

ORION NUTRACEUTICALS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

Notice to Readers

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Orion Neutraceuticals Inc. for the six months ended November 30, 2022 and 2021 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

Orion Nutraceuticals Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

AS AT,	Note	November 30, 2022	May 31, 2022 (Audited)
ASSETS			
Current assets			
Cash		\$ 5,441	\$ 9,430
TOTAL ASSETS		\$ 5,441	\$ 9,430
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	4	\$ 162,347	\$ 319,385
Accrued liabilities	6	319,716	282,216
Loans payable	6,7	90,333	44,000
TOTAL LIABILITIES		572,396	645,601
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	8	8,513,978	8,513,978
Share-based payment reserve	8	1,336,860	1,335,971
Deficit		(10,413,871)	(10,485,198)
Attributable to Shareholders		(566,033)	(635,249)
Non-controlling interest	2	(922)	(922)
TOTAL SHAREHOLDER'S EQUITY (DEFICIT)		(566,955)	(636,171)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 5,441	\$ 9,430

Nature of Operations and Going Concern (Note 1)

GST receivable (Note 5)

Promissory notes (Note 3)

Subsequent events (Note 11)

Approved and authorized by the Board on January 4, 2023

Approved by the Director:

"Joel Dumaresq"

See accompanying notes to the condensed interim consolidated financial statements

Orion Nutraceuticals Inc.

Condensed Interim Consolidated Statements of Income and Comprehensive Income

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

		For the three month period ended,		For the six month period ended,	
	Note	November 30, 2022	November 30, 2021	November 30, 2022	November 30, 2021
EXPENSES					
Consulting fees	5	\$ 7,875	\$ 8,750	\$ 15,750	\$ 17,500
Management fees	5	22,500	22,500	45,000	45,000
Office administration		4,463	552	6,449	1,105
Professional fees		34,006	48,042	59,332	70,958
Regulatory and transfer agent fees		3,150	9,940	6,458	12,480
Foreign exchange	3	-	(36,286)	-	(133,985)
Share based compensation	5,7	110	936	889	2,884
		72,104	54,434	133,878	15,942
OTHER ITEMS					
Change in fair value of promissory notes	3	-	55,900	-	119,414
Write-off of accounts payable	4	202,205	-	202,205	-
Income and comprehensive income for the period					
		\$ 130,101	\$ 1,466	\$ 68,327	\$ 103,472
Basic and diluted income per share					
		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding					
		29,307,965	29,307,965	29,307,965	29,307,965

See accompanying notes to the condensed interim consolidated financial statements

Orion Nutraceuticals Inc.

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

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

		Share capital					
	Note	Number of shares	Amount	Share-based payment reserve	Deficit	Non-controlling Interest	Total
Balance at May 31, 2021		29,307,965	\$ 8,513,978	\$ 1,331,546	\$ (7,865,202)	\$ (922)	\$ 1,979,400
Share based compensation	8	-	-	2,884	-	-	2,884
Net and comprehensive income		-	-	-	103,472	-	103,472
Balance at November 30, 2021		29,307,965	\$ 8,513,978	\$ 1,334,430	\$ (7,761,730)	\$ (922)	\$ 2,085,756
Balance at May 31, 2022		29,307,965	\$ 8,513,978	\$ 1,335,971	\$ (10,485,198)	\$ (922)	\$ (636,171)
Share based compensation	8	-	-	889	-	-	889
Net and comprehensive income		-	-	-	68,327	-	68,327
Balance at November 30, 2022		29,307,965	\$ 8,513,978	\$ 1,336,860	\$ (10,416,871)	\$ (922)	\$ (566,955)

See accompanying notes to the condensed interim consolidated financial statements

Orion Nutraceuticals Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

For the period ended:	November 30, 2022	November 30, 2021
OPERATING ACTIVITIES		
Income for the period	\$ 68,327	\$ 103,472
Adjustments for non-cash items:		
Foreign exchange	-	(133,985)
Change in fair value of promissory notes	-	(119,414)
Write-off of accounts payable	(202,205)	-
Stock based compensation	889	2,884
Net change in non-cash working capital accounts:		
GST receivable	-	(18,036)
Other receivables	-	-
Prepaid	-	643
Accounts payable	82,667	91,769
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(50,322)	(72,667)
FINANCING ACTIVITIES		
Loans received	46,333	-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	46,333	-
INVESTING ACTIVITIES		
Promissory note receivable	-	(187,831)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	-	(187,831)
Change in cash for the period	(3,989)	(260,498)
Cash, beginning	9,430	280,185
CASH, ENDING	\$ 5,441	\$ 19,687

NON-CASH FINANCING ACTIVITIES:

No non-cash financing activities occurred for the periods ended.

