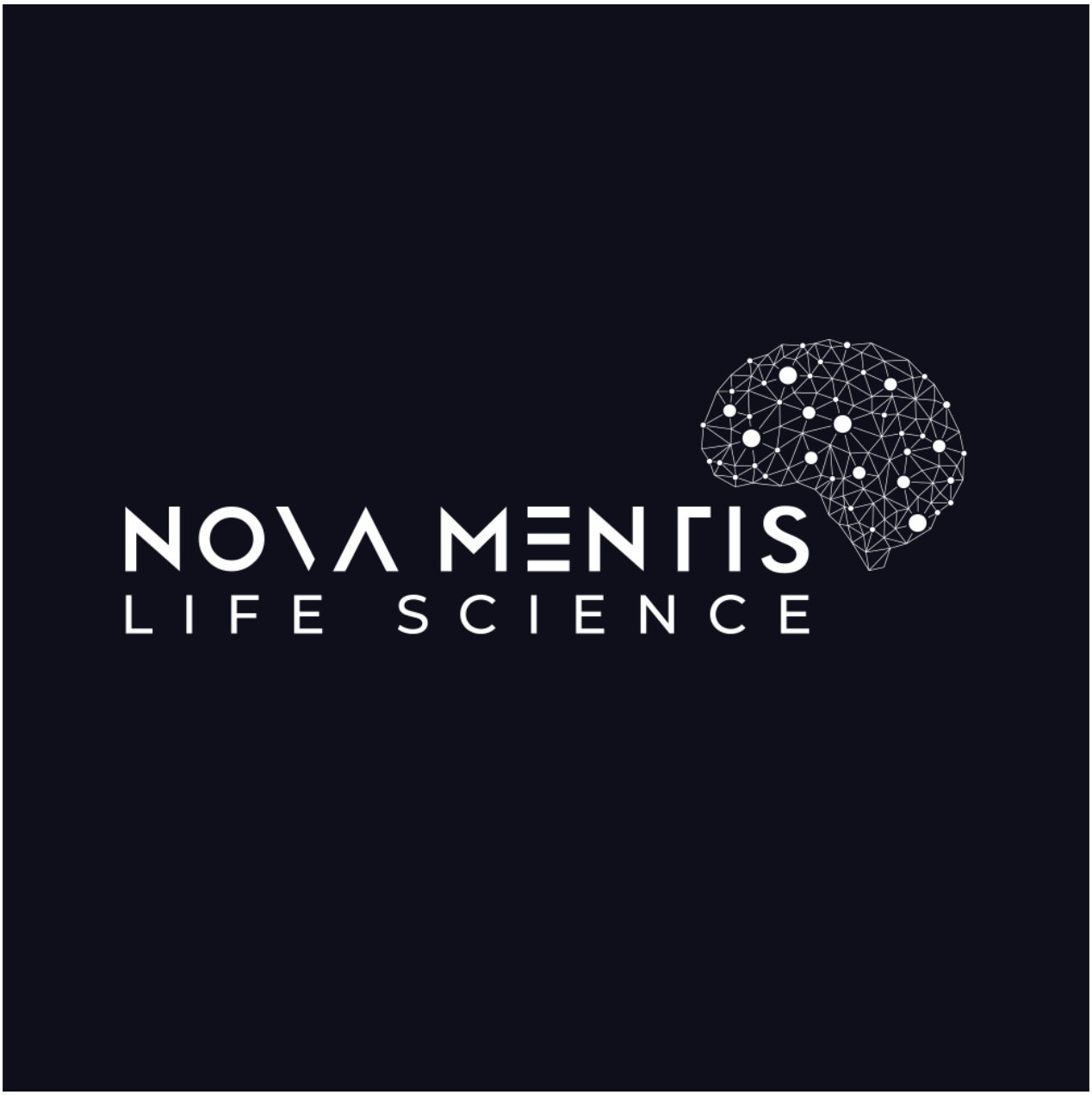

Management's Discussion and Analysis

Three and Six Months Ended
June 30, 2023 and 2022

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, 2023 and 2022, and related notes, including other pertinent events subsequent to that date up to and including August 23, 2023. 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, 2023 and 2022, and related notes (the "Interim Financial Statements"), and the Audited Annual Consolidated Financial Statements for the years ended December 31, 2022 and 2021, and related notes (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 FXS.

