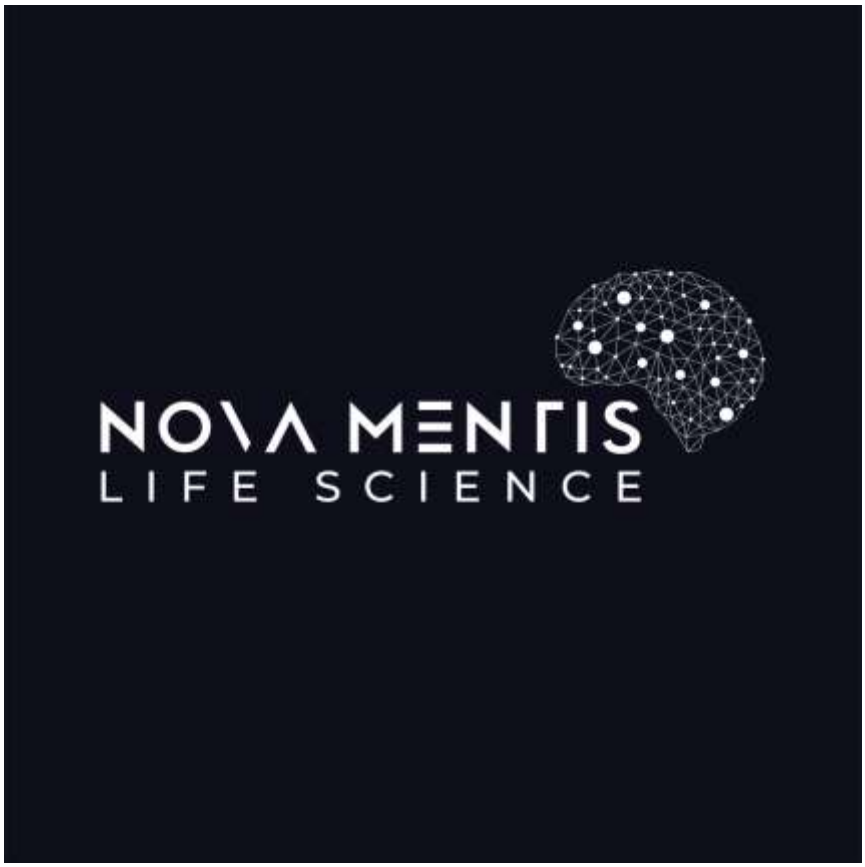

Management's Discussion and Analysis

Years Ended December 31, 2021 and 2020

1.0 INTRODUCTION

The following discussion and analysis are a review of the operations, current financial position and outlook for Nova Mentis Life Science Corp. ("Nova" or the "Company") for the years ended December 31, 2021 and 2020, including other pertinent events subsequent to that date up to and including May 2, 2022. The following information should be read in conjunction with the Company's Audited Annual Consolidated Financial Statements for the years ended December 31, 2021 and 2020, and related notes thereto (the "Annual Financial Statements"), which are filed on the SEDAR website: www.sedar.com.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar figures included herein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise noted.

The financial information in this Management's Discussion and Analysis ("MD&A") is derived from the Company's consolidated financial statements. This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of risk factors beyond its control. Actual results may differ materially from the expected results. For additional information on Forward-looking Information, please refer to the related section at the end of this MD&A.

2.0 DESCRIPTION OF BUSINESS AND ACTIVITY

The Company was incorporated on October 27, 2004 in the province of British Columbia and is based in Vancouver, British Columbia. The Company's shares trade on the Canadian Securities Exchange (the "CSE") under the name "Nova Mentis Life Science Corp." and stock symbol "NOVA". Nova also trades on the Frankfurt Stock Exchange ("FSE") under the symbol "HN3Q", and on the New York-based OTCQB Venture Market ("OTCQB") under the stock symbol "NMLSF".

Nova is a Canadian-based biotechnology company and global leader in developing diagnostics and psilocybin-based therapeutics for neuroinflammatory disorders. Nova's mission is to diagnose and treat debilitating chronic conditions that have unmet medical needs, such as autism spectrum disorder (ASD) and Fragile X Syndrome (FXS).

The principal address of the Company is located at 700 – 838 West Hastings Street, Vancouver, British Columbia, Canada, V6C 0A6.

Nova is the first biotech company to achieve orphan drug designation in both the United States and European Union for the use of psilocybin in the treatment of Fragile X Syndrome (FXS). The goal is to diagnose and treat debilitating chronic conditions that have unmet medical needs, such as autism spectrum disorder (ASD) and Fragile X Syndrome (FXS).