See accompanying notes to the condensed interim consolidated financial statements

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

For the period ended November 30, 2022 and 2021

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. The Company’s head office and principal place of business is located at Suite 810 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company was in the business of pursuing acquisitions of, or investments 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. During the year ended May 31, 2021, the Company changed its business model to focus on re-purposing a United States Food and Drug Administration approved drug to target asthma and chronic obstructive pulmonary disease (COPD) (Note 3).

These condensed interim consolidated 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, 2022, the Company generated net income of \$68,327 (2021 - \$103,472) and at November 30, 2022, the Company had a working capital deficit of \$566,955 (May 31, 2022 - \$636,171). 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. These material uncertainties may cast significant doubt upon the entity’s ability to continue as a going concern.

The Company depends almost exclusively on equity financing. Such equity financings 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. Such adjustments could be material.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially disrupt the Company’s operations during the period ending November 30, 2022. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company’s business, financial position and operating results in the future. In addition, it is possible that estimates in the Company’s financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of financial assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance with International Financial Reporting Standards

These condensed interim consolidated 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, 2022. Accordingly, these condensed consolidated interim financial statements for the period ended November 30, 2022 should be read together with the annual audited consolidated financial statements as at and for the year ended May 31, 2022.

These condensed interim consolidated 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”).

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
(Unaudited – prepared by management)
For the period ended November 30, 2022 and 2021

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

Statement of compliance with International Financial Reporting Standards (Continued)

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

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance by the Board of Directors on January 4, 2023.

Basis of Consolidation

The Company's condensed interim 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 condensed interim 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. MedicOasis has been inactive since June 1, 2020. The non-controlling interest of 1% in MedicOasis was held by other minority shareholders.

	\$
Non-controlling interest, May 31, 2020	(922)
Non-controlling interest in loss of Orion to November 30, 2022 and May 31, 2022	-
Total non-controlling interest, November 30, 2022 and May 31, 2022	(922)

Significant Judgements and Estimates

In preparing these condensed interim consolidated 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 are the same as those that applied to the Company's audited consolidated financial statements for the year ended May 31, 2022, with exception to the new accounting policies adopted by the Company discussed below.

The preparation of condensed interim consolidated 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 consolidated 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 condensed interim consolidated financial statements.

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

For the period ended November 30, 2022 and 2021

3. PROMISSORY NOTES

On August 25, 2020, the Company signed a non-binding letter of intent, as amended, to acquire all of the issued and outstanding securities of 2740162 Ontario Inc. (d/b/a “August Therapeutics”), a private corporation, in consideration for the issuance of 60 million common shares in the capital of the Company to the shareholders of August Therapeutics pro rata to their ownership interest (the “Transaction”), expiring on December 31, 2021. In connection with the proposed Transaction the Company extended to August Therapeutics a series of secured notes, bearing interest at 1% per annum compounded monthly totaling \$1,725,017 (US\$1,301,664). The notes were recorded at fair value using a discount rate of 20% at initial recognition and subsequently. Subsequent to the period end, the Company entered into a debt settlement agreement with August Therapeutics (Note 11).

During the year ended May 31, 2021, the Company extended to Ketiko Bio Corp. (“Ketiko”) a note, bearing interest of 1% per annum calculated monthly totaling \$672,880 (US\$500,000). The note matures and is due and payable on October 28, 2021. The note was recorded at fair value using a discount rate of 20% at initial recognition and subsequently. During the period ended May 31, 2022, the Company advanced an additional \$187,832 (US\$150,000) note to Ketiko on the same terms as the initial advance. Subsequent to the period end, the Company entered into a debt settlement agreement with Ketiko (Note 11).

At May 31, 2022, \$2,278,745 (US\$1,801,664) of the notes had reached maturity and had not been repaid. During the year-ended May 31, 2022, the Company deemed the notes to be uncollectable, and recorded impairment expense of \$2,502,912, resulting in balance of \$nil in promissory notes receivable as at November 30, 2022 and May 31, 2022.

The following table summarizes the promissory note activity:

	August Therapeutics	Ketiko	Total
Balance, May 31, 2020	\$ -	\$ -	\$ -
Promissory notes advanced	1,725,017	672,880	2,397,897
Change in fair value	(126,022)	(49,593)	(175,615)
Foreign exchange	(117,188)	(57,634)	(174,822)
Balance, May 31, 2021	1,481,807	565,653	2,047,460
Promissory notes advanced	-	187,832	187,832
Change in fair value	115,006	45,301	160,307
Foreign exchange	76,190	31,123	107,313
Impairment	(1,673,003)	(829,909)	(2,502,912)
Balance, May 31, 2022 and November 30, 2022	\$ -	\$ -	\$ -

4. ACCOUNTS PAYABLE

During the period ended November 30, 2022, the Company wrote off accounts payable of \$202,205 (2021 - \$nil) resulting in a gain recognized in profit and loss.

