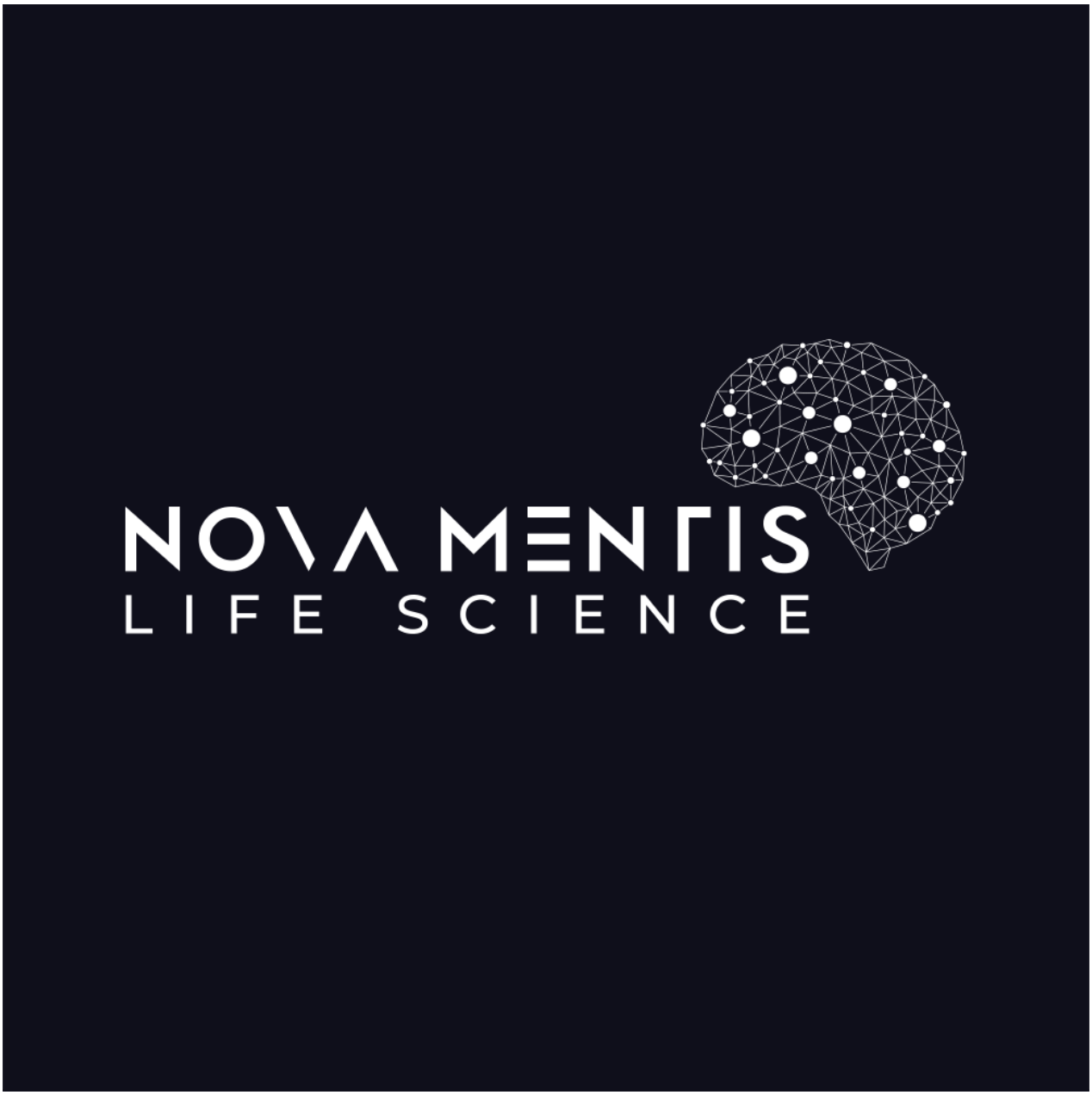

Management's Discussion and Analysis

Three and Six Months Ended
June 30, 2022 and 2021

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 three and six months ended June 30, 2022 and 2021, including other pertinent events subsequent to that date up to and including August 26, 2022. The following information should be read in conjunction with the Company's Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2022 and 2021, and related notes thereto (the "Interim Financial Statements"), and the 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".

