

ORION NUTRACEUTICALS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2020 AND 2019

Expressed in Canadian Dollars

Orion Nutraceuticals Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

AS AT,	November 30, 2020		May 31, 2020	
ASSETS				
Cash	\$	1,101,526	\$	501,293
Taxes receivable		96,996		83,199
Promissory note (Note 4)		1,650,318		-
Prepaid expenses		6,776		475
TOTAL ASSETS	\$	2,855,616	\$	584,967
LIABILITIES AND SHAREHOLDERS' DEFICIT				
Accounts payable (Note 6)	\$	284,927	\$	657,153
Accrued liabilities		116,501		148,695
Loans payable (Notes 6 and 7)		44,000		44,000
TOTAL LIABILITIES		445,428		849,848
SHAREHOLDERS' DEFICIT				
Share capital (Note 8)		8,537,978		5,963,570
Share-based payment reserve (Note 8)		1,327,694		754,737
Deficit		(7,454,562)		(6,982,266)
Attributable to Shareholders		2,411,110		(263,959)
Non-controlling interest (Note 3)		(922)		(922)
TOTAL SHAREHOLDER'S DEFICIT		2,410,188		(264,881)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$	2,855,616	\$	584,967

Nature of Operations and Going Concern (Note 1)

Approved by the Directors:

"Robin Linden"

"Sam Jenkins"

See accompanying notes to the consolidated financial statements

Orion Nutraceuticals Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	For the three month period ended,		For the six month period ended,	
	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019
EXPENSES				
Consulting fees (Note 6)	\$ 45,015	\$ -	\$ 184,148	\$ 15,896
Management fees (Note 6)	22,500	-	45,000	73,500
Office administration	9,680	3,471	10,092	5,286
Professional fees	69,725	-	174,118	2,691
Regulatory and transfer agent fees	6,798	7,147	10,943	10,102
Foreign exchange (Note 4)	30,615	-	65,286	-
Share based compensation (Notes 6 and 8)	2,257	27,851	6,538	33,258
	186,590	38,469	496,125	140,733
OTHER ITEMS				
Interest income (Note 4)	(3,128)	-	(3,829)	-
Gain on settlement of debt	-	(81,109)	-	(119,484)
Gain on settlement of accounts payable (Note 5)	-	-	(20,000)	-
Loss (Gain) and comprehensive loss for the period	\$ 183,462	\$ (42,640)	\$ 472,296	\$ 21,249
Basic and diluted loss (Gain) per share	\$ 0.01	\$ (0.02)	\$ 0.02	\$ 0.01
Weighted average number of common shares outstanding	29,307,965	1,974,883	29,307,965	1,959,836

See accompanying notes to the consolidated financial statements

Orion Nutraceuticals Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in Canadian dollars)

	Share capital		Obligation to issue shares	Subscriptions receivable	Share-based payment reserve	Deficit	Non- controlling Interest	Total
	Number of shares*	Amount						
Balance at May 31, 2019	1,938,281	\$ 5,367,925	\$ 91,655	\$ -	\$ 754,193	\$ (6,596,945)	\$ -	\$ (383,172)
Shares issued for services (Note 8)	36,600	133,394	(91,655)	-	-	-	-	41,739
Share based compensation (Note 8)	-	-	-	-	33,258	-	-	33,258
Net and comprehensive loss	-	-	-	-	-	(21,249)	-	(21,249)
Balance at November 30, 2019	1,974,881	\$ 5,501,319	\$ -	\$ -	\$ 787,451	\$ (6,618,194)	\$ -	\$ (329,424)
Balance at May 31, 2020	6,720,555	\$ 5,963,570	-	\$ -	\$ 754,737	\$ (6,982,266)	\$ (922)	\$ (264,881)
Shares issued for private placement (Note 8)	20,000,000	3,020,000	-	(819,171)	-	-	-	2,200,829
Finder's shares (Note 8)	1,064,002	-	-	-	-	-	-	-
Share issuance cost (Note 8)	-	(95,700)	-	-	-	-	-	(95,700)
Finder's warrants (Note 8)	-	(566,419)	-	-	566,419	-	-	-
Warrants exercised (Note 8)	1,510,908	211,527	-	-	-	-	-	211,527
Shares issued to settle debt (Note 8)	12,500	5,000	-	-	-	-	-	5,000
Receipt of subscriptions receivable	-	-	-	819,171	-	-	-	819,171
Share based compensation (Note 8)	-	-	-	-	6,538	-	-	6,538
Net and comprehensive loss	-	-	-	-	-	(472,296)	-	(472,296)
Balance at November 30, 2020	29,307,965	\$ 8,537,978	\$ -	\$ -	\$ 1,327,694	\$ (7,454,562)	\$ (922)	\$2,410,188

*The share numbers have been adjusted to reflect a consolidation of the Company's share capital on a 25:1 basis effective May 22, 2020 (Note 1).

