

ORION NUTRACEUTICALS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
PERIOD ENDED AUGUST 31, 2020

OVERVIEW

The following management discussion and analysis (“MDA”) of the financial position of Orion Nutraceuticals Inc. (“the Company” or “the Issuer”), and results of operations prepared on October 30, 2020 should be read in conjunction with the unaudited condensed interim financial statements for the period ended August 31, 2020 and 2019. All amounts are stated in Canadian dollars unless otherwise indicated. These financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

The head office and registered and records office of the Company is located at 810-789 West Pender Street Vancouver, British Columbia, V6C 2V6.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at www.sedar.com or by requesting further information from the Company’s head office in Vancouver.

DESCRIPTION OF BUSINESS

The Company was incorporated under the Business Corporations Act (British Columbia) on November 7, 2017. The Company completing its initial public offering and started trading on the CSE on October 17, 2018. On January 22, 2019, the Company’s shares were approved for listing on the OTC Markets Group OTCQB Market under the ticker symbol ORONF. 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.

On May 22, 2020, the Company consolidated its common shares on the basis of one (1) post-Consolidation Share for every twenty-five (25) pre-Consolidation Shares. The share numbers in this MDA have been adjusted to reflect the 25:1 consolidation of the Company’s share capital.

HIGHLIGHTS AND OVERALL PERFORMANCE

During the period ended August 31, 2020, the Company has worked to set a new standard in cannabis life science by producing and developing innovative products with key strategic partners in the industry.

On June 1, 2020, the Company appointed Mr. Kevin Taylor as a director of the Company. Mr. Kevin Taylor is a seasoned executive with 30 years of operating experience in Fortune 500 companies throughout North and South America. For the past 11 years, Mr. Taylor has been the President and CEO of TEREI International Limited, a merchant bank focused on debt and equity opportunities in the small to mid-cap markets in North and South America.

On July 10, 2020, the Company completed the second tranche of its non-brokered private placement through the issuance of 20,000,000 units of the Company at a price of \$0.15 per Unit for gross proceeds of \$3,000,000. Each Unit consists of one common share of the Company and one transferable Share purchase warrant. Each Warrant entitles the holder thereof to purchase one additional Share at a price of \$0.40 per Share for a period of two (2) years from the date of issuance, subject to an accelerated expiry if the 10-day volume weighted average price of the Company’s Shares is greater than \$0.80 per Share on the Canadian Securities Exchange. In connection with the Second Tranche, the Company paid finder’s fees of a total sum of \$7,200 cash commission, legal fees related to share issuance cost of \$25,000 and issued an aggregate 1,068,001 Shares and 1,115,998 Share purchase warrants.

On July 31, 2020, the Company issued 12,500 common shares with a fair value of \$5,000 to settle \$5,000 of director fees charged in 2020.

HIGHLIGHTS AND OVERALL PERFORMANCE (CONTINUED)

Acquisition of MedicOasis

On May 31, 2018, the Company acquired 99% of MedicOasis. MedicOasis is a privately held, Québec company incorporated on December 19, 2013. As of the date of this MD&A, MedicOasis is an applicant in the process of obtaining a Cultivation License pursuant to the ACMPR. MedicOasis has submitted a site change in respect of its Cultivation License application; however, MedicOasis is still required to submit its application in respect of the new site to be located at the Dorval Property (as defined herein), which would allow MedicOasis to produce medical marijuana at such 30,000 square foot facility. 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. The Company has issued 52,000 shares issued to acquire 99% of the shares of MedicOasis.

LOI With BIOHEMP COLUMBIA

During the year ended May 31, 2019, the Company entered into Letter of Intent (“LOI”) with BioHemp Colombia (“BioHemp”) to acquire 51%. Pursuant to the terms of the arrangement, BioHemp and the Company would jointly develop projects related to research, cultivation, extraction, sale and distribution of seed genetics for CBD-rich hemp and cannabis. During the year ended May 31, 2020, the Company terminated this LOI.