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

Nova is a Canadian-based biotechnology company and a global leader in developing diagnostics and psilocybin-based therapeutics for neuroinflammatory disorders. 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 June 16, 2022, the Company filed a patent on diagnosing, monitoring, and treating neurological diseases with psychoactive tryptamine derivatives;
- On June 9, 2022, Nova entered into an agreement with the University of Central Florida ("UCF") to develop a saliva serotonin assay;
- On June 7, 2022, Nova received its Controlled Substances Export approval from the US Drug Enforcement Agency ("DEA") for export of the Company's proprietary psilocybin drug;
- Nova confirms potential oral microdose psilocybin treatment of Autism in pre-clinical studies;
- The Company entered into an agreement with the Toronto Institute of Pharmaceutical Technology ("TIPT") to formulate and manufacture psilocybin microdose capsules for its upcoming Canadian Phase 2A fragile X syndrome ("FXS") clinical study;
- Nova continues to advance its psilocybin-based drug development program following receipt of a Health Canada-approved psilocybin import permit;
- Patient enrollment in Nova's North American Observational Study: *Establishing a Diagnostic and Therapeutic Index in Autism Spectrum Disorder (ASD) and Fragile X Syndrome (FXS),* which was initially announced on March 23, 2022, continues to grow*;*
- Nova formed a tactical partnership with KGK Science Inc. ("KGK") to develop its psychedelic psilocybin drug portfolio in Canada.

CORPORATE

- The Chairman of Nova's Scientific Advisory Board, Dr. Marvin Hausman, discussed the therapeutic potential of oral microdose psilocybin for the treatment of autism spectrum disorder (ASD) and fragile X syndrome (FXS) during a poster presentation at the 18th NFXF International Fragile X Conference, on July 14–17, 2022 in San Diego, California;
- Dr. Marvin Hausman, presented at the first Annual H.C. Wainwright Mental Health Conference on June 27, 2022 on the topic of *"A Novel Psilocybin Microdose Treatment of Fragile X Syndrome"*;
- On May 12, 2022, John Molinaro, a Board-Certified Behavioural Analyst (BCBA), joined Nova's Scientific Advisory Board.
- On May 11, 2022, 200,000 options were granted to a consultant of the Company. The options have an exercise price of $0.085 and expire 2 years from the date of grant;
- 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;
- The Company has entered into a debt settlement agreement on January 13, 2022 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;

- Nova granted 2,350,000 Restricted Share Units ("RSUs") on January 11, 2022 to directors, officers, and consultants of the Company. The RSUs are fair valued at $141,000 and expire 24 months from the date of grant. 100,000 of these RSUs were settled through the issuance of 100,000 shares of the Company on March 15, 2022;
- During the period ended June 30, 2022, 700,000 options expired unexercised;

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, which has enrolled approximately one third of total anticipated participants since it was first 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 patients' 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.

In connection with Nova's Observational Study, on June 9, 2022, Nova entered into an agreement with the University of Central Florida ("UCF") Research Foundation to develop a saliva serotonin assay. Dr. Kiminobu Sugaya,

a Professor and Head of Neuroscience in the Burnett School of Biomedical Science at UCF, will measure serotonin levels in the saliva samples collected as part of Nova's ASD observational study. This work will allow the development of a potential groundbreaking serotonin assay that will measure levels of serotonin that is contained within vesicles, or small fluid-filled sacs, that migrate through the blood brain barrier. Serotonin is a key neurotransmitter that has been implicated in the development of ASD and the ability to measure its levels in a patient's saliva will potentially assist Nova in predicting disease development and in establishing specific treatable subsets of diseases that make up the 'spectrum' called autism. Moreover, the establishment of this biomarker in the saliva of ASD patients will allow healthcare professionals to monitor levels of serotonin and assess the efficacy of various treatment programs.