See accompanying notes to the consolidated financial statements

Orion Nutraceuticals Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

For the three-months period ended:	November 30, 2020	November 30, 2019
OPERATING ACTIVITIES		
Loss for the period	\$ (472,296)	\$ (21,249)
Adjustments for non-cash items:		
Consulting fee	-	5,215
Gain on settlement of loans payable	(20,000)	(119,484)
Stock based compensation	6,538	32,258
Interest income	(3,829)	
Net change in non-cash working capital accounts:		
Accounts receivable	(13,797)	(12,578)
Prepaid	(6,301)	2,500
Accounts payable	(379,420)	92,992
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(889,105)	(19,346)
FINANCING ACTIVITIES		
Loan from related party	-	20,000
Proceeds from issuance of stock, net of share issuance costs	2,924,300	-
Proceeds from warrants exercised	211,527	-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	3,135,827	20,000
INVESTING ACTIVITIES		
Promissory note receivable	(1,646,489)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,646,489)	-
Increase(decrease) in cash in the year	600,233	654
Cash, beginning	501,293	5,272
CASH, ENDING	\$ 1,101,526	\$ 5,926

See accompanying notes to the consolidated financial statements

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the period ended November 30, 2020 and 2019

1. NATURE OF OPERATIONS AND GOING CONCERN

Orion Nutraceuticals Inc. (the “Company” or “Orion”) 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. On May 22, 2020, the Company completed a share consolidation on a 1 for 25 basis. All share capital numbers have been restated to reflect the share consolidation. The Company’s head office and principle place of business is located at Suite 810 -789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company’s business is 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 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. During the period ended November 30, 2020, the Company incurred a net loss of \$472,296(2019 - \$21,249) and at November 30, 2020, the Company had a working capital of \$2,410,188 (May 31, 2020 – working capital deficiency of \$264,881). 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 profits from operations. The Company’s ability to meet these criteria may be impacted by the recent COVID-19 disruption of the global economy. 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 additional equity shares. There can be no assurance that equity financings will be available to meet the 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 PREPARATION

Statement of compliance with International Financial Reporting Standards

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies described in Note 2 of the Company’s annual audited financial statements as at and for the year ended May 31, 2020. Accordingly, these condensed consolidated interim statements for the six months ended November 30, 2020 should be read together with the annual audited financial statements as at and for the year ended May 31, 2020.

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with the International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”).

These condensed consolidated interim financial statements have been prepared on the accrual basis and are based on historical costs, modified where applicable. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

These consolidated financial statements were approved by the Board of Directors and authorized for issuance by the Board of Directors on January 29, 2020.

Basis of preparation

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars, which unless otherwise noted, is the Company and its subsidiary’s functional currency.

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the period ended November 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Basis of Consolidation

The Company's consolidated financial statements include the accounts of the Company and its subsidiary MedicOasis Inc. ("MedicOasis") in which the Company has a 99% ownership. A subsidiary is an entity controlled by the Company, where control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the Company's subsidiary is included in the consolidated financial statements. All intercompany balances and transactions, income and expenses have been eliminated upon consolidation.

During the year ended May 31, 2020, MedicOasis incurred losses and as a result the balance of the non-controlling interest as at May 31, 2020 was \$(922). During the six months ended November 30, 2020, MedicOasis was inactive and the balance of the non-controlling interest as at November 30, 2020 was \$(922) (Note 3).

Significant Judgements and Estimates

In preparing these condensed consolidated interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended May 31, 2020, with exception to the new accounting policies adopted by the Company discussed below.

The preparation of condensed consolidated interim financial statements requires that the Company's management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's condensed interim financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

New or revised accounting standards

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. ACQUISITION

On May 31, 2018, the Company entered into an agreement with MedicOasis, Yu Zhi Wang ("Wang"), Antonio Bramante ("Antonio"), and Canna Technology Inc. ("CannaTechnology") to purchase all of the issued and outstanding shares of MedicOasis. Consideration for the shares is as follows:

To acquire 99%:

- a) \$400,000 in cash to Wang within 5 business days of signing of the agreement (paid);
- b) \$650,000 in Orion common shares at an agreed price of \$1.00 per Orion Share and a further \$150,000 in Orion Shares, representing past consulting services provided by CannaTechnology, with an agreed price of \$1.00 per Orion Share within 5 days of signing of the agreement (issued 26,000 shares with a fair value of \$16,250).