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

3.0 HIGHLIGHTS

TECHNICAL

- On April 26, 2023, Nova announced the launch of SwabAi Diagnostics Inc. (formerly, Pilz Bioscience Corp.) to utilize mRNA technology to diagnose, monitor, and treat neurological diseases;
- On April 18, 2023, Nova announced that it had begun recruiting participants for the first-ever clinical trial investigating the effects of psilocybin on the cognitive and behavioural symptoms of FXS and ASD;
- On April 5, 2023, Nova received Institutional Review Board approval to commence its psilocybin clinical trial;
- On February 14, 2023, the Company announced that it had received an exemption under Section 56 of the Controlled Drugs and Substances Act in connection with its Phase IIA clinical trial. The exemption enables an approved medical professional to prescribe select, controlled substances without legal consequence, in order to better treat people with otherwise treatment-resistant conditions.

CORPORATE

- On June 29, 2023, 50,000 RSUs were settled through the issuance of 50,000 shares of the Company;
- On May 15, 2023, 50,000 RSUs were settled through the issuance of 50,000 shares of the Company;
- In March 2023, the Company entered into an agreement with Octagon Media Corp., doing business as Wall Street Reporter ("WSR"), whereby WSR shall provide marketing services for a period of four (4) months commencing on March 27, 2023, in consideration of 1,400,000 common shares in the capital of the Company (the "Shares") at a deemed price of approximately $0.057 per Share;
- On March 29, 2023, Nova announced that it had granted 500,000 RSUs to a consultant of the Company. The RSUs have a fair value of $25,000 and are valid for a two-year term from the date of grant;
- On February 14, 2023, 100,000 options were exercised at a price of $0.05 for proceeds of $5,000;
- On February 7, 2023, Nova entered into an agreement with a consultant to provide capital markets advisory services, and assistance with strategic planning. The consultant will be entitled to compensation through the issuance of 500,000 RSUs;
- On January 18, 2023, Nova announced the appointment of Derek Ivany to the board of directors;
- On January 17, 2023, the Company granted 2,750,000 RSUs to directors, officers, and consultants of the Company. The RSUs have a fair value of $247,500 and expire 24 months from the date of grant;
- In January 2023, Nova issued 300,000 shares in connection with warrant exercises, for proceeds of $22,500;
- During the period ended June 30, 2023, 1,375,000 options with a weighted average exercise price of $0.09 expired, unexercised.

4.0 OUTLOOK & FUTURE CATALYSTS

- Execute Phase IIA clinical trial to test the efficacy of psilocybin on patients diagnosed with FXS;
- Strategic relationship with a major university regarding serotonin research. Cooperative clinical setting for enrolling ASD patients in Observational Study and future FDA Phase IIA study;
- Submit Phase IIA psilocybin fragile X syndrome INDs to the U.S. FDA, and European Medicines Agency (EMA);
- Preparation of psilocybin manufacturing process file in support of Phase IIA 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.

KGK Science Inc. ("KGK"), a wholly-owned subsidiary of Wellbeing Digital Sciences Inc. (NEO: MEDI) (OTC: KONEF) (FRA: SQ2), through the terms of its research services agreement (the "Agreement") with Nova, will conduct the Company's Phase IIA clinical trial to test the efficacy of psilocybin on patients diagnosed with FXS. This trial is the first human research investigating the potential of a microdose of psilocybin to improve behavioural and cognitive symptoms associated with FXS. The results of the 10-person, open-label study will be used to support NOVA's drug development program under FDA Orphan Drug designation, which was received in late 2021. In April 2023, Nova began recruiting participants for this study. Under the Agreement with NOVA, KGK will perform research services, including the development of the clinical trial protocol, regulatory and ethics submissions, conduct of the trial, data management and validation, statistical analysis and drafting of the final report (the "Services"). The clinical trial is planned to be conducted at KGK's dedicated research facility in London, Ontario, Canada. The Company will use pharmaceutical grade cGMP synthetic psilocybin 1.5 mg microdose capsules in the study, production of which was completed for research purposes by Nova in 2022.