5. ACCOUNTS RECEIVABLE

During the year ended May 31, 2022, the Company wrote-off sales taxes receivable of \$108,084 as the amounts were denied as receivables per the Canada Revenue Agency.

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars)
(Unaudited – prepared by management)
For the period ended November 30, 2022 and 2021

6. RELATED PARTY TRANSACTIONS AND BALANCES

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

The following are the transactions with related parties during the periods ended November 30, 2022, and 2021, respectively

	2022	2021
Management fees paid or accrued to the CEO and related companies	\$ 45,000	\$ 45,000
Consulting fees paid or accrued to a former director of the Company	-	2,500
Share based compensation for former director	889	2,884
Total	\$ 45,889	\$ 50,384

At November 30, 2022, the Company owes \$280,000 (May 31, 2022 - \$235,000) directly or to companies controlled by key management personnel, which is included in accrued liabilities. At November 30, 2022, the Company owes \$53,000 (May 31, 2022 - \$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

During the period ended November 30, 2022, the Company received loans of \$33,000 from a related party (Note 6) and loans of \$13,333 from third parties for total loans of \$46,333.

The Company has loan balances of \$90,333 owing as of November 30, 2022 (May 31, 2022 - \$44,000), of which \$53,000 (May 31, 2022 - \$20,000) is payable to key management personnel (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.

Issued and Outstanding:

For the period ended November 30, 2022:

No capital activity during the period ended November 30, 2022.

For the period ended November 30, 2021:

No capital activity during the period ended November 30, 2021.

Share Purchase Warrants

The following table summarizes warrant activity:

	Number of warrants	Weighted average price \$
Balance at May 31, 2021	24,328,365	0.37
Expired	(3,244,363)	(0.14)
Balance at May 31, 2022	21,084,002	0.40
Expired	(21,084,002)	(0.40)
Balance at November 30, 2022	-	-

During the period ended November 30, 2022, all outstanding warrants expired without being exercised.

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

For the period ended November 30, 2022 and 2021

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 May 31, 2020	102,000	6.41
Expired	(44,000)	(7.31)
Balance at May 31, 2021 and May 31, 2022	58,000	5.73
Cancelled	(32,000)	5.31
Balance at November 30, 2022	26,000	6.25

During the period ended November 30, 2022, 32,000 stock options with exercise prices from \$3.75 to \$6.25 were cancelled without being exercised.

Information regarding stock options outstanding at November 30, 2022 is as follows:

Number of options outstanding and exercisable	Exercise price \$	Expiry date	Weighted Average Remaining Life (years)
2,000	6.25	August 15, 2023	0.05
24,000	6.25	October 5, 2023	0.79
26,000			0.84

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. A third 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, 2022, the Company recognized share-based compensation of \$889 (2021 - \$2,884) and all 12,000 of the stock options were cancelled without being exercised.

As at November 30, 2022, the weighted average remaining life was 0.84 years (May 31, 2022 – 1.28 years).

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.

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

For the period ended November 30, 2022 and 2021

9. 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 its business plan 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.

There were no changes in the Company's approach to capital management during the period. There are no externally imposed capital requirements.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair values

The fair values of cash, promissory notes, loans payable 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 inputs.

(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) 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. Liquidity risk is assessed as high.

(d) 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 and promissory notes. The risk on cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. The Company is exposed to risk is on its promissory note, which is secured and receivable from two arm's length parties. Credit risk on promissory notes is assessed as high. Credit risk on cash is assessed as low.

Orion Nutraceuticals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

For the period ended November 30, 2022 and 2021

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) 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's promissory notes are denominated in United States dollars. The Company does not hedge its exposure to fluctuations in foreign exchange rates. At November 30, 2022, a 10% change in the United States dollar to Canadian dollar exchange rate would impact the Company's net loss by \$nil (May 31, 2022 - \$nil).

11. SUBSEQUENT EVENTS

Subsequent to the period end, the Company entered into a debt settlement agreement (the "Debt Settlement Agreement") with August Therapeutics and Ketiko (the "Debtors") relating to the promissory notes the Company extended to the Debtors in prior years (Note 3). The Debtors are in the process of settling and entering into an Asset Purchase Agreement with Therma Bright Inc. ("Therma") where the Debtors will sell certain assets in exchange for 55,000,000 shares of Therma (the "Consideration Shares"). The Debtors will transfer 25,000,000 Consideration Shares to fully satisfy the outstanding debt with the Company.