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.

More information on Nova's Observational Study can be found here: https://clinicaltrials.gov/ct2/show/NCT04869930

On February 16, 2022, Nova announced that it successfully completed an oral microdose psilocybin preclinical study, in the laboratory of Dr. Viviana Trezza, Rome Tre University, Rome, Italy. The study found that a very low dose of the Company's proprietary psilocybin significantly modulated behavioural and cognitive defects, such as recognition memory, in a genetic model of fragile X syndrome (FXS).

The preclinical study was led by Nova's science team: Dr. Marvin Hausman, together with Dr. Viviana Trezza from Roma Tre University, and it continues to deliver positive preclinical results. The recent oral microdose data set confirms and exceeds the Company's original injectable formulation results. The data is critical to the Company's submission of its clinical trial application to Health Canada for its Phase 2A study evaluating psilocybin microdose therapy for FXS.

Nova has filed provisional patent applications with the U.S. Patent and Trademark Office to protect data obtained during these preclinical studies related to diagnosis, monitoring, and treating neuroinflammatory diseases with psilocybin and psilocybin-based tryptamine derivatives.

ASD is a complex neurodevelopmental disorder for which no treatments exist. FXS is the most common form of inherited intellectual disability and the most frequent monogenic cause of ASD. The aim of the preclinical study was to evaluate various oral doses of the Company's proprietary psilocybin in a rat model of FXS. A major question to be answered in the preclinical study was whether microdose therapy could be the potential treatment of choice in ASD, as compared to single dose macrodose therapy with associated hallucinogenic and other side effects.

The rat model that was used in the preclinical study mimics key autistic-like features in humans and the study results strongly supports an important role for microdose therapy of FXS. Moreover, the observed response in the rat of every other day oral 0.1 mg/kg psilocybin, equivalent approximately to a 1.5 mg dose in a 70 kg person, may be the treatment of choice to modulate behavioural changes and cognitive defects, and perhaps have a longer term constructive neuroplastic response in the brain without the need for large doses of psychedelic drugs with associated detrimental hallucinogenic side effects.

The tactical partnership with KGK Science Inc. ("KGK"), announced on January 27, 2022, 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. Nova intends to build on positive preclinical results with the aim to achieve drug approval and commercialization. Nova will be submitting a clinical trial application in the coming weeks to Health Canada for a Phase 2A clinical study evaluating psilocybin microdose therapy for FXS.

On April 7, 2022, the Company announced that it had consummated a contract with the Toronto Institute of Pharmaceutical Technology ("TIPT") to formulate and manufacture psilocybin microdose capsules for its upcoming Canadian Phase 2A fragile X syndrome ("FXS") clinical study. Subsequently, on May 4, 2022, Nova announced the receipt of a Health Canada-approved psilocybin import permit. The approval allows NOVA to ship its proprietary psilocybin drug from its manufacturing partner to the labs at TIPT to be used to formulate and manufacture psilocybin microdose capsules for its' planned clinical study. TIPT holds a valid Controlled Drugs and Substances Dealer's Licence from Health Canada, which allowed the organization to apply for an import permit.

NOVA is the first biotech company to achieve orphan drug designation in both the United States and the European Union for the use of psilocybin in the treatment of FXS. Furthermore, NOVA has manufactured a large supply of >98% pure psilocybin for clinical studies and commercialization following drug approval. The Company has proven the efficacy and safety in preclinical rat models of ASD and FXS in four studies completed to date. Nova has also established psilocybin microdose levels to treat XSFXS, a condition with an unmet medical need.

