

## **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 January 4, 2023, should be read in conjunction with the condensed interim consolidated financial statements for the period ended November 30, 2022 and 2021 and the notes related thereto (“Financial Statements”). 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.

All financial information in this MDA has been prepared in accordance with IFRS. All dollar amounts included therein and in the following MDA are in Canadian dollars, the reporting and functional currency of the Company, except where noted.

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

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 ended November 30, 2022. As at November 30, 2022, we have not observed any material impairments of our assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on our 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 long-lived assets including intangibles and goodwill. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

## **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 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).

## HIGHLIGHTS AND OVERALL PERFORMANCE

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. On July 10, 2022, all 20,000,000 warrants expired without being exercised.

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. 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. On July 10, 2022, all 1,084,002 finder’s warrants expired without being exercised.

On June 15, 2022, Mr. Kevin Taylor resigned as a director of the Company.

On July 8, 2022, Mr. Sam Jenkins and Mr. Robin Linden resigned as directors of the Company.

The Company’s 99% owned subsidiary, MedicOasis Inc. (“MedicOasis”) has been inactive since June 1, 2020. MedicOasis is a privately held, Québec company incorporated on December 19, 2013. As of the date of this MDA, 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, which would allow MedicOasis to produce medical marijuana at such 30,000 square foot facility.

### *2740162 Ontario Inc. (August Therapeutics) Letter of Intent*

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. Subsequent to the period end, the Company entered into a debt settlement agreement with August Therapeutics.

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 proceeds of the notes shall be used by August Therapeutics strictly 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 notes 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 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. The notes were recorded at fair value using a discount rate of 20% at initial recognition and at year end.

## **HIGHLIGHTS AND OVERALL PERFORMANCE (CONTINUED)**

### *2740162 Ontario Inc. (August Therapeutics) Letter of Intent (Continued)*

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 proceeds of the note shall be used by Ketiko strictly to purchase shares of InVixa Inc. (“InVixa”) pursuant to a subscription earn-in agreement entered into among Ketiko and InVixa on August 12, 2020. The note matures and is due and payable on October 28, 2021. The security for the note shall be (i) the common shares of InVixa acquired by Ketiko and (ii) a security interest in all present and future-acquired assets of Ketiko. The note was recorded at fair value using a discount rate of 20% at initial recognition and at year end. 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.

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 a balance of \$nil in promissory note receivable as at November 30, 2022 and May 31, 2022.

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.

## **RESULTS OF OPERATIONS**

For the six-month period ended November 30, 2022 (“2023”), the Company received a net income of \$68,327 compared to net income of \$103,472 during the period ended November 30, 2021 (“2022”). In general, the Company’s operations decreased during the period ended November 30, 2022 as the Company 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 decreased to \$15,750 in 2023 from \$17,500 in 2022 as the Company used less consultants compared to the previous period.
- The Company incurred management fees of \$45,000 in 2023, which is the same as the \$45,000 in the comparative period.
- Professional fees decreased to \$59,332 in 2023 from \$70,958 in 2022. Professional fees include accounting fees which were consistent between the two periods, however in as the ITC was denied by CRA as a result of GST audit in 2022, the Company wrote-off GST and thus the GST amounts from the vendors are included in the expenses for 2023. The difference is immaterial.
- Office administration increased to \$6,449 in 2023 from \$1,105 in 2022. The increase relates to increases in service charges for office expenses incurred by the Company in 2023.
- Regulatory and transfer agent fees decreased to \$6,458 in 2023 from \$12,480 in 2022. A decrease relates to less new releases or other regulatory expenses that occurred in 2023 compared to 2022.

**RESULTS OF OPERATIONS (CONTINUED)**

- The Company incurred foreign exchange gain of \$nil in 2023 compared to gain of \$133,985 in the comparative period. In previous years, the Company extended notes to Ketiko and August Therapeutics denominated in US dollars. The Company adjusted the foreign exchange on the loans in 2022 and recorded the foreign exchange difference. The Company impaired the notes to \$nil as at May 31, 2022 and thus has not recorded any foreign exchange differences in 2023.
- The Company recorded change in fair value of notes receivables of \$nil in 2023 compared to gain in fair value of notes receivables of \$119,414 in 2022 related to loans used towards investment purposes. The Company had only recently issued notes receivable in the year ended May 31, 2021, the change in fair value of notes receivable increased in 2022 as the Company had a larger amount of notes receivable outstanding for a longer period of time. The Company impaired the notes to \$nil as at May 31, 2022, and thus has not recorded any change in fair value in 2023.
- Share based compensation decreased to \$889 in 2023 from \$2,884 in 2022 due to the vesting schedule of the stock options granted to a former director.