Please refer to https://www.novamentis.ca/ for additional information.

3.0 HIGHLIGHTS

TECHNICAL

- On March 23, 2022, the Company announced that it had begun patient enrollment in its North American Observational Study: *Establishing a Diagnostic and Therapeutic Index in Autism Spectrum Disorder (ASD) and Fragile X Syndrome (FXS);*
- On January 27, 2022, Nova announced the formation of a tactical partnership with KGK Science Inc. ("KGK") to develop its psychedelic psilocybin drug portfolio in Canada;
- Development of manufacturing process for non-GMP >98% purity psilocybin under proprietary manufacturing agreement (PDMO); NOVA ownership of Drug Master File (DMF) to be used in drug regulatory submissions;
- Psilocybin export/import application approved by the U.S. DEA and Italian Ministry of Health; Proof of efficacy and safety established by Dr. Viviana Trezza, Roma Tre University, Rome, Italy;
- NOVA proprietary synthetic non-GMP psilocybin proof of efficacy and safety established in 4 preclinical autism spectrum disorder (ASD) models. Significant modulation of anxiety symptoms and improvement of cognition;
- Microdose psilocybin therapeutic levels established in preclinical fragile X syndrome (FXS) model;
- Approval granted of Orphan Drug Status from U.S. FDA and European Medicines Agency (EMA) for psilocybin treatment of FXS. This status will provide the Company market exclusivity and significant financial benefits in both regions, including the potential to rapidly advance our clinical program toward regulatory approval and commercialization;
- Patent filings:
  - manufacturing process for psilocybin and tryptamine derivatives, achieved in July 2021.
  - Worldwide diagnostic mRNA neuroinflammatory PCT application, filed in November 2021.
- Completed manufacturing supply of cGMP (>98% purity) psilocybin for U.S., Canada and Europe phase 2 clinical studies;
- Developed novel mRNA technology to monitor pre- and post-neuroinflammatory drug treatment response. Acquire FDA Real World Evidence (RWE) to prove drug efficacy; and
- On July 14, 2021, the Company appointed Dr. Stephen Glazer to its Board of Directors, and as Chief Scientific Officer of the Company.

CORPORATE

- On March 22, 2022, the Company engaged certain consultants to provide marketing, social media, and investor relations services. Consideration paid totaled $207,660 and the services will be provided over terms ranging from three to four months. In connection with these contracts, on March 22, 2022, 1,250,000 options were granted to those consultants. The options have an exercise price of $0.08 and expire one year from the date of grant;
- On March 14, 2022, the Company closed non-brokered private placement unit financing through the issuance of 29,670,000 units at $0.05 per unit for total gross proceeds of $1,483,500. Each unit is comprised of one common share of the capital of the Company and one common share purchase warrant;
- On January 13, 2022, the Company has entered into a debt settlement agreement pursuant to which the Company has agreed to issue 1,056,583 common shares (each, a "Share"), at a deemed price of $0.06 per Share, to settle indebtedness of $63,395 (the "Transaction"). All Shares issued pursuant to the Transaction are subject to a statutory four-month and one-day hold period from the date of issue;

- On January 11, 2022, the Company issued 2,350,000 Restricted Share Units ("RSUs") to directors, officers, and consultants of the Company. The RSUs vest when certain conditions have been met, and expire 24 months from the date of issue. The RSUs are governed by Nova's RSU Plan, which was approved by the Company's shareholders on December 22, 2020;
- On December 31, 2021, Nova announced the appointment of Rebecca Hudson as CFO of the Company, and Jamie Robinson resigned as CFO. The Board of Directors would like to thank Mr. Robinson for his years of service to the Company and for his invaluable contributions.
- During 2021, Signature Cannabis Retail Ltd. ("Signature") ceased operations. Subsequent to the year ended December 31, 2021, the Company made an application to the BC Registry Services to dissolve Signature and closed its bank account.
- On March 31, 2022, 450,000 options were forfeited.

4.0 OUTLOOK & FUTURE CATALYSTS

- Finalize human dose delivery formulation for phase 2A human IND regulatory submissions.
- Strategic relationship with a major university regarding serotonin research. Cooperative clinical setting for enrolling ASD patients in Observational Study and future FDA phase 2A study.
- Design and submit Phase 2A psilocybin fragile X syndrome INDs to the U.S. FDA, Health Canada and European Medicines Agency (EMA).
- Preparation of psilocybin manufacturing process file in support of Phase 2A IND filings with U.S. FDA, Health Canada and EMA.
- Consummate ongoing pharmaceutical industry partnerships to promote psychedelic drug development and commercialization in the U.S., Canada and Europe.
- Potential sales of NOVA cGMP manufactured drug to doctors and clinics exploring use of psilocybin under Health Canada's recently enacted Special Access Programme (SAP) to restricted drugs for psychedelic therapy.