The addition of Mr. John Molinaro in May 2022 to Nova's Scientific Advisory Board will further strengthen the Company's technical team and help guide its research and clinical endeavors to identify potential new diagnostic and treatment options for conditions, such as ASD and FXS. Mr. Molinaro is a Board-Certified Behaviour Analyst (BCBA) specializing in autism spectrum disorder therapy, and has a Master's degree in Applied Behaviour Analysis, as well as a Bachelor's degree in Psychology. For more than 13 years, Mr. Molinaro has dedicated his life to supporting children, youth and adults challenged with physical and cognitive disabilities. Since 2015, Mr. Molinaro shifted his efforts primarily towards the autism community and started the Colours of the Spectrum ABA ASD clinic in 2018. Mr. Molinaro and his team have supported hundreds of children and families with varying severities of ASD through one-on-one behaviour therapy and parent coaching.

On June 8, 2022, Nova received the required controlled substances export approval from the U.S. Drug Enforcement Administration (DEA). The Company's proprietary psilocybin drug (NM-1001), has been received at the Toronto Institute of Pharmaceutical Technology (TIPT®) labs in Toronto, Canada to be used to formulate and manufacture psilocybin microdose capsules for its planned Phase 2A FXS clinical study. This will allow Nova to move forward with the formulation and final production of microdose capsules in preparation for the Company's clinical trial application submission to Health Canada. Nova's science team has delivered positive preclinical results and the Company will continue to advance its research program to demonstrate the important role that microdose therapy may play in the treatment of ASD and FXS.

5.1 RESULTS OF OPERATIONS

SELECTED FINANCIAL INFORMATION

As at	June 30, 2022	December 31, 2021
	$	$
Total assets	**1,363,590**	881,158
Total liabilities	**164,189**	422,056
Accumulated deficit	**(56,592,500)**	(55,598,777)
Three months ended June 30,	**2022**	2021
	$	$
Net loss for the period	**(366,789)**	(420,964)
Net Loss per Share, basic and diluted	**(0.00)**	(0.00)
Interest income	**-**	4,010
Six months ended June 30,	**2022**	2021
	$	$
Net loss for the period	**(993,723)**	(1,037,863)
Net Loss per Share, basic and diluted	**(0.01)**	(0.01)
Interest income	**-**	4,560

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 three months ended June 30, 2022 and 2021

During the three months ended June 30, 2022, the Company reported a net loss of $366,789 compared to a loss for the three months ended June 30, 2021 of $420,964. The Company's net loss included expenditures as follows:

- Accounting, legal and audit fees totaled $24,453 during the three months ended June 30, 2022 (2021 - $758). The increase, period-over-period, mainly relates to legal work incurred to obtain patents;
- Consulting fees of $227,443 (2021 - $160,729) increased significantly due to more consultants engaged for marketing activities and advisory services;
- Management fees of $43,500 (2021 - $49,500) were paid to the Chief Executive Officer ("CEO"), and Chief Financial Officer ("CFO"), and remained fairly consistent with the prior year period;
- Office and general of $16,569 (2021 - $33,804) reflects routine expenses such as insurance, IT and web maintenance, and general office expenditures;
- Share-based payments of $19,684 (2021 - $2,879) were recorded in Q2/2022, of which $11,809 relates to options granted to directors, officers, and consultants of the Company, and $7,875 relates to Restricted Share Units granted to directors, officers, and consultants of the Company. In Q2/2022, 200,000 options were granted (Q2/2021 – nil);
- Shareholder communications and investor relations in Q2/2022 of $14,823 (Q2/2021 - $12,595) were in line with the prior year period;
- Transfer agent and filing fees of $4,375 (2021 - $21,156) decreased significantly from the prior year period. Q2/2021 expenditures related to higher regulatory and filing fees, and timing of expenditures;
- R&D costs of $47,240 incurred in Q2/2022 versus $141,510 expended in Q2/2021 pertained to biotechnology research and development costs related to the Company's ongoing observational study, and development and production of cGMP psilocybin, among other R&D activities;

For the six months ended June 30, 2022 and 2021

During the six months ended June 30, 2022, the Company reported a net loss of $993,723 compared to a loss for the six months ended June 30, 2021 of $1,037,863. The Company's net loss included expenditures as follows:

- Accounting, legal and audit fees totaled $35,527 during the six months ended June 30, 2022 (2021 - $5,067). The increase, period-over-period, mainly relates to legal work incurred to obtain patents, as well as accrued audit fees;
- Consulting fees of $348,413 (2021 - $392,589) decreased somewhat over the prior year period. More consultants were engaged as a result of the Nova Biotech and Pilz acquisitions completed in late 2020;
- Management fees of $99,000 (2021 - $99,000) were paid to the Chief Executive Officer ("CEO"), and Chief Financial Officer ("CFO"), and remained unchanged over the prior year period;
- Office and general of $278,861 (2021 - $39,341) increased significantly due to marketing and social media campaigns that the Company initiated in Q1/2022 to service both North American and European markets;
- Share-based payments of $187,627 (2021 - $20,995) were recorded during the six months ended June 30, 2022, of which $54,502 relates to options granted to directors, officers, and consultants of the Company, and $133,125 relates to Restricted Share Units granted to directors, officers, and consultants of the Company. In H1/2022, 1,450,000 options were granted (H1/2021 – 125,000), and 2,350,000 RSUs were granted (2021 – nil);
- Shareholder communications and investor relations expenditures during the six months ended June 30, 2022 of $27,226 (2021 - $24,595) were in line with the prior year period;
- Transfer agent and filing fees of $13,684 (2021 - $61,558) decreased significantly from the prior year period. In the prior year period, expenditures related to higher regulatory and listing fees, AGM-related costs, and timing of expenditures;
- R&D costs of $68,919 incurred in H1/2022 versus $396,779 expended in H1/2021 pertained to biotechnology research and development costs related to the Company's ongoing observational study, and development and production of cGMP psilocybin, among other R&D activities.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following are the results for the eight most recent quarterly periods, starting with the quarter ended June 30, 2022:

For the periods ended:	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**
Working capital	575,230	958,883	(94,285)	166,289
Net loss for the period	(366,789)	(626,934)	(243,608)	(1,403,148)
Net loss per common share[1]	(0.01)	(0.01)	0.00	(0.01)

For the periods ended:	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Working capital	868,593	1,251,648	1,752,331	905,991
Total revenues	-	-	1,526	1,317
Net loss for the period	(420,964)	(616,899)	(18,068,992)	(554,498)
Net loss per common share[1]	0.00	(0.01)	(0.28)	(0.01)

[1] Basic and diluted

SETTLEMENT OF DEBT

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").

LOAN RECEIVABLE

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. 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.

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. As at June 30, 2022, and up to the date of filing these interim financial statements, the Company had not received its first monthly installment against the loan receivable. On May 1, 2022, Nova entered into a forbearance agreement with Just Kush to waive its rights to enforce the rescission agreement with respect to Just Kush's default, and to grant Just Kush the right to delay the repayment of the loan for a period of three months, until August 1, 2022. Under the forbearance agreement, Just Kush may request, in writing, additional three-month extensions together with an extension fee of $40,000 for each extension to be added to its indebtedness to Nova. On July 31, 2022, Just Kush submitted a written request to extend repayment of the loan to November 1, 2022 and the $40,000 extension fee will be added to the principal of the loan.

In the event that on or before March 30, 2026, the borrower has repaid an aggregate of $840,000 of the principal, the Company shall forgive the remaining balance on the loan to Just Kush.

As at June 30, 2022, the fair value of the loan based on the principal sum of $2,037,839, and using an effective interest rate of 29%, was $607,951 (December 31, 2021 – $535,271). During the three and six months ended June 30, 2022, the Company recognized accretion on the loan receivable of $37,496 (2021 – $nil) and $72,680 (2021 – $nil), respectively.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2022, the Company had cash and cash equivalents of $634,356 (December 31, 2021 - $218,733) to meet contractual financial liabilities of $164,189 (December 31, 2021 - $422,056). Nova had working capital of $575,230 as at June 30, 2022 (December 31, 2021 – working capital deficit of $94,285).

To address working capital requirements for 2022, the Company has maintained cost control measures to minimize its general and administrative expenses where possible.