LOI With 2740162 Ontario Inc. (August Therapeutics)

During the period ended August 31, 2020, the Company entered into Letter of Intent (“LOI”) with 2740162 Ontario Inc. (d/b/a August Therapeutics or “ATI”) to acquire all of the issued and outstanding securities of August Therapeutics, a private corporation formed under the laws of the Province of Ontario. The conditions of the proposed transaction is set out as below:

- a. The Company shall acquire 100% of the outstanding securities of August Therapeutics in consideration for the payment of 60 million common shares in the capital of the Company (the “Payment Shares”) to the shareholders of August Therapeutics pro rata to their ownership interest. August Therapeutics and Company agree to negotiate the terms of the Definitive Agreement in good faith with a view to its execution within 90 days of signing the LOI (the “Cut Off Date”).
- b. The Company will extend to August Therapeutics a secured loan, or series of loans, bearing interest at 1% per annum compounded monthly, in the amount of US\$770,000 or equivalent value in Canadian funds (the “Advances”) of which US\$20,000 was advanced on June 16, 2020, US\$250,000 was advanced on July 21, 2020 and US\$500,000 was advanced on August 16, 2020 and each of which was documented by a secured promissory note (the “Notes”) entered into between the Company and August Therapeutics. The Advances shall only be used by August Therapeutics for the limited purpose of making subscription payments to InStatIn, Inc. (“InStatIn”) pursuant to a subscription earn-in agreement (the “Earn-in Agreement”) entered into among August Therapeutics and InStatIn on August 12, 2020. All outstanding obligations under the Notes will mature and be due and payable on the date that is 12 months from the date of the Advances made under the Notes. The security for the Notes shall be (i) the common shares of InStatIn acquired pursuant to the Earn-in Agreement and (ii) a security interest in all present and future-acquired assets of August Therapeutics, which security interest shall be perfected by all legal steps required under applicable law.

As at August 31, 2020, the Company has advanced a total of \$1,038,892 (US\$770,000) to August Therapeutics and continues to work towards satisfying other terms of the LOI.

RESULTS OF OPERATIONS

For the three-month period ended August 31, 2020, the Company incurred losses of \$288,834 compared to losses of \$63,889 during the three-month period ended August 31, 2019. In general, the Company’s operations increased during the period ended August 31, 2020 as the Company worked to complete a private placement and structure the acquisition of August Therapeutics. Furthermore, during the period, management focused on managing cashflow to ensure the Company has adequate cash during periods that were affected by COVID-19. A discussion and analysis of the changes are below:

- Consulting fees increased to \$139,133 from \$15,896 due to the use of consultants to obtain financing for the Company. The Company did not raise funds through private placements during the same period in 2019. The Company relies heavily on Consultants to help them achieve their goals in all facets of business and these consultants bring a wide range of expertise and connections to the Company. Consultants include management, advisors and deals consultants.
- The Company incurred management fees of \$22,500 compared to \$73,500 in the comparative period. During the period ended August 31, 2019, certain members of management resigned. The Company paid severance pursuant to the terms of former management’s contracts. During the period ended August 31, 2020, the Company did not incur severance expenses and worked to decrease expenses to conserve cash.

RESULTS OF OPERATIONS (CONTINUED)

- Professional fees increased to \$104,393 from \$2,691 as the Company consulted legal counsel for the private placement and due diligence work related to the acquisition of August Therapeutics.
- The Company incurred foreign exchange loss of \$34,671 compared to \$nil in the comparative period. During the period ended August 31, 2020, the Company made out advances to August Therapeutics in US dollars. At period end, the Company adjusted the foreign exchange on the loans as at August 31, 2020 and recorded the foreign exchange difference.
- The Company recorded gain on settlement of loan payable of \$nil compared to \$38,875 in the comparative period. During the period ended August 31, 2019, the Company issued 915,000 common shares in lieu of services and to settle debt with a fair value of \$110,624. The Company recorded a gain on settlement of debt of \$38,875.
- The Company recorded gain on settlement of accounts payable of \$20,000 compared to \$nil in the comparative period. During the period ended August 31, 2020, the Company paid \$20,000 to a third-party vendor to settle \$40,000 owed. The gain was recorded as the difference of the fair value owing and the settlement payment.

The Company has not paid any dividends on its common shares and has no present intention of paying dividends, as it anticipates that all available funds for the foreseeable future will be used to finance its business activities.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following is a summary of selected financial information compiled from the quarterly interim unaudited financial statements for quarters ending August 31, 2020:

	<i>Three months ended</i>			
	<i>August 31, 2020</i>	<i>May 31, 2020</i>	<i>February 29, 2020</i>	<i>November 30, 2019</i>
	<i>-\$-</i>	<i>-\$-</i>	<i>-\$-</i>	<i>-\$-</i>
Total assets	2,286,825	584,967	82,173	97,374
Working capital (deficiency)	1,752,221	(264,881)	(476,820)	(329,424)
Shareholders' equity (deficiency)	1,752,221	(264,881)	(476,820)	(329,424)
Net gain(loss) for the period	(288,834)	(214,598)	(150,396)	42,640
Gain (loss) per share	(0.02)	(0.13)	(0.00)	0.00