5.0 OVERALL PERFORMANCE

BIOTECHNOLOGY RESEARCH AND DEVELOPMENT ("R&D")

Nova's core scientific focus is on chronic neuroinflammatory conditions, which fall under three broadly defined categories: neurodevelopmental, neurometabolic, and neurodegenerative. To ensure commercial success, Nova has assembled a strong core team and multiple international research collaborations, which leverage expertise in drug discovery and development, including proprietary drug manufacturing, preclinical model systems, and clinical testing. Nova's science team has subject-matter expertise in autism, neural injury, genome research, metabolic analysis, microbiotic profiling, and computational analytics. Nova's commercialization team members have robust knowledge of world-wide regulatory affairs, experience in devising commercialization strategy, and financing such initiatives.

Nova's Observational Study, announced on March 23, 2022, will study the neuroinflammatory mRNA genetic profile contained within cheek cells from ASD and FXS patients, as well as measure serotonin levels in patient saliva. The research objective is to develop a genetic neuroinflammatory and serotonin data bank that will help establish a "Diagnostic Index" – an objective set of tools that helps to differentiate subtypes of ASD, as well as FXS, and to develop more accurate methods of diagnosis and treatment. Collected data will be analyzed using customized machine learning algorithms and used to guide design of upcoming clinical trials that will test the efficacy of psilocybin-based therapeutics in ASD and FXS. Patients enrolled in this Observational Study will have a

high priority position to be enrolled in planned psilocybin microdose clinical trials in Canada and the United States. Nova is aiming to recruit at least 300 qualifying participants; 200+ ASD/FSX patients and 100+ neurotypical controls.

The tactical partnership with KGK Science Inc. ("KGK"), which is a wholly-owned subsidiary of Wellbeing Digital Sciences Inc. (NEO: MEDI), was formed with the aim to develop Nova's psychedelic psilocybin drug portfolio in Canada. KGK is a leading North American contract research organization based in London, Ontario that primarily provides high-quality clinical research trials with a focus on the nutraceutical, cannabis, and emerging psychedelic industries. Both Companies plan to jointly submit a clinical trial application ("CTA") to Health Canada for a Phase 2A clinical study evaluating psilocybin microdose therapy for fragile X syndrome.

In October 2021, Nova received the orphan drug designation from the European Medicines Agency (EMA) for its propriety psilocybin drug for the treatment of FXS. The EMA is a decentralized agency of the European Union ("EU") responsible for the scientific evaluation, supervision and safety monitoring of medicines in the EU. Orphan designation is a status assigned to a medicine intended for use against a rare condition. Medicines that have been granted an orphan designation receive the following benefits:

- Ten years of market exclusivity: once approved, NOVA's proprietary formulation is protected from competition with similar medicines in similar indications.
- Reduced fees for protocol assistance and other regulatory activities.
- Access to grants from the European Commission and other sources.
- Scientific advice and administrative and procedural assistance.
- Access to a centralized marketing authorization with a single application.

Orphan Drug designation of Nova's proprietary psilocybin formulation in Europe is a significant milestone on the pathway to drug approval. Obtaining this designation has the potential to rapidly advance the Company's clinical program in Europe with the goal of approval of psilocybin in the treatment of FXS. Nova intends to move expeditiously to begin a phase 2 study with psilocybin in FXS.

In October 2021, NOVA enrolled the first patients into its observational clinical trial in autism spectrum disorder and fragile X syndrome. As part of the study, NOVA is developing a clinical biologic marker program to help with diagnostics and treatment monitoring in these complex conditions, as well as to draw parallels between molecular and behavioral changes – an approach that will be essential to uncover the full clinical capacity of psychedelic medicines in these and other chronic neuroinflammatory disorders.

In September 2021, Nova announced the expansion of its psilocybin research and development program to target obesity and diabetes. Nova recently finished three successful preclinical psilocybin treatments of rats with symptoms of ASD. Besides amelioration of anxiety and cognition issues in the ASD rats, as compared to controls, without significant psychedelic side effects, NOVA's collaborative partners uncovered additional significant findings regarding inflammatory cytokines and chemokines, including their response to certain psilocybin dosing. These exciting unsuspected findings strongly suggest that Nova's proprietary psilocybin formulation has potential application to treatment of obesity, as well as diabetes related to obesity – "diabesity."

On July 29, 2021, the Company announced it had filed a U.S. provisional patent application for a proprietary manufacturing process for the production of psilocybin and tryptamine analogues, baeocystin and aeruginascin.