For fiscal 2022 and beyond, the Company may require additional financing to address capital and operating expenditures to fund ongoing R&D, 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. Insiders and parties related to the Company subscribed for 2,550,000 units for gross proceeds of $127,500.

Each warrant entitles the holder to purchase one common share at a price of $0.075 per share for a period of 18 months from the date of issue. The Company applied the residual value method to allocate the proceeds from the issuance of units between common shares and warrants. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. The fair value of the Company's common shares at the time of pricing the units was $0.045, and the units were sold for $0.05 per unit, leaving a residual value of $0.005, or $148,350, to be assigned to the warrants.

On March 22, 2022, 1,250,000 options were granted to consultants of the Company. The options have an exercise price of $0.08. The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its share options granted with the following weighted-average assumptions: risk-free interest rate of 1.99%; expected dividend yield of zero; expected share price volatility of 111%; and an expected life of 1 year. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was $0.034. Accordingly, $42,693 was recognized as share-based payment expense during the period ended June 30, 2022.

On May 11, 2022, 200,000 options were granted to a consultant of the Company. The options have an exercise price of $0.085. The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its share options granted with the following weighted-average assumptions: risk-free interest rate of 2.73%; expected dividend yield of zero; expected share price volatility of 142%; and an expected life of 2 years. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was $0.059. Accordingly, $11,809 was recognized as share-based payment expense during the period ended June 30, 2022.

During the period ended June 30, 2022, 700,000 options expired unexercised.

On January 11, 2022, the Company granted 2,350,000 Restricted Share Units ("RSUs") to directors, officers, and consultants of the Company. The RSUs expire 24 months from the date of grant. The RSUs are governed by the Company's RSU Plan, which was approved by the Company's shareholders on December 22, 2020. 100,000 of these RSUs were settled through the issuance of 100,000 shares of the Company on March 15, 2022, and the fair value of $6,000 was transferred from Reserves to Share Capital on the Statement of Financial Position as at June 30, 2022.

The total fair value of the RSUs on the date of grant was $141,000, which is based on the market price of the Company's shares on the date of grant. RSUs granted to directors and officers vested immediately, while RSUs granted to certain consultants of the Company will vest at 50% on July 11, 2022, and 50% on January 11, 2023.

OUTSTANDING SHARES

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

	August 26, 2022	June 30, 2022	December 31, 2021
Common Shares	142,329,660	142,329,660	111,503,077
Warrants	29,670,000	29,670,000	-
Share Options	9,225,000	9,225,000	8,475,000
Restricted Share Units	2,250,000	2,250,000	-
Fully Diluted Shares	**183,474,660**	**183,474,660**	**119,978,077**

RELATED PARTY TRANSACTIONS

Related parties as defined by IAS 24 - *Related Party Disclosures* include members of the Board of Directors, key management personnel, and any companies controlled by these individuals. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling activities of the Company being directors and executive management, comprising of the Chief Executive Officer and the Chief Financial Officer.

The transactions noted below are in the normal course of business and are approved by the Board of Directors in adherence to conflict-of-interest laws and regulations.

These amounts of key management compensation and other related party transactions are included in the amounts shown on the consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2022 and 2021:

	Three months		Six months	
For the periods ended June 30,	**2022**	2021	**2022**	2021
Consulting fees	30,000	30,000	60,000	48,000
Management fees	55,500	49,500	111,000	99,000
Shareholder communications	7,500	12,000	15,000	24,000
Share-based payments	-	-	120,000	-

As at June 30, 2022, accounts payable and accrued liabilities included $45,590 (December 31, 2021 - $23,929) 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.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

For details of the accounting policies applied in preparation of the Interim Financial Statements, and 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these Interim 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 June 30, 2022 and 2021.

- 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.

- 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 psychedelic drug 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 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 psilocybin 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 psychedelic drug 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 Interim Financial Statements of the Company for the three and six months ended June 30, 2022 and 2021.

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
Jacqueline McConnell, COO, Director
Steven Feldman, 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.