To acquire 1%:

- c) \$650,000 in Orion Shares at an agreed price of \$1.00 per Orion Share to CannaTechnology once MedicOasis has been granted the City building permits to start construction (issued 26,000 common shares with a fair value of \$156,000);
- d) \$650,000 in Orion Shares at an agreed price per Orion Share equal to the market price of the Orion Shares at the time of issuance to CannaTechnology once MedicOasis has received Health Canada approval for Ready to Build stage; and
- e) \$650,000 in Orion Shares at an agreed price per Orion Share equal to the market price of the Orion Shares at the time of issuance to CannaTechnology once MedicOasis has received Health Canada approval for cultivation.

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the period ended November 30, 2020 and 2019

3. ACQUISITION (CONTINUED)

In accordance with IFRS 3 Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination as the primary asset is an intangible asset for license under Health Canada's *Access to Cannabis for Medical Purposes Regulations* ("ACMPR"), which was still in the application stage and not operational at the time of acquisition. Consequently, the transaction has been recorded as an acquisition of an asset. The results of operations from MedicOasis are included in the consolidated financial statements since the date of acquisition.

During the year ended May 31, 2019, the Company incurred \$14,298 in expenditures related to the license application. As at May 31, 2019, the Company was no longer pursuing the license application and recognized impairment of \$736,806.

The following table summarizes the consideration paid and the allocation to the assets and liabilities acquired as at the date of acquisition:

Cash	\$ 400,000
Fair value of common shares issued (52,000 shares)	172,250
Total purchase consideration	572,250
License	100
Due to shareholder	(258)
Accounts payable	(150,000)
Net assets acquired	(150,158)
Excess of consideration over net assets acquired	\$ 722,408

The non-controlling interest of 1% in MedicOasis was held by other minority shareholders.

Non-controlling interest, May 31, 2019	\$ -
Non-controlling interest in loss of Orion to May 31, 2020	(922)
Total non-controlling interest as at May 31, 2020 and November 30, 2020	\$ (922)

4. PROMISSORY NOTE

On August 25, 2020, the Company signed a non-binding letter of intent to acquire all of the issued and outstanding securities of 2740162 Ontario Inc. (d/b/a "August Therapeutics"), a private corporation (the "Transaction").

In connection with the proposed Transaction the Company extended to August Therapeutics a series of secured loans, bearing interest at 1% per annum compounded monthly totaling \$1,038,892 (US\$770,000). The loan 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 secured loan will mature and be due and payable on the date that is 12 months from the date of the advances. The security for the secured loan 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.

In addition, the Company extended to August Therapeutics an additional loan of \$672,880 (US\$500,000) with the same terms and purpose as above.

As at November 30, 2020, the outstanding amount of the loan, including \$3,829 in interest accrued during the period ended November 30, 2020 was \$1,650,318. The Company recorded a foreign exchange loss of \$65,283 during the 6-months ended November 30, 2020 as the promissory note is repayable in US dollars.

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the period ended November 30, 2020 and 2019

5. GAIN ON SETTLEMENT OF ACCOUNTS PAYABLE

During the period ended November 30, 2020, the Company settled accounts payable to a third-party vendor for amounts owing of \$40,000 through a cash payment of \$20,000. The gain on settlement of \$20,000 was recorded as the difference between the amount owing and the settlement payment.

6. RELATED PARTY TRANSACTIONS AND BALANCES

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

During the period ended November 30, 2020 and 2019, the Company paid or accrued the following to key management compensation:

	November 30, 2020	November 30, 2019
Management fees paid or accrued to the CEO and related companies	\$ 45,000	\$ -
Consulting fees paid or accrued to a director of the Company	2,500	79,433
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	6,538	-
Total	\$ 54,038	\$ 79,433

At November 30, 2020, the Company owes \$92,500 (May 31, 2020 - \$183,800) directly or to companies controlled by key management personnel, which is included in accrued liabilities. At November 30, 2020, the Company owes \$20,000 (May 31, 2020 - \$20,000) directly to key management personnel, which is included in loans payable (Note 7). These amounts are unsecured, non-interest bearing and due on demand.

7. LOANS PAYABLE

The Company has loan balances of \$44,000 payable owing as of November 30, 2020 (May 31, 2020 - \$20,000) (Note 6). The loans are unsecured, non-interest bearing and due on demand.

8. SHARE CAPITAL AND RESERVES

Authorized: Unlimited common shares without par value.

On May 22, 2020, the Company consolidated its common shares on the basis of 1 common share for every 25 common shares. All number of shares and per share amounts have been retroactively restated in these consolidated financial statements to reflect this share consolidation. At November 30, 2020 there were 1,852,800 shares in escrow (May 31, 2020 - 6,720,555).