5.1 RESULTS OF OPERATIONS

SELECTED ANNUAL INFORMATION

The following table provides selected financial information and should be read in conjunction with the Company's Annual Financial Statements:

	December 31, 2021	December 31, 2020 (Restated)	December 31, 2019
Total Revenues	-	11,472	7,192
Net Loss	2,684,619	25,232,690	1,398,087
Net Loss per Share, basic and diluted	0.02	0.49	0.04
Total Assets	881,158	3,046,478	6,584,935
Total Liabilities	422,056	382,962	325,070

RESTATEMENT

During the year ended December 31, 2021, the Company became aware of errors in discounting the Loan Receivable from Just Kush and the purchase allocation in the acquisition of Pilz Bioscience Corp. resulting in a restatement of the previously issued consolidated financial statements for the year ended December 31, 2020. The errors caused an overstatement of the loan receivable form Just Kush of $1,595,626, an overstatement of prepaid assets of $450,000, an overstatement of share capital of $61,924 and an understatement of net loss and comprehensive loss of $1,983,702.

The following tables outline the effect of the changes made to the consolidated financial statements originally filed.

Impact on the consolidated statement of financial position as at December 31, 2021:

	Previously Reported	Change	Restated
	$	$	$
Prepaid assets	867,821	(450,000)	417,821
Loan receivable from Just Kush	2,037,839	(1,595,626)	442,213
Total Assets	**5,092,105**	**(2,045,627)**	**3,046,478**
Share capital	48,298,316	(61,924)	48,236,392
Deficit	(50,930,456)	(1,983,702)	(52,914,158)
Total shareholders' equity	4,709,142	(2,045,626)	2,663,516
Total liabilities and shareholders' equity	**5,092,105**	**(2,045,626)**	**3,046,478**

Impact on the consolidated statement of loss and comprehensive loss for the year ended December 31, 2020:

	Previously Reported	Change	Restated
	$	$	$
Impairment of investment in Just Kush	(4,071,263)	(1,595,626)	(5,666,889)
Consideration paid in excess of net assets acquired from Pilz	(11,105,319)	(388,076)	(11,493,395)
Net Loss and Comprehensive Loss for the Year	**(23,248,988)**	**(1,983,702)**	**(25,232,690)**
Loss and Comprehensive Loss Per Share, Basic and Diluted	**(0.45)**	**(0.04)**	**(0.49)**

All adjustments affected only non-cash items; therefore, there was no impact to cash provided by operating activities and also no impact to cash used in investing activities or cash provided by financing activities.

The restatement had no impact on the consolidated statement of financial position as at January 1, 2020.

For the years ended December 31, 2021 and 2020

During the year ended December 31, 2021, the Company reported a net loss of $2,684,619 compared to a loss for the year ended December 31, 2020 of $25,232,690. The Company's net loss included expenditures as follows:

- Accounting, legal and audit fees of $144,089 (2020 - $99,921) remained relatively consistent, year-over-year;
- Consulting fees of $892,380 (2020 - $268,161) increased due to more consultants engaged for work as a result of the Nova Biotech and Pilz acquisitions;
- Management fees of $198,000 (2020 - $205,500) were paid to the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), and remained fairly consistent with the prior year;
- Office and general of $349,980 (2020 - $59,968) increased due to the timing of expenditures and significant prepaid amounts from 2020 that were expensed during 2021;
- Share-based payments of $348,441 (2020 - $894,087) pertained to share options granted to directors, officers and consultants of the Company. In 2021, 3,575,000 options were granted (2020 – 6,225,000);
- Shareholder communications and investor relations of $46,971 (2020 - $189,044) were significantly higher in the prior year due to the Nova Biotech and Pilz acquisitions;
- Transfer agent and filing fees of $89,149 (2020 - $31,323) increased from the prior year due to greater listing fees and timing of expenditures;
- R&D costs of $860,074 (2020 - $48,405) pertained to biotechnology research and development costs related to the Company's ongoing observational study, development and production of cGMP psilocybin, among other R&D activities. 2020 R&D expenses reflect approximately one month of R&D activity which the Company began to incur from the date of the Pilz acquisition;
- Gain on short term investments of $24,353 (2020 – loss of $25,870) pertained to an increase in the value of FUEL shares in 2021.
- Recovery of expenses of $nil (2020 – $19,427) pertained to a recovery of costs expensed in the prior year;
- Consideration paid in excess of net assets acquired from Nova Biotech in 2020 of $6,268,583 pertained to the difference of the fair value of consideration paid less the net assets acquired in the acquisition of Nova Mentis Biotech Corp. in 2020; and
- Consideration paid in excess of net assets acquired from Pilz in 2020 of $11,493,395 pertained to the difference of the fair value of consideration paid less the net assets acquired in the acquisition of Pilz in 2020; and

- During the year ended December 31, 2021, 750,000 escrow shares were cancelled by the Company on March 31, 2021 as a result of the rescission agreement detailed in "Cannabis Industry". On April 21, 2021, 500,000 common shares were returned to treasury as a result of the rescission agreement also detailed in "Cannabis Industry".

