

ORION NUTRACEUTICALS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
PERIOD ENDED FEBRUARY 28, 2021 and
FEBRUARY 29, 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 April 29, 2021 should be read in conjunction with the unaudited condensed interim financial statements for the period ended February 28, 2021 and February 29, 2020. 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 February 28, 2021, 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)

On March 2, 2021, pursuant to the terms of a Settlement Agreement dated September 3, 2020 between the Company and the former CEO, the Company transferred 13,271 shares of FCM Global, S.A.A. (“FCM”) to the former CEO in return for the full and final release of the Company from claims in regards to compensation owing to the former CEO as of the date of his departure. The Company acquired the 13,271 shares of FCM when it was pursuing the acquisition of FCM in fiscal year 2019. The fair value of the 13,271 shares of FCM was fully impaired as of May 31, 2019 when the acquisition of FCM was no longer pursued by the Company.

LOI With 2740162 Ontario Inc. (August Therapeutics)

On August 25, 2020, the Company entered into Letter of Intent (“LOI”) with 2740162 Ontario Inc. (d/b/a August Therapeutics or “ATT”) 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 advanced 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.

During the nine months ended February 28, 2021, the Company extended to August Therapeutics a series of additional loans totaling \$1,359,005 (US\$1,031,664) with the same terms and purpose as above.

As at February 28, 2021, the Company has advanced a total of \$2,293,887 (US\$1,270,000) including interest accrued and foreign exchange to August Therapeutics and continues to work towards satisfying other terms of the LOI.

On April 28, 2021, the Company and August Therapeutics agreed to extend the Cut Off Date for an additional three months after the date of the agreement, expiring on July 28, 2021.

RESULTS OF OPERATIONS

For the nine-month period ended February 28, 2021, the Company incurred losses of \$570,361 compared to losses of \$171,645 during the nine-month period ended February 29, 2020. In general, the Company’s operations increased during the period ended February 28, 2021 as the Company worked to complete a private placement and to 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 \$190,398 from \$108,896 due to the use of consultants to obtain financing for the Company as well as to structure the acquisition of August Therapeutics. The Company did not raise funds through private placements nor make acquisitions during the same period in 2020. 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 \$67,500 compared to \$113,500 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 February 28, 2021, the Company did not incur severance expenses and worked to decrease expenses to conserve cash.
- Professional fees increased to \$196,118 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 \$112,659 compared to \$nil in the comparative period. During the period ended February 28, 2021, the Company made out advances to August Therapeutics in US dollars. The Company adjusted the foreign exchange on the loans as at February 28, 2021 and recorded the foreign exchange difference.

RESULTS OF OPERATIONS (CONTINUED)

- The Company recorded gain on settlement of debt of \$nil compared to \$109,884 in the comparative period. During the period ended February 28, 2020, the Company issued 1,375,000 common shares in lieu of services and to settle debt with a fair value of \$133,394. The Company recorded a gain on settlement of debt of \$109,884.
- The Company recorded gain on settlement of accounts payable of \$20,000 compared to \$nil in the comparative period. During the period ended February 28, 2021, 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.

For the three-month period ended February 28, 2021, the Company recorded a net loss of \$98,065 compared to a net loss of \$150,396 in the comparative period. Significant expenses incurred during the period were mainly due to the LOI with August Therapeutics, whereas in the comparative period, the Company was largely inactive. During the period, the Company incurred consulting fees and management fees of \$6,250 and \$22,500 respectively, which was a significant decrease compared to \$93,000 and \$40,000 incurred respectively during the comparative period when the Company paid severance to former management. Professional fees of \$22,000 compared to \$nil was incurred for accounting and corporate compliance. The company incurred foreign exchange loss of \$47,373 compared to \$nil due to the loan in US dollars extended to August Therapeutics.

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 February 28, 2021:

	<i>Three months ended</i>			
	<i>February 28, 2021</i>	<i>November 30, 2020</i>	<i>August 31, 2020</i>	<i>May 31, 2020</i>
	<i>-\$-</i>	<i>-\$-</i>	<i>-\$-</i>	<i>-\$-</i>
Total assets	2,712,785	2,855,616	2,286,825	584,967
Working capital (deficiency)	2,314,027	2,410,188	1,752,221	(264,881)
Shareholders' equity (deficiency)	2,314,027	2,410,188	1,752,221	(264,881)
Net gain(loss) for the period	(98,065)	(183,462)	(288,834)	(214,598)
Gain (loss) per share	(0.00)	(0.01)	(0.02)	(0.13)

	<i>Three months ended</i>			
	<i>February 29, 2020</i>	<i>November 30, 2019</i>	<i>August 31, 2019</i>	<i>May 31, 2019</i>
	<i>-\$-</i>	<i>-\$-</i>	<i>-\$-</i>	<i>-\$-</i>
Total assets	82,173	97,374	93,918	86,642
Working capital (deficiency)	(476,820)	(329,424)	(418,314)	(383,172)
Shareholders' equity (deficiency)	(476,820)	(329,424)	(418,314)	(383,172)
Net gain(loss) for the period	(150,396)	42,640	(63,889)	(4,574,297)
Gain (loss) per share	(0.00)	0.00	(0.00)	(0.10)

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 February 28, 2021 was \$1,037,392 (2020 - \$25,271), 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 \$3,020,000. As at February 28, 2021, \$819,171 in subscription receivable and \$12,679 in overpayment in connection with the private placement has been received.

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.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

During the period ended February 28, 2021, the Company advanced in the form of promissory notes, \$2,285,239 CAD (\$1,801,664USD) 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.

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 February 28, 2021, the Company paid or accrued the following to key management of the Company.

	February 28, 2021	February 29, 2020
Management fees paid or accrued to the CEO and related companies	\$ 67,500	\$ -
Management fees paid or accrued to the CEO and related companies	-	40,000
Consulting fees paid or accrued to a director of the Company	3,750	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	-	36,000
Share based compensation	8,442	-
Total	\$ 79,692	\$ 121,833

At February 28, 2021, the Company owes \$116,250 (May 31, 2020 - \$183,800) directly or to companies controlled by key management personnel, which is included in accrued liabilities. At February 28, 2021, the Company owes \$20,000 (May 31, 2020 - \$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 exposed to currency risk due to the loan extended to August Therapeutics which is denominated in US dollars.

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

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.

As at February 28, 2021			
	Level 1	Level 2	Level 3
Cash and equivalents	\$ 314,489	\$ -	\$ -
Promissory note	-	-	2,293,887
	\$ 314,489	\$ -	\$ 2,293,887

As at May 31, 2020			
	Level 1	Level 2	Level 3
Cash and equivalents	\$ 501,293	\$ -	\$ -

ADDITIONAL INFORMATION

Off-Balance Sheet Arrangements

As at February 28, 2021, 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: 24,328,365 with a weighted average exercise price of \$0.37 and weighted average life of 1.34 years.
- 3) Stock options: 58,000 with a weighted average price of \$5.73 and weighted average life of 2.53 years.

CONTINGENT LIABILITIES

As at February 28, 2021 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 February 28, 2021. 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 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.