Issued and Outstanding:

For the period ended November 30, 2020:

On July 10, 2020, the Company closed the second tranche of a non-brokered private placement of 20,000,000 Units ("Unit") of the Company at a price of \$0.15 per Unit for gross proceeds of \$3,020,000. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant expires on July 10, 2022 with an exercise price of \$0.40. The Company uses the residual value method and as a result no value was assigned to the Warrants.

In connection with the private placement completed on July 10, 2020, the Company granted to third-party vendors 1,084,002 finder's warrants with an exercise price of \$0.40 per warrant expiring on July 10, 2022. The total fair value of the warrants was estimated to be \$552,553 using the Black-Scholes Option Pricing Model with the following assumptions: term of 2 years; expected volatility of 486%; risk-free rate of 0.25%; and expected dividends of zero. The Company also granted to third-party vendors 27,997 finder's warrants with an exercise price of \$0.40 per warrant expiring on July 10, 2021.

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the period ended November 30, 2020 and 2019

8. SHARE CAPITAL AND RESERVES (CONTINUED)

The total fair value of the warrants was estimated to be \$13,866 using the Black-Scholes Option Pricing Model with the following assumptions: term of 1 year; expected volatility of 371%; risk-free rate of 0.25%; and expected dividends of zero.

In connection with the private placement completed on July 10, 2020, the Company issued 1,064,002 common shares at fair value of \$542,641 and paid cash finder's fees of \$70,700 to arm's length parties. Included in the share issuance cost is \$25,000 legal fees related to closing of the private placement.

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

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

For the period ended November 30, 2019:

The Company issued 55,000 common shares for services with a fair value of \$133,394. The Company reclassified \$91,655 from obligation to issue shares to share capital. The Company recognized a gain on settlement of debt of \$119,484.

Subscription Receivable

In connection with the private placement completed on July 10, 2020, the Company is owed \$819,172 in payment for shares issued. During the three months ended November 30, 2020, the Company received \$819,172 in subscriptions receivable in connection with the July 10, 2020 private placement.

Share Purchase Warrants

The following table summarizes warrant activity:

	Number of warrants	Weighted average price \$
Balance at May 31, 2019	89,160	21.95
Issued	4,727,274	0.14
Balance at May 31, 2020	4,816,434	0.54
Issued	21,111,999	0.38
Expired	(67,400)	(25.00)
Exercised	(1,510,908)	(0.14)
Balance at November 30, 2020	24,350,125	0.38

Share purchase warrants outstanding at November 30, 2020 is as follows:

Number of warrants outstanding and exercisable	Exercise price \$	Expiry date	Weighted Average Remaining Life (years)
21,760	12.50	March 29, 2021	0.33
3,216,366	0.14	May 28, 2022	1.49
20,000,000	0.40	July 10, 2022	1.61
1,084,002	0.40	July 10, 2022	1.61
27,997	0.15	July 10, 2021	0.61
24,350,125			1.59

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

For the period ended November 30, 2020 and 2019

8. SHARE CAPITAL AND RESERVES (CONTINUED)

Options

The Company grants stock options to employees, directors, officers, and consultants of the Company as compensation for services pursuant to its Stock Option Plan (the "Plan"). Options have a maximum expiry period of up to five years from the grant date and are subject to minimum vesting requirements, as determined by the Board of Directors. The number of options that may be issued under the Plan may not exceed 20% of the number of issued and outstanding common shares of the Company at the time of granting of options.

The following table summarizes options activity:

	Number of options	Weighted average price \$
Balance at May 31, 2019	168,000	6.50
Issued	12,000	3.75
Expired	(78,000)	(6.25)
Balance May 31, 2020	102,000	6.40
Expired	(32,000)	(7.98)
Balance at November 30, 2020	70,000	5.67

Information regarding share purchase warrants outstanding at November 30, 2020 is as follows:

Number of options outstanding and exercisable	Exercise price \$	Expiry date	Weighted Average Remaining Life (years)
22,000	6.25	August 15, 2023	2.71
24,000	6.25	October 5, 2023	2.85
12,000	5.38	February 21, 2021	0.23
12,000	3.75	September 13, 2023	2.79
70,000			2.35

On September 13, 2019, the Company granted 12,000 stock options with an exercise price of \$3.75 per share expiring on September 13, 2023. 1/3 of the options vest on the first, second and third anniversary dates, respectively. The total fair value of the stock options was estimated to be \$27,851 using the Black-Scholes Option Pricing Model with the following assumptions: term of 4 years; expected volatility of 210%; risk-free rate of 1.55%; and expected dividends of zero. During the period ended November 30, 2020, the Company recognized share-based compensation of \$6,538 (2019 - \$27,851).

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.