts receivable for $4,762, inventory of $402,901, prepaid expenses of $10,250, property and equipment of $97,225, and right-of-use asset of $73,778.

As at July 31, 2024, the Company had total liabilities of $5,271,079 (April 30, 2024 – $4,574,710) consisting of accounts payable and accrued liabilities of $2,767,847, loans payable of $2,453,301 and lease liability of $49,931.

As at April 30, 2024, the Company had total liabilities of $4,574,710 consisting of accounts payable and accrued liabilities of $2,493,171, loans payable of $2,008,075 and lease liability of $73,464.

The increase in total assets and liabilities from April 30, 2024 to July 31, 2024 was primarily a result an increase in cash, inventory and prepaid expenses, related to Toppen’s increased working capital needs, funded by the Company’s additional loans and private placements.

Cash Used in Operating Activities

Cash flows used in operating activities for the three months ended July 31, 2024 amounted to $544,928 as compared to $235,586 for the three months ended July 31, 2023 due to the reasons as discussed above.

Cash Provided by (Used in) Investing Activities

Cash flows used in investing activities for the three months ended July 31, 2024 amounted to $nil as compared to used in investing activities in the amount of $64,776 for the three months ended July 31, 2023. During the prior period, the Company advanced a loan of $64,776 (US$50,000) under a promissory note.

Cash Provided by Financing Activities

Cash flows provided by financing activities for the three months ended July 31, 2024 amounted to $569,050 as compared to $ 155,000 for the three months ended July 31, 2023. During the three months ended July 31, 2024, the Company received a loan for US$300,000, repaid lease obligations in the amount of $25,635, made loan repayments in the amount of $20,544, and had net proceeds from a private placement of $200,000 ($550,000 was received prior to the year). During the prior period ended July 31, 2023, the Company received cash for subscription of units for $155,000.

Summary

During the three months ended July 31, 2024, the Company had a net loss in the amount of $370,811 (July 31, 2023 – net loss of $328,580), had an accumulated deficit of $26,735,208 (April 30, 2024 – $26,364,397) as at July 31, 2024 and had a working capital deficiency of $4,196,630 (April 30, 2024 – $4,042,852) as at July 31, 2024.

The Company has financed its operations from inception to date through the issuance of debt and equity securities. The Company currently has started to generate revenues, and as such, if administrative and other expenses exceed available cash resources, then 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. The Company’s 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.

Outstanding Share Data

There were 461,549,269 common shares issued and outstanding as at July 31, 2024 and 483,549,269 common shares issued and outstanding as at November 8, 2024, being the date of this report. There were 82,125,000 warrants issued and outstanding as at July 31, 2024 and 104,125,000 warrants issued and outstanding as at November 8, 2024, being the date of this report. There were no stock options issued and outstanding as at July 31, 2024 and 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, 2024 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, 2024, the Company had 461,549,269 Common Shares issued and outstanding and 483,549,269 Common Shares issued and outstanding as at the date hereof.

Warrants

As at July 31, 2024, the Company had the following share purchase warrants issued and outstanding:

	Number of Warrants	Weighted Average Exercise Price ($)
Outstanding, April 30, 2023	**9,510,800**	**0.16**
Issued	32,125,000	0.10
Expired	(8,735,800)	0.15
Expired	(575,000)	0.25
Expired	(200,000)	0.45
Outstanding, April 30, 2024	**32,125,000**	**0.10**
Issued	50,000,000	0.05
Outstanding, July 31, 2024	**82,125,000**	**0.07**

As at July 31, 2024, the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price ($)	Remaining Life (Years)	Expiry Date
21,375,000	0.10	0.54	February 14, 2025
10,750,000	0.10	0.68	April 5, 2025
50,000,000	0.05	1.38	November 17, 2025
82,125,000	**0.07**	**1.07**	

Stock Options

The Company did not grant any options during the three months ended July 31, 2024 and the year ended April 30, 2024. 6,725,000 options expired during the year ended April 30, 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 consolidated financial statements include the following:

During the three months ended July 31, 2024 and 2023, amounts expensed for key management services include the following:

		July 31, 2024		July 31, 2023
Fees for services of CEO	$	45,000	$	45,000
Fees for services of CFO		15,000		15,000
Fees for services of Director		-		-
	$	**60,000**	**$**	**60,000**

As at July 31, 2024, the Company had the following balances with related parties:

- Included in due from related parties is $nil (April 30, 2024 – $nil); and
- Included in accounts payable and accrued liabilities is $224,375 (April 30, 2024 – $215,150) due to related parties.

Loans Payable

The Company’s loans payable were comprised of the following:

- Promissory notes, inclusive of accrued interest, outstanding in the amount of $744,061 during the year ended April 30, 2022.

- 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 the sale of equipment for $135,185 received directly by the promissory note holder and applied against the principal amount of the promissory notes;

- A promissory note in the amount of $35,000 entered into during the year ended April 30, 2024. This amount is unsecured, bears interest at 12% per annum and due on demand;

- As part of the Acquisition of Toppen, the Company assumed loans payable to previous shareholders of Toppen in the amount of $422,386 (US $307,279). These loans were unsecured, non-interest bearing, and with no set terms of repayment. Subsequent to quarter-end, the Company entered into a settlement agreement in connection with this loan;

- As part of the Acquisition of Toppen, the Company assumed a loan payable to an arms-length party in the principal amount of $412,380 (US $300,000). This loan payable is interest bearing at prime plus three percent, and matures on May 31, 2024. As at July 31, 2024, the amount of principal and accrued interest amounted to $435,691 (April 30, 2024 - $441,422); and

- On May 26, 2024, the Company entered into a loan agreement with non-arm’s length parties in the principal amount of US $300,000 (the “May Loan”). The loan is secured and bears interest at 3.5% per month, maturing on August 31, 2024. On September 6, 2024, the Company extended the maturity of the May Loan to October 31, 2024 and agreed to an extension fee of two percent per month.

Interest expense in the amount of $50,541 was recorded for the three months July 31, 2024 (July 31, 2023 – $34,448). As at July 31, 2024, the outstanding loans payable, including accrued interest, amounted to $2,453,301 (April 30, 2024 – $2,008,075).

Off Balance Sheet Arrangements

As at July 31, 2024, 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.

Material Accounting Policy Information

The Company’s 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 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.

The condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standards ("IAS") 34 – Interim Financial Reporting and do not include all information required for full annual consolidated financial statements in accordance with IFRS and should be read in conjunction with the audited consolidated financial statements for the year ended April 30, 2024. 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 were authorized for issuance by the Board of Directors on November 8, 2024.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of the Company's subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Toppen Health Inc, 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 and the functional currency of Toppen Health Inc. has been determined to be the United States 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, accounts receivable, 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, 2024, the Company had cash and cash equivalents of $80,956 and current liabilities of $5,271,079.

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.

<u>Market Risk</u>

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 exposed to interest rate risk on one of its loans payable that is based on a variable interest rate.

(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, 2024 and April 30, 2024, 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
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.