For the three months ended December 31, 2021 and 2020

During the three months ended December 31, 2021, the Company reported a net loss of $432,501 compared to a loss for the three months ended December 31, 2020 of $18,068,992. The Company's net loss included expenditures as follows:

- Accounting, legal and audit fees of $60,128 (2020 - $56,477) are mainly in line with the prior year. The current year quarter amount relates to the timing in audit fee accruals compared to Q4-2020. In the prior year, the Company incurred higher than usual legal fees with respect to the Nova Biotech and Pilz transactions;
- Consulting fees of $351,336 (2020 - $147,682) due to more consultants engaged for work as a result of the Nova Biotech and Pilz acquisitions;
- Management fees of $49,500 (2020 - $57,000) were paid to the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO");
- Office and general $49,638 in Q4 2021 versus $24,552 in Q4 2020, remained relatively consistent, period-over-period;
- Share-based payments of $16,787 (2020 - $579,606) pertained to options granted during the period. In Q4 2021, 250,000 (2020 – 872,540) options were granted to directors, officers, and consultants of the Company;
- Shareholder communications and investor relations of $13,376 (2020 - $152,963) related to transaction-related costs and increased promotions and fees in connection with the Nova Biotech and Pilz acquisitions;
- Transfer agent and filing fees of $13,437 were higher than the same period in 2020, a recovery of $9,848, due to the timing of the Company's annual special and general meeting, and other routine filings, and higher market listing fees in the current year period;
- R&D costs recovery of $96,177 (2020 – expense of $48,405) pertained to reclassifications of amounts between R&D and consulting fees to better reflect the nature of the expense; and
- Loss on short term investments of $4,883 (2020 – loss of $5,285) pertained to a loss on disposition of its FUEL investment in 2021, and to a decrease in the value of FUEL shares in 2020.

During the year ended December 31, 2020, the Company issued 28,750,002 common shares in the capital of the Company as part of the acquisition of Nova Mentis Biotech Corp. ("Nova Biotech") on June 23, 2020. These 28,750,002 common shares were valued at $0.26 resulting in an increase to share capital of $7,475,000.

On November 30, 2020, the Company completed an agreement with Pilz Bioscience Corp. ("Pilz"), pursuant to which the Company acquired all of the issued and outstanding shares in the capital of Pilz in exchange for 50,006,332 common shares in the capital of the Company (the "Transaction"). These 50,006,332 common shares were valued at $0.265 resulting in an increase to share capital of $13,189,754.

The Transaction was effected by way of a "three-cornered" amalgamation, in which: (a) The Company formed a subsidiary which amalgamated with Pilz to form an amalgamated company ("Amalco"); (b) all issued and outstanding shares of Pilz were then exchanged for common shares of the Company on a 1:1 basis; and (c) Amalco became a wholly-owned subsidiary of the Company and was renamed Pilz Bioscience Corp.

Of the shares exchanged, 12,250,000 are subject to a voluntary pooling agreement whereas certain former Pilz shareholders have agreed to resale restrictions on the shares of the Company received: 20% were released upon closing of the Transaction, a further 40% were released three months following closing, and the remaining 40% were released six months following closing.

Pilz Bioscience Corp. ("Pilz") is a biotechnology company developing medicinal psychedelics for neuroinflammatory conditions with a significant cognitive component and high unmet therapeutic needs.

In connection with the Transaction, the Company issued 250,000 common shares in the capital of the Company to a consultant. These common shares were valued at $0.31 resulting in an increase to share capital of $77,500. Dr. Marvin S. Hausman MD was appointed Chairman of Nova's Scientific Advisory Board and Amalco's Chief Medical Officer.

