



**ORION NUTRACEUTICALS INC.**

**(formerly Cline Capital Corp.)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SIX MONTHS ENDED NOVEMBER 30, 2018**

**Expressed in Canadian Dollars**

These unaudited condensed consolidated interim financial statements of Orion Nutraceuticals Inc. (formerly Cline Capital Corp.) for the six months ended November 30, 2018 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

# Orion Nutraceuticals Inc.

(formerly Cline Capital Corp.)

Statements of Financial Position

(Expressed in Canadian dollars)

	November 30, 2018	May 31, 2018
	-\$-	-\$-
<b>ASSETS</b>		
Current assets		
Cash	29,965	353,817
Receivables	52,475	-
Prepaid expenses	1,047,294	-
	1,129,734	353,817
Investment (Note 3)	2,904,560	519,625
Acquisition Advance (Note 4)	-	400,000
License (Note 4)	727,055	-
<b>TOTAL ASSETS</b>	<b>4,761,349</b>	<b>1,273,442</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable (Note 5)	152,135	91,580
<b>TOTAL LIABILITIES</b>	<b>152,135</b>	<b>91,580</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	5,332,900	646,050
Subscriptions received in advance (Note 10)	-	739,000
Stock based compensation (Note 5)	744,355	2,585
Deficit	(1,468,041)	(205,773)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4,609,214</b>	<b>1,181,862</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4,761,349</b>	<b>1,273,442</b>

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Notes 3 and 10)

Approved by the Directors:

"Jonathan Fiteni"

"Marcelin O'Neill"

See accompanying notes to the condensed interim consolidated financial statements

# Orion Nutraceuticals Inc.

(formerly Cline Capital Corp.)

Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Three Months Ended November 30, 2018 -\$-	Six Months Ended November 30, 2018 -\$-	Period from incorporation November 7, 2017 to November 30, 2018 -\$-
<b>EXPENSES</b>			
Consulting fees	167,789	167,789	-
Management fees (Note 5)	99,166	181,666	-
Office administration	89,815	109,803	-
Professional fees	49,083	132,282	-
Regulatory and transfer agent fees	21,712	27,406	-
Share-based compensation	311,938	741,770	-
Shareholder communications	-	5,000	-
Travel	1,029	9,052	-
<b>Loss for the period</b>	<b>(740,532)</b>	<b>(1,374,768)</b>	-
<b>Other item</b>			
Gain on settlement of loan payable	-	112,500	-
<b>Loss and comprehensive loss for the period</b>	<b>(740,532)</b>	<b>(1,262,268)</b>	-
<b>Basic and diluted loss per share</b>	<b>(0.02)</b>	<b>(0.04)</b>	-
<b>Weighted average number of common shares outstanding</b>	<b>43,728,850</b>	<b>32,096,815</b>	<b>1</b>

See accompanying notes to the condensed interim consolidated financial statements

# Orion Nutraceuticals Inc.

(formerly Cline Capital Corp.)

Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share capital		Subscriptions received in advance	Stock based compensation	Deficit	Total
	Number of shares	Amount				
<b>Balance at November 7, 2017</b>	-	\$ -	\$ -	\$ -	\$ -	\$ -
Shares issued for cash (Note 6)	25,284,000	621,050	-	-	-	621,050
Shares issued for services (Note 6)	500,000	25,000	-	-	-	25,000
Subscriptions received in advance (Note 10)	-	-	739,000	-	-	739,000
Stock based compensation (Note 5)	-	-	-	2,585	-	2,585
Net and comprehensive loss for the period	-	-	-	-	(205,773)	(205,773)
<b>Balance at May 31, 2018</b>	<b>25,784,000</b>	<b>\$ 646,050</b>	<b>\$ 739,000</b>	<b>\$ 2,585</b>	<b>\$ (205,773)</b>	<b>\$ 1,181,862</b>
Shares issued for cash (Note 6)	17,573,400	3,914,600	(739,000)	-	-	3,175,600
Shares issued for investment (Note 3 and 6)	2,289,000	572,250	-	-	-	572,250
Shares issued for acquisition (Note 4 and 6)	800,000	200,000	-	-	-	200,000
Stock based compensation (Note 5)	-	-	-	741,770	-	741,770
Net and comprehensive loss for the period	-	-	-	-	(1,262,268)	(1,262,268)
<b>Balance at November 30, 2018</b>	<b>46,446,400</b>	<b>\$ 5,332,900</b>	<b>\$ -</b>	<b>\$ 744,355</b>	<b>\$ (1,468,041)</b>	<b>\$ 4,609,214</b>

See accompanying notes to the condensed interim consolidated financial statements

# Orion Nutraceuticals Inc.

(formerly Cline Capital Corp.)