	<i>Three months ended</i>			
	<i>August 31, 2019</i>	<i>May 31, 2019</i>	<i>February 28, 2019</i>	<i>November 30, 2018</i>
	<i>-\$-</i>	<i>-\$-</i>	<i>-\$-</i>	<i>-\$-</i>
Total assets	93,918	86,642	4,357,684	4,761,349
Working capital (deficiency)	(418,314)	(383,172)	592,541	977,599
Shareholders' equity (deficiency)	(418,314)	(383,172)	4,259,156	4,609,214
Net gain(loss) for the period	(63,889)	(4,574,297)	(554,607)	(740,532)
Gain (loss) per share	(0.00)	(0.10)	(0.01)	(0.02)

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date through receipt of loans from shareholders, and from the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt.

Net cash used in operating activities for the period ended August 31, 2020 was \$611,613 (2019 - \$5,234), which reflects the overall increase in activity from raising capital and structuring acquisition.

On July 10, 2020, the Company completed the second tranche of a non-brokered private placement agreement in which 20,000,000 Shares were issued at \$0.15 per unit for gross proceeds of \$3,000,000. As at August 31, 2020, \$819,171 in subscription receivable in connection with the private placement remained outstanding.

On August 26, 2020, the Company received proceeds of \$211,527 for 1,510,908 common shares of the Company issued pursuant to warrants exercised.

During the period ended August 31, 2020, the Company advanced in the form of promissory notes, \$1,004,923CAD (\$770,000USD) to August Therapeutics pursuant to terms of the LOI.

There can be no assurance of successfully completing future financings. The Company will need to raise further capital to continue operations. Management is actively seeking such opportunities.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Stock options

The Company had 82,000 stock options outstanding with a weighted average price of \$6.43 as at the date of this report.

Warrants & Agent's Warrants

At date of this report, the Company had 24,417,525 warrants outstanding with a weighted average exercise price of \$0.44.

RELATED PARTY TRANSACTIONS

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

Joel Dumaresq, CEO and CFO and Director

Robin Linden, Director

Sam Jenkins, Director

Kevin Taylor, Director

During the period ended August 31, 2020, the Company paid or accrued the following to key management of the Company.

	August 31, 2020	August 31, 2019
	\$	\$
Management fees paid or accrued to the CEO and related companies	22,500	-
Consulting fees paid or accrued to a director of the Company	1,250	8,333
Management fees paid or accrued to the former CFO and related companies	-	37,500
Management fees paid or accrued to the former CEO and related companies	-	33,600
Share based compensation	4,281	-
Total	28,031	81,833

At August 31, 2020, the Company owes \$68,750 (2019 - \$ 169,506) directly or to companies controlled by key management personnel, which is included in accounts payable. At August 31, 2020, the Company owes \$20,000 directly to key management personnel, which is included in loans payable. These amounts are unsecured, non-interest bearing and due on demand.

FINANCIAL RISK MANAGEMENT

The Company is exposed to minimal financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Interest rate

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 as it does not have any assets or liabilities that are affected by changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash on hand to meet its financial obligations.

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 exposure to credit risk is on its cash held in bank accounts. This risk is managed by

using major banks that are high credit quality financial institutions as determined by rating agencies.

FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to currency risk.

Capital Management

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to complete a Qualifying Transaction. 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. In order to carry out the planned activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

Classification of financial instruments

Fair values

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash is measured at fair value using level 1 input.

ADDITIONAL INFORMATION

Off-Balance Sheet Arrangements

As at August 31, 2020, and up to the current date, the Company had no off-balance sheet arrangements.

Legal proceedings

As at the current date management was not aware of any legal proceedings involving the Company.

Outstanding Share Data

As at the date of this report, the Company has the following outstanding securities:

- 1) Common shares: 29,307,965
- 2) Warrants: 24,417,525 with a weighted average exercise price of \$0.44 and weighted average life of 1.84 years.
- 3) Stock options: 82,000 with a weighted average price of \$6.43 and weighted average life of 2.24 years.

CONTINGENT LIABILITIES

As at August 31, 2020 and up to the current date management was not aware of any outstanding contingent liabilities relating to the Company's activities.

Any forward-looking information in this MDA is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the company, and other factors.

CAPITAL DISCLOSURE

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the acquisition of a new business. 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 acquire and sustain future development of a business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended August 31, 2020. The Company is not subject to externally imposed capital requirements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION (CONTINUED)

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities. The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.