On July 14, 2021, the Company appointed Dr. Stephen Glazer to its Board of Directors, and as Chief Scientific Officer of the Company. Dr. Glazer began practicing medicine in Toronto, Ontario, Canada at North York Branson Hospital in 1994, and since then has been practicing as a board-certified specialist in Internal Medicine and Intensive Care Medicine in Ontario. He is a specialist in Bariatrics, the branch of medicine that deals with the study and treatment of people living with obesity. In 2010, Dr. Glazer became the Medical Director for Bariatrics at Humber River Hospital in Toronto. He is also the President of the Canadian Association of Bariatric Physicians and Surgeons. Dr. Glazer will work closely with the team to help advance clinical research for neuroinflammatory disorders.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following are the results for the eight most recent quarterly periods, starting with the quarter ended December 31, 2021:

For the periods ended:	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Total revenues	-	-	-	-
Net loss for the period	(243,608)	(1,403,148)	(420,964)	(616,899)
Net loss per common share[1]	(0.00)	(0.01)	(0.00)	(0.01)

For the periods ended:	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Total revenues	1,526	1,317	1,687	6,942
Net loss for the period	(18,068,992)	(554,498)	(6,425,416)	(183,784)
Net loss per common share[1]	(0.28)	(0.01)	(0.19)	(0.01)

[1] Basic and diluted

SETTLEMENT OF DEBT

On August 24, 2021, the Company issued 101,904 common shares in settlement of debt to a Director of the Company. These shares were fair valued at $0.105 to settle $10,700 in debt.

On June 10, 2021, the Company issued 1,513,306 common shares in settlement of debt to a consultant. These shares were fair valued at $0.08 to settle $121,064 in debt.

Cannabis Industry

On December 6, 2017, the Company signed an agreement to acquire shares of Just Kush Enterprises Ltd. ("Just Kush"), a private British Columbia company with an in process ACMPR license.

Pursuant to the agreement, the Company had advanced payments to Just Kush and the amount pertains to the build out expenditures incurred at the Just Kush facility to further Just Kush's ACMPR application. These amounts have been paid by the Company and are owed to the Company by Just Kush. During the year ended December 31, 2020, the Company advanced $434,421 to Just Kush.

Due to deteriorating market conditions in the cannabis industry and a general disagreement between the stakeholders involved regarding terms of the original purchase agreement and whether the Company had an obligation to contribute capital to Just Kush, the Company entered into a rescission agreement dated March 19, 2021 with Just Kush such that the original purchase agreement is null and void.

Concurrent with the rescission agreement, the Company entered into a loan agreement whereby Just Kush has agreed to repay a principal sum of $2,037,839 representing advances made by the Company to Just Kush in addition to the cash consideration of the original purchase agreement. Terms of the loan are as follows:

Just Kush shall repay the principal amount on or before March 30, 2027 in monthly installments commencing on March 30, 2022, of the greater of $15,000 or 10% of the borrower's gross revenue for the immediately preceding calendar month. The loan does not accrue interest. In the event that on or before March 30, 2026, the borrower has repaid an aggregate of $800,000 of the principle, the Company shall forgive the remaining balance on the loan to Just Kush.

During the year ended December 31, 2020, the Company determined that it no longer had significant influence over Just Kush and determined that the net realizable value of any such investment is the value of the loan receivable. Management assessed that Just Kush reaching $800,000 in aggregate repayments by March 26, 2026 was unlikely and therefore determined the fair value of the loan based on the principal sum of $2,037,839 repayable on or before March 30, 2027. Management applied an effective interest rate of 29% in calculating the present value of the loan. Accordingly, the Company incurred an impairment loss on the investment of $5,666,889 in accordance with level 3 of the fair value hierarchy and classified its investment in Just Kush as FVTPL.

In accordance with the rescission agreement, shares involved in the original purchase agreement were returned to capital: 750,000 escrow shares were returned to capital on March 31, 2021, and 500,000 shares were returned to capital on April 21, 2021.

On April 8, 2019 the Company launched its Signature Cannabis Retail e-commerce website offering cannabis accessories to consumers. Revenues for the year ended December 31, 2021 were $Nil (2020 – $11,472). The Company has determined not to invest further in this initiative, and subsequent to the year ended December 31, 2021, Signature Cannabis Retail was dissolved.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2021, the Company had cash and cash equivalents and short-term investments of $218,733 (2020 - $2,140,578) to meet contractual financial liabilities of $422,056 (2020 - $382,962). Nova had a working capital deficit of $94,285 as at December 31, 2021 (2020 – working capital of $2,198,189).

To address working capital requirements for 2021, the Company has maintained cost control measures to minimize its general and administrative expenses where possible. See General and Financing for a summary of capital transactions.

For fiscal 2021, the Company will require additional financing to address capital and operating expenditures in its Nova Biotech and Pilz interests, pay general and administrative expenses and to seek out additional opportunities in the biotechnology industry to create shareholder value.