Statements of Cash Flows

(Expressed in Canadian dollars)

	Six Months Ended November 30, 2018
	-\$-
<b>OPERATING ACTIVITIES</b>	
Net loss for the period	(1,262,268)
Adjustments for non-cash items:	
Share-based compensation	741,770
Gain on settlement of loan payable	112,500
Net change in non-cash working capital accounts:	
Receivables	(52,475)
Prepaid expenses	(1,047,294)
Accounts payable	60,555
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(1,447,212)</b>
<b>FINANCING ACTIVITIES</b>	
Proceeds from issuance of stock	3,175,600
<b>NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<b>3,175,600</b>
<b>INVESTING ACTIVITIES</b>	
Investment	(1,812,685)
Acquisition advance	(239,555)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(2,052,240)</b>
Increase in cash in the period	(323,852)
Cash, beginning	353,817
<b>CASH, ENDING</b>	<b>29,965</b>

There were no operating activities from the period of incorporation on November 7, 2017 to November 30, 2017.

During the six months ended November 30, 2018, the Company did not pay any interest or income tax payments.

During the three months ended November 30, 2018, the Company incurred the following non-cash transactions:

- The Company issued 800,000 common shares valued at \$200,000 on the acquisition of license application
- The Company issued 2,289,000 common shares valued at \$572,250 for the acquisition of investment

See accompanying notes to the condensed interim consolidated financial statements

# Orion Nutraceuticals Inc.

(formerly Cline Capital Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the six months ended November 30, 2018

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

Orion Nutraceuticals Inc (formerly Cline Capital Corp. (the “Company”) was incorporated under the Business Corporations Act of British Columbia. on November 7, 2017. On October 17, 2018, the shares of the Company commenced trading on the Canadian Securities Exchange (“CSE”) under the trading symbol ORI. The Company’s head office and principle place of business is located at Suite 300, 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9. The Company’s business has been the acquisition of, or investment in, subsidiaries in global markets to grow cannabis and extract cannabis oil that will be used as an ingredient in proprietary health and beauty products and distributed in bulk to other manufacturers.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning they will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At November 30, 2018, the Company had a working capital of \$977,599. The Company’s ability to meet its obligations and maintain its current operations is contingent upon successful completion of additional financing arrangements, continued cooperation of creditors and related parties, and ultimately upon generating profitable operations. These material uncertainties may cast significant doubt upon the entity’s ability to continue as a going concern.

The Company will depend almost exclusively on equity financing. Such equity financings will include the issuance of equity shares. There can be no assurance that equity financings will be available to meet the Company’s continuing operating costs or, if the equity is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in significant dilution to the equity interests of its current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company’s liabilities and future cash commitments. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected, thus giving rise to doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and reclassification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

### Statement of compliance with International Financial Reporting Standards

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim consolidated financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited financial statements of the Company from the period of incorporation on November 7, 2017 to May 31, 2018.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements, except for the following:

# Orion Nutraceuticals Inc.

(formerly Cline Capital Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the six months ended November 30, 2018

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## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

### Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its 99% owned subsidiary MedicOasis Inc. incorporated in Quebec in December 2013 and acquired in June 2018 by the Company (Note 4). Control exists when the Company possesses power over an investee, has exposures to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All intercompany balances and transactions have been eliminated.

### Approval of the financial statements

The unaudited condensed interim consolidated financial statements of the Company for the six months ended November 30, 2018 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on January 28, 2019.

### New or revised accounting standards

IFRS 16 – Lease (effective for annual periods beginning on or after January 1, 2019).

The Company anticipates that the application of the above new and revised standard, amendment and interpretation will have no material impact on its results and financial position.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## 3. INVESTMENT

On April 27, 2018, the Company entered into a loan agreement with FCM Global S.A.S ("FCM") where the Company lent US\$200,000 to FCM. The outstanding balance of the loan will be considered as cash consideration when the share purchase agreement with FCM is completed.

On May 26, 2018 and amended on July 30, 2018, October 10, 2018 and October 23, 2018, the Company signed an agreement with FCM and certain other non-related parties giving the Company the option to acquire an initial 25% stake (30,167 shares) in FCM Global S.A.S ("FCM") with a further 10% to be earned upon the Company's listing and an additional 14% in 2020. The initial 25% is being acquired for USD\$7,500,000 in staged payments until December 2018 as follows:

- a) No later than May 31, 2018, the Company will convert the amount outstanding under the loan agreement, comprised of USD\$200,000 in exchange for 804 FCM shares (paid);
- b) In May 2018, US\$200,000 in exchange for 804 FCM shares (paid);
- c) In June 2018, US\$200,000 in exchange for 804 FCM shares (paid);
- d) In June 2018, US\$200,000 in exchange for 804 FCM shares (paid);
- e) In July 2018, US\$250,000 in exchange for 1,006 FCM shares (paid);
- f) In August 2018, US\$200,000 in exchange for 804 FCM shares; (paid)
- g) In September 2018, US\$150,000 in exchange for 603 FCM shares; (paid)
- h) In October 2018, US\$100,000 in exchange for 402 FCM shares; (paid)
- i) In October 2018, US\$50,000 in exchange for 268 FCM shares; (paid)
- j) In September, October, or November 2018, USD\$1,000,000 in the Company's common shares in exchange for 4,022 FCM shares; (currently being renegotiated)
- k) US\$1,000,000 in cash and/or in the Company's common shares each valued at CAD\$1.00, in exchange for 4,022 FCM shares; (currently being renegotiated)



# Orion Nutraceuticals Inc.

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Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the six months ended November 30, 2018

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## 3. INVESTMENT (cont'd)

- l) In October, November and December 2018, up to US\$150,000 each month will be paid in cash and at the end of December 2018, the parties will determine the balance to be issued in Orion stock and/or cash to reach USD\$1,000,000 amount for the issuance of 4,022 FCM shares; (currently being renegotiated)
- m) In September, October, and November 2018, US\$2,500,000 in cash or three equal installments of 1,080,000 common shares in the Company each valued at CAD\$1.00, in exchange for 10,058 FCM shares. (currently being renegotiated)

Upon listing of the Company's shares, the Company can acquire 10% of FCM (18,564 FCM shares) by paying US\$3,000,000 cash or issuing 3,900,000 common shares valued at CAD\$1.00 per share within 3 business days of accepting the offer to acquire the 10%.

FCM operates in the cannabis sector in Colombia. As at November 30, 2018, the Company has paid \$2,332,310 (US\$1,700,000) towards the acquisition and has received 8,646 FCM common shares.

## 4. ACQUISITION

In May 2018 the Company signed an agreement, that closed in June of 2018, to acquire MedicOasis Inc. ("MedicOasis") from Canna Technology Inc. ("Canna Technology"). MedicOasis has submitted an application to become a licensed producer and sell medical marijuana under Health Canada's Access to Cannabis for Medical Purposes Regulations. The business operates in Quebec. The total purchase price is \$3,150,000. The Company paid the shareholders of MedicOasis \$400,000 in cash and is obligated to issue shares for the balance of the purchase price of \$2,750,000. During the six months ended November 30, 2018, the Company issued 800,000 common shares valued at \$200,000 to acquire 99% of the shares of MedicOasis (Note 6). Upon closing of the agreement, the Company is required to issue further shares of the Company worth \$1,950,000 to acquire the remaining 1% of MedicOasis.

## 5. RELATED PARTY TRANSACTIONS AND BALANCES

The Company defines key management as directors and officers of the Company.

During the six months ended November 30, 2018, the Company paid the following consulting fee to an independent director of the Company, and management fees to key management.

	Period ended May 31, 2018
CCO and related Company	\$ 60,000
CEO	60,000
CFO and related Company	45,000
Director	16,666
	\$ 181,666

At November 30, 2018, the Company owes \$11,750 (May 31, 2018 - \$69,371) directly or to companies controlled by key management personnel. These amounts are included in accounts payable.

The Company has management and consulting contracts with Jonathan Fiteni, a director and CEO, a company controlled by Marcelin O'Neill, a director and Chief Compliance Officer ("CCO"), and a company controlled by Christopher Cherry, CFO. These parties are paid a combined total of \$27,500 per month and the contracts remain in force on a continuous basis but can be terminated by the Company with sixty days written notice. In considering of entering into the consulting agreement with its CEO, the Company is required to issue 200,000 common shares to the CEO over a 2-year period. During the period ended May 31, 2018 the Company recognized stock-based compensation of \$2,585 resulting from this grant.

# Orion Nutraceuticals Inc.

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Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the six months ended November 30, 2018

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## 6. SHARE CAPITAL AND RESERVES

**Authorized:** Unlimited common shares without par value

**Issued and Outstanding:**

On January 11, 2018, the Company issued 1,000,000 common shares at a price of \$0.01 for proceeds of \$10,000.

On January 11, 2018, the Company issued 4,126,000 common shares at a price of \$0.025 for proceeds of \$103,150.

On January 11, 2018, the Company issued 158,000 common shares at a price of \$0.05 for proceeds of \$7,900.

On February 19, 2018 the Company issued 500,000 shares for \$25,000 of fees in finding an asset for the Company in the Company's efforts to list on the Canadian Securities Exchange. The amount is recorded as consulting fee in the statements of comprehensive loss.

On March 15, 2018, the Company issued 20,000,000 common shares at a price of \$0.025 for proceeds of \$500,000.

On June 6, 2018, the Company completed a private placement and issued 4,000,000 common shares of the Company for proceeds of \$100,000.