For the three-month period ended November 30, 2022 (“Q2 2023”), the Company received a net income of \$130,101 compared to net income of \$103,472 during the period ended November 30, 2021 (“Q2 2022”). In general, the Company’s operations decreased during the period ended November 30, 2022 as the Company 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 decreased to \$7,875 in Q2 2023 from \$8,750 in Q2 2022 as the Company used less consultants compared to the previous period.
- The Company incurred management fees of \$22,500 in Q2 2023, which is the same as the \$22,500 in the comparative period.
- Professional fees decreased to \$34,006 in Q2 2023 from \$48,042 in Q2 2022. Professional fees include accounting fees which were consistent between the two periods, however in as the ITC was denied by CRA as a result of GST audit in 2022, the Company wrote-off GST and thus the GST amounts from the vendors are included in the expenses for 2023. The difference is immaterial.
- Office administration increased to \$4,463 in Q2 2023 from \$552 in Q2 2022. The increase relates to increases in service charges for office expenses incurred by the Company in Q2 2023.
- Regulatory and transfer agent fees decreased to \$3,150 in Q2 2023 from \$9,940 in Q2 2022. A decrease relates to less new releases or other regulatory expenses that occurred in Q2 2023 compared to Q2 2022.
- The Company incurred foreign exchange gain of \$nil in Q2 2023 compared to gain of \$36,286 in the comparative period. In previous years, the Company extended notes to Ketiko and August Therapeutics denominated in US dollars. The Company adjusted the foreign exchange on the loans in 2022 and recorded the foreign exchange difference. The Company impaired the notes to \$nil as at May 31, 2022 and thus has not recorded any foreign exchange differences in 2023.
- The Company recorded change in fair value of notes receivables of \$nil in Q2 2023 compared to gain in fair value of notes receivables of \$55,900 in Q2 2022 related to loans used towards investment purposes. The Company had only recently issued notes receivable in the year ended May 31, 2021, the change in fair value of notes receivable increased in 2022 as the Company had a larger amount of notes receivable outstanding for a longer period of time. The Company impaired the notes to \$nil as at May 31, 2022, and thus has not recorded any change in fair value in 2023.

**ORION NUTRACEUTICALS INC.**  
**Management Discussion and Analysis**  
**Period Ended November 30, 2022 and 2021**

**RESULTS OF OPERATIONS (CONTINUED)**

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 table sets out selected quarterly financial information derived from the Company's unaudited condensed consolidated interim financial statements, for each of the eight recently completed quarters, which have been prepared in accordance with IFRS:

	<i>November 30,</i> <i>2022</i>	<i>August 31,</i> <i>2022</i>	<i>May 31,</i> <i>2022</i>	<i>February 28,</i> <i>2022</i>
	-\$-	-\$-	-\$-	-\$-
Total assets	5,441	5,857	9,430	2,635,293
Working capital (deficiency)	(566,955)	(697,166)	(636,171)	2,032,507
Shareholders' equity (deficiency)	(566,955)	(697,166)	(636,171)	2,032,507
Net income (loss) for the period	130,101	(61,774)	(2,669,458)	(54,010)
Earnings (loss) per share	0.00	(0.00)	(0.09)	(0.00)

  

	<i>November 30,</i> <i>2021</i>	<i>August 31,</i> <i>2021</i>	<i>May 31,</i> <i>2021</i>	<i>February 28,</i> <i>2021</i>
	-\$-	-\$-	-\$-	-\$-
Total assets	2,626,807	2,552,996	2,428,682	2,712,785
Working capital (deficiency)	2,085,756	2,083,354	1,979,400	2,314,027
Shareholders' equity (deficiency)	2,085,756	2,083,354	1,979,400	2,314,027
Net income (loss) for the period	1,466	102,006	(312,575)	(98,065)
Earnings (loss) per share	0.00	0.00	(0.01)	(0.00)

**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 November 30, 2022 was \$50,322 (2021 - \$72,667), which reflects management's focus on managing cashflow to ensure the Company has adequate cash during periods that were affected by COVID-19.

Net cash used in investing activities for the period ended November 30, 2022 was \$nil (2021 - \$187,831). During the period ended November 30, 2021, the Company advanced additional \$187,831 (US\$150,000) to Ketiko.

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, Former Director (*Resigned on July 8, 2022*)  
Sam Jenkins, Former Director (*Resigned on July 8, 2022*)  
Kevin Taylor, Former Director (*Resigned on June 15, 2022*)

**ORION NUTRACEUTICALS INC.**  
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**Period Ended November 30, 2022 and 2021**

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**RELATED PARTY TRANSACTIONS (CONTINUED)**

During the periods ended November 30, 2022 and 2021, the Company paid or accrued the following to key management compensation:

	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 accounts payable. 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. 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.

*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.

*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.

*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).

## **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.

## **CLASSIFICATION OF FINANCIAL INSTRUMENTS**

### **Fair values**

The fair values of cash, promissory notes, other receivable, 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 input.

## **ADDITIONAL INFORMATION**

### **Off-Balance Sheet Arrangements**

As at November 30, 2022, and up to the date of this MDA, the Company had no off-balance sheet arrangements.

### **Legal proceedings**

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

### **Outstanding Share Data**

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

- 1) 29,307,965 common shares
- 2) 26,000 stock options outstanding with a weighted average price of \$6.25 as at the date of this report.
- 3) Nil warrants outstanding.

## **ADDITIONAL INFORMATION (CONTINUED)**

### **CONTINGENT LIABILITIES**

As at November 30, 2022 and up to the date of this MDA 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.

### **FORWARD-LOOKING INFORMATION**

This MDA contains certain forward-looking statements and information relating to the Company that is based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MDA contains forward-looking statements relating to, amongst other things, regulatory compliance and the sufficiency of current working capital. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the annual MDA, additional, important factors, if any, are identified here.

### **RISKS AND UNCERTAINTIES**

Risk is inherent in all business activities and cannot be entirely eliminated. Our goal is to enable the Company's business processes and opportunities by ensuring that the risks arising from our business activities, the markets and political environments in which we operate is mitigated. The risks and uncertainties described in the annual MDA for the year ended May 31, 2022 are considered by management to be the most important in the context of the Company's business and are substantially unchanged as of the date of this report. Those risks and uncertainties described are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

### **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 November 30, 2022. The Company is not subject to externally imposed capital requirements.



**ADDITIONAL INFORMATION (CONTINUED)**

**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.