On March 15, 2022, the Company announced the closing of a non-brokered private placement through the issuance of 29,670,000 units at $0.05 per unit for total gross proceeds of $1,483,500 (the "Placement"). Each unit is comprised of one common share of the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.075 for a period of 18 months from the date of issue. The common shares are subject to a statutory 4-month hold period. Insiders and parties related to the Company subscribed for 2,550,000 units for gross proceeds of $127,500.

OUTSTANDING SHARES

The following table sets forth information concerning the outstanding securities of the Company:

	May 2, 2022	**December 31, 2021**	**December 31, 2020**
Common shares	142,229,660	**111,503,077**	111,137,867
Warrants	29,670,000	**-**	-
Stock Options	9,725,000	**8,475,000**	6,800,000
Fully Diluted Shares	181,624,660	**119,978,077**	117,937,867

TRANSACTIONS WITH RELATED PARTIES

These amounts of key management compensation and other related party transactions are included in the amounts shown on the condensed consolidated interim statements of comprehensive loss for the year ended December 31, 2021 and 2020:

	2021	2020
	$	$
Consulting fees	**144,000**	107,500
Management fees	**198,000**	205,500
Shareholder communications	**40,500**	53,000
Share-based payments	**191,705**	270,454

These transactions were in the normal course of operations. During the year ended December 31, 2021, the Company engaged:

- The Chief Executive Officer ("CEO"), to provide management services to the Company in consideration of $150,000 (2020 - $155,000);
- The Chief Financial Officer ("CFO"), to provide management services in consideration of $48,000 (2020 - $50,500);
- The Chief Operating Officer ("COO"), to provide consulting services to the Company in consideration of $108,000 (2020 - $29,000);
- A director to provide shareholder communication services for consideration of $40,500 (2020 - $53,000);
- Directors to provide consulting services for consideration of $36,000 (2020 - $44,750); and
- Immediate family members of the CEO to provide consulting services for consideration of $nil (2020 - $33,750)

As at December 31, 2021, accounts payable and accrued liabilities included $23,929 (2020 - $65,355) due to officers and directors or companies controlled by current or former officers and directors. The amounts due are non-interest-bearing, unsecured, and without stated terms of repayment.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company has not entered into any proposed transactions other than as disclosed under Cannabis industry and Description of Business and Activity above.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

For details of the Company's Future Accounting Standards, including accounting standards not yet adopted, new accounting standards adopted, and accounting standards amended but not yet effective, please refer to Note 3 of the Company's Annual Financial Statements for the years ended December 31, 2021 and 2020.

FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

- Cash and cash equivalents and the loan receivable from Just Kush are classified as a financial asset and measured at amortized cost;
- Short-term investments and the investment in Just Kush as financial assets that are initially recognized at fair value and any associated transaction costs are measured at FVTPL;
- Equity instruments that are held for trading are classified as FVTPL; and
- Accounts payable and accrued liabilities are classified as financial liabilities measured at amortized cost.

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 assets or liabilities, either directly or indirectly; and
Level 3 – Input for assets or liabilities that are not based on observable market data.

The Company's financial assets and liabilities are measured at fair value by level with the fair value hierarchy described above. Assets and liabilities are classified entirely based on the lowest level of input that is significant to the fair value measurement.

The fair values of the Company's cash and accounts payable and accrued liabilities approximates the carrying amounts due to the short-term nature of these instruments.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

The key areas of judgment applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

- Research and development expenditures

Costs to develop products that will be sold are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 Intangible Assets are met. Those criteria require that the product is technically, and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any product development costs as at December 31, 2021 and 2020.

- Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

- Significant influence

Where the Company holds the largest shareholding in an investment and has the power to exercise significant influence through common officers and board members, such an investment is treated as an associate. During the year ended December 31, 2020, the Company determined it does not have significant influence over Just Kush.

- Determination of control in business acquisitions

The determination of the acquirer in business acquisitions is subject to judgment and requires the Company to determine which party obtains control of the combining entities. Management applies judgment in determining control by assessing the following three factors: whether the Company has power; whether the Company has exposure or rights to variable returns; and whether the Company has the ability to use its power to affect the amount of its returns. In exercising this judgment, management reviewed the representation on the Board of Directors and key management personnel, the party that initiated the transaction, and each of the entities' activities.

The assessment of whether an acquisition constitutes a business is also subject to judgment and requires the Company to review whether the acquired entity contains all three elements of a business, including inputs, processes and the ability to create output. Management has had to apply judgments relating to the asset purchase transaction with the acquisitions of Nova Biotech (Note 8) and Pilz (Note 9) with respect to whether the acquisition was a business combination or an asset acquisition.