On June 8, 2018, the Company issued 800,000 common shares valued at \$200,000 to acquire 99% of the shares of MedicOasis (Note 4).

On June 12, 2018, the Company made a cash payment of US\$200,000 to FCM.

During the period ended August 31, 2018, the Company issued a total 2,289,000 common shares of the Company valued at \$572,250 to acquire 6,033 FCM shares (Note 3).

On June 27, 2018, the Company completed a private placement and issued 7,192,400 common shares of the Company for proceeds of \$1,798,100 of which \$739,000 had been received prior to May 31, 2018.

On September 21, 2018, the Company completed a non-brokered private placement and issued 4,696,000 common shares of the Company for proceeds of \$1,174,000.

On November 30, 2018, the Company completed a non-brokered private placement and issued 1,685,000 units at a price of \$0.50 per unit for gross proceeds of \$842,500. Each unit will consist of one common share and one transferable common share purchase warrant. Each warrant will entitle the holder to acquire one additional common share in the capital of the Company for a period of 48 months following the closing of the private placement at a price of \$1.00 per warrant.

# Orion Nutraceuticals Inc.

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Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the six months ended November 30, 2018

## 6. SHARE CAPITAL AND RESERVES (cont'd)

### STOCK OPTIONS

The Company has a rolling stock option plan (the "plan") that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, November 7, 2017 and May 31, 2018	-	-
Granted	<u>3,900,000</u>	\$ 0.26
Outstanding and exercisable, November, 2018	<u>3,900,000</u>	<u>\$ 0.26</u>

During the period ended November 30, 2018, the Company granted 3,900,000 stock options to consultants, directors and officers of the Company. The fair value of the options granted during the period is \$741,770, based on the Black-Scholes option pricing model. The weighted average of the fair value per option was \$0.19. The Company used the following assumptions for the Black-Scholes option pricing model:

	2018
Risk-free interest rate	1.71%
Expected life of options	5.0 years
Annualized volatility	100%
Dividend rate	0.00%
Forfeiture rate	0.00%

As at November 30, 2018, the Company had the following stock options exercisable:

Expiry Date	Number of Options	Exercise Price
November 14, 2020	150,000	\$ 0.43
November 20, 2020	150,000	\$ 0.44
August 15, 2023	2,300,000	\$ 0.25
October 5, 2023	<u>1,300,000</u>	<u>\$ 0.25</u>
Outstanding and exercisable, November, 2018	<u>3,900,000</u>	

### WARRANTS

During the period ended November 30, 2018, the Company issued 1,685,000 warrants at an exercise price of \$1.00 expiring November 30, 2020. There were no warrants issued or outstanding as at May 31, 2018.

# Orion Nutraceuticals Inc.

(formerly Cline Capital Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the six months ended November 30, 2018

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## 7. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to carry out exploration and evaluation activities and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing to fund its activities. The capital structure of the Company consists of common shares. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash.

The issuance of common shares requires approval of the Board of Directors. It is the Company's objective to safeguard its ability to continue as a going concern, so that it can continue to explore and develop its properties for the benefit of its stakeholders. The Company seeks to place its cash with reputable financial institutions. Accordingly, the Company believes that it is exposed to minimal credit risks at the current time. There are no externally imposed capital requirements.

## 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### (a) Fair values

The fair values of cash approximate their carrying values due to the short-term to maturities of these financial instruments.

### (b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

### (c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. Credit risk is assessed as low.

### (d) Foreign exchange rate risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company has no assets or liabilities denominated in foreign currencies; therefore, is not exposed to foreign exchange risk.

## 9. COMMITMENTS

In July 2018, the Company entered into an 11-year commercial lease agreement in the City of Dorval, Province of Quebec, for the purpose of growing, manufacturing and distributing legal cannabis. The minimum rent is \$4.50 per square foot for years 1 to 5 and \$5.25 per square foot for years 6 to 11. Additional rent is estimated at \$3.18 for the year 2018. Under the lease for the Dorval Property, the Issuer has a right of first offer on any adjacent space which becomes available for lease.

# **Orion Nutraceuticals Inc.**

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Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the six months ended November 30, 2018

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## **10. SUBSEQUENT EVENTS**

On December 3, 2018, the Company issued 25,000 common shares valued at \$12,500 to a consultant for services provided to the Company.

On December 6, 2018, the subsidiary of the Company, MedicOasis received construction permits from the city of Dorval to begin building its 31,000 square-foot cannabis production facility in Quebec.

On January 2, 2019, the Company issued 50,000 common shares valued at \$22,500 to the CEO for services provided to the Company.

On January 22, 2019, the Company's shares were approved for listing on the OTC Markets Group OTCQB Market under the ticker symbol "ORONF"