The key estimates applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- The inputs used in assessing the recoverability of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

- Assumptions used as inputs to calculate share-based payments

The value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

- Fair value of equity issuances for non-cash consideration.

In instances where the fair value of assets received, or services rendered cannot be reliably measured management estimates the fair value of common shares issued as non-cash consideration by reference to the closing trading price of its shares in active markets. In instances where common shares issued are subject to internally imposed hold periods, management applies a discount to the value of the shares. A discount rate of 4.8% was applied to certain shares issued in accordance with the acquisition of Pilz which were subject to a voluntary pooling agreement (See Note 9 of the Consolidated Financial Statements for the years ended December 31, 2021 and 2020).

- Fair value of investment in Just Kush Enterprises Ltd.

The Company determined the fair value of its interest in its investment in Just Kush on the date that significant influence was lost. The determination of fair value requires management to make estimates regarding the future cash flows expected to flow to the entity from its investment.

- Loan receivable from Just Kush Enterprises Ltd.

The loan is recorded at the estimated recoverable amount. Management applies judgment in estimating the recoverable amount as well as the timing of receipt of cash. Management also uses estimation in determining the effective interest rate used to measure the loan. Management applies judgment in determining an appropriate discount rate based on the debtor's credit worthiness.

Actual results could differ from those estimates. Key judgments and estimates made by management with respect to those areas noted previously have been disclosed in the notes to the consolidated financial statements, as appropriate.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the CEO and CFO of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim financial statements and the audited annual financial statements and respective accompanying MD&A.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financing reporting, as defined in NI 52-109.

RISKS AND UNCERTAINTIES

The Company believes that the following risks and uncertainties may materially affect its success.

Regulatory Risks

As a Company in the cannabis industry, the activities of the Company are subject to regulation by governmental authorities in Canada. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary. In all cases, plans moving forward and all opportunities are subject to all necessary governmental and municipal approvals being granted. This applies to both the Company and any companies in which it has investments. The Company cannot predict the time required to secure all appropriate regulatory approvals, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals could have a material adverse effect on the Company's business, results of operations and financial condition.

Change in Laws, Regulations and Guidelines

The Company's business is subject to particular laws, regulations, and guidelines. The Company intends to comply with all laws and regulations, but there is no guarantee that the governing laws and regulations will not change which will be outside of the Company's control.

Substantial Capital Requirements and Liquidity

Substantial additional funds for the establishment of the Company's current and planned operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Various factors will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance

that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those plans that can be funded through cash flows generated from its existing operations, which at this time are insignificant.

Financing Risks and Dilution to Shareholders

The Company will have limited financial resources, limited operations and limited revenues. Also, any other investment opportunities pursued by the Company may require additional financing. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favorable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

Competition

There is competition within the biotechnology industry for investments and products considered to have commercial potential. The Company will compete with other biotechnology companies, many of which have greater financial, technical and other resources than the Company, for, among other things, research and development of biotechnology products, as well as for the recruitment and retention of qualified employees and other personnel.

Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon on the performance of the directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The British Columbia Business Corporations Act ("BCBCA") provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

Uninsurable Risks

The Company may become subject to liability for risks against which it cannot insure. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements. Forward-looking statements are projections of events, revenues, income, future economic performance or management's plans and objectives for future operations. In some cases, you can identify forward-looking statements by the use of terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. Examples of forward-looking statements made in this MD&A include statements about the Company's business plans; the costs and timing of its developments; its future investments and allocation of capital resources; requirements for additional capital. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including: general economic and business conditions, fluctuations in prices and demand for cannabis and related products; our lack of operating history; conclusions or economic evaluations; changes in project parameters as plans continue to be refined; failure of plant, equipment or processes to operate as anticipated; regulatory and legal issues; or other risks of the cannabis industry; delays in obtaining government approvals or financing or incompletion of development activities, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

While these forward-looking statements and any assumptions upon which they are based are made in good faith and reflect our current judgment regarding the direction of the Company's business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of the Canada, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Detailed listings of general and administrative expenses are provided in the Annual Financial Statements of the Company for the years ended December 31, 2021 and 2020.

OFFICERS AND 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 director in a conflict will disclose his/her interest and abstain from voting in the matter(s). 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.

Current directors and officers of the Company are as follows:

William Rascan, CEO, President and Director
Steven Feldman, Director
Jacqueline McConnell, COO, Director
Dr. Stephen Glazer, Director
Rebecca Hudson, CFO

OTHER REQUIREMENTS

Additional disclosure of the Company's material documents, information circular, material change reports, new release, and other information can be obtained on SEDAR at www.sedar.com.