Pursuant to the Agreement, KGK shall provide the Services in consideration of the Company issuing units of the Company (the "Units") upon certain performance milestones being met, in the aggregate amount of up to $488,951. Each Unit shall consist of one common share in the capital of the Company (the "Shares") and one-half of one warrant to purchase common shares in the capital of the Company (the "Warrants"). The Units shall be issued at a deemed price equal to the greater of (a) $0.05 and (b) the closing market price of the Company's Shares on the Canadian Securities Exchange ("CSE") less the maximum allowable discount under the policies of the CSE, at the time of issuance. The Warrants shall be valid for a term of two (2) years from issuance and each whole warrant shall be exercisable at a price equal to the greater of (a) $0.075 and (b) the closing market price of the Company's Shares on the CSE, at the time of issuance. The Units shall be subject to a four month and one day hold period commencing on the day of issuance.

On November 22, 2022, 1,143,000 Units were issued at a deemed value of $0.05 per Unit. On December 28, 2022, the Company issued 1,596,000 Units at a price of $0.0675 per Unit.

On April 26, 2023, Nova announced the launch of SwabAi Diagnostics Inc. ("SwabAi", formerly, Pilz Bioscience Corp.) to utilize mRNA technology to diagnose, monitor, and treat neurological diseases. On June 16, 2022, Nova

filed a patent titled "Diagnosing, Monitoring and Treating Neurological Disease with Psychoactive Tryptamine Derivatives and mRNA Measurements."

Nova's novel mRNA technology has the potential to assess the neuroinflammatory condition of a patient on initial evaluation and ability to monitor drug treatment response. This genomic technology opens the door for the development of breakthrough products in psychedelic medicine. The Company believes this technology can be used by the pharmaceutical industry to evaluate the efficacy of drugs in the treatment of chronic inflammatory disorders of the central nervous system. Using buccal swab samples that are easily collected from patients, SwabAi has developed a proprietary diagnostic panel that examines a 52-mRNA microarray output using machine learning AI to uncover inflammatory gene patterns associated with specific neuroinflammatory conditions. Currently, in the evaluation and treatment of various neurological diseases and psychological disorders, efficacy measurements are largely dependent on patient and professional observer feedback through standardized and accepted questionnaires that have a biased component.

Nova's goal in utilizing its mRNA biomarker panel technology is to assess the physiological changes that may be occurring in a patient throughout the course of treatment. This information will provide practitioners with an additional layer of objective data points from which to base drug dosages as well as response to treatment. This technology has far-reaching implications and merits over and above its utilization in the Company's current Health Canada approved Phase IIA fragile X syndrome clinical studies. SwabAi plans to assess potential synergistic corporate development opportunities with companies in the neuroscience arena.

5.1 RESULTS OF OPERATIONS

SELECTED FINANCIAL INFORMATION

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

As at	**June 30, 2023**	December 31, 2022
	$	$
Total assets	**61,477**	296,785
Total liabilities	**478,456**	255,441
Accumulated deficit	**(58,895,461)**	(58,064,663)
Three months ended June 30,	**2023**	2022
	$	$
Net loss for the period	**(302,793)**	(1,069,225)
Net Loss per share, basic and diluted	**(0.00)**	(0.01)
Interest income	**-**	-
Six months ended June 30,	**2023**	2022
	$	$
Net loss for the period	**(830,798)**	(993,723)
Net Loss per share, basic and diluted	**(0.01)**	(0.01)
Interest income	**2**	-

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following are selected financial results for the eight most recent quarterly periods:

For the periods ended:	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**
Working capital	**(429,833)**	(127,775)	27,020	258,762
Net loss for the period	**(302,793)**	(528,005)	(1,069,225)	(402,938)
Net loss per common share[1]	**(0.01)**	(0.01)	(0.01)	(0.01)

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 three months ended June 30, 2023 and 2022

During the three months ended June 30, 2023, the Company reported a net loss of $302,793 compared to a loss for the three months ended June 30, 2022 of $366,789. The Company's net loss included expenditures as follows:

- Accounting, legal and audit fees totaled $5,731 during the three months ended June 30, 2023 (2022 - $24,453). Aside from routine audit fees, the current period expense also relates to legal work incurred to review contracts entered into during the period, compared to prior period expenses which are largely due to legal work required to file and obtain patents;
- Consulting fees during Q2/2023 of $178,445 decreased by $48,998 compared to the Q2/2022 expenditure of $227,443;
- Management fees of $61,500 (2022 - $43,500) were paid to the Chief Executive Officer ("CEO"), and Chief Financial Officer ("CFO"), and remained unchanged compared to the prior year period;
- Office and general of $10,558 in Q2/2023 reflects routine expenses such as insurance, IT and web maintenance, and general office expenditures, while Q2/2022 expenditures of $16,569 relate to marketing and promotional activities leading up to the Company's Q2/2022 equity financing;
- Share-based payments of $nil (2022 - $19,684) were recorded in Q2/2023. The Q2/2022 expenditure relates to options granted to directors, officers, and consultants of the Company, and vesting of RSUs which were granted in January 2022;
- Shareholder communications and investor relations in Q2/2023 of $1,915 (Q2/2022 - $14,823) decreased $12,908 over the prior year period. A director of the Company who had been providing advisory services resigned in January 2023. Current period costs are attributed to news releases;
- Transfer agent and filing fees of $5,647 (2022 - $4,375) decreased over the prior year period. Q2/2022 fees related regulatory costs associated with the Q2/2022 financing, while current period fees are for routine exchange fees and filing costs;
- R&D costs of $38,262 incurred in Q2/2023 versus $47,240 realized in Q2/2022 pertained to biotechnology research and development costs. Current period costs related to product development, manufacturing, packaging and labelling related to the Company's ongoing clinical trial. In the prior year period, the Company incurred costs related to its ongoing observational study, and development and production of its cGMP psilocybin; and
- Accretion on the loan receivable in Q2/2022 was $37,496. The underlying loan was written off in fiscal 2022.

For the six months ended June 30, 2023 and 2022

During the six months ended June 30, 2023, the Company reported a net loss of $830,798 compared to a loss for the six months ended June 30, 2022 of $993,723. The Company's net loss included expenditures as follows:

- Accounting, legal and audit fees totaled $12,642 during the six months ended June 30, 2023 (2022 - $35,527). Aside from routine audit fees, the current period expense also relates to legal work incurred to review contracts entered into during the period, compared to prior period expenses which are largely due to legal work required to file and obtain patents, and draft contracts and agreements that were entered into during the six-month period;
- Consulting fees during the six months ended June 30, 2023 of $310,722 decreased by $37,691 compared to the prior year comparative period expenditure of $348,413;
- Management fees of $111,000 (2022 - $99,000) were paid to the Chief Executive Officer ("CEO"), and Chief Financial Officer ("CFO"), and are mainly in line with the prior year period;

- Office and general of $17,899 during the six months ended June 30, 2023 reflects routine expenses such as insurance, IT and web maintenance, and general office expenditures, while during the six months ended June 30, 2022 expenditures of $278,861 relate to marketing and promotional activities leading up to the Company's Q2/2022 equity financing;
- Share-based payments of $273,375 (2022 - $187,627) were recorded in the first half of 2023, which relates to the vesting of 3,250,000 Restricted Share Units ("RSUs") granted to directors, officers, and consultants of the Company in January 2023. During the 2022 comparative period, 2,350,000 RSUs were granted, and 200,000 options were granted;
- Shareholder communications and investor relations during the six months ended June 30, 2023 of $23,724 (June 30, 2022 - $27,226) decreased $3,502 over the prior year period and relate to advisory services and news releases;
- Transfer agent and filing fees of $9,512 (June 30, 2022 - $13,684) decreased over the prior year comparative period. Fees incurred during the six months ended June 30, 2022 related to regulatory costs associated with the Q2/2022 financing and filing of an Annual Information Form ("AIF"), while current period fees are for routine exchange fees and filing costs;
- R&D costs of $70,456 incurred during the six months ended June 30, 2023 versus $68,919 realized during the six months ended June 30, 2023 pertained to biotechnology research and development costs. Current period costs related to stability testing of the Company's cGMP psilocybin, and product development, manufacturing, packaging and labelling related to the Company's ongoing clinical trial. In the prior year period, the Company incurred costs related to its ongoing observational study, and development and production of its cGMP psilocybin; and
- Accretion on the loan receivable recorded for the six months ended June 30, 2022 was $72,680. The underlying loan was written off at the end of fiscal 2022.

SHARES FOR SERVICES

Marketing
In March 2023, the Company entered into an agreement with Octagon Media Corp., doing business as Wall Street Reporter ("WSR"), whereby WSR shall provide marketing services for a period of four (4) months commencing on March 27, 2023, in consideration of 1,400,000 common shares in the capital of the Company (the "Shares") at a deemed price of approximately $0.057 per Share. The Shares are subject to a statutory hold period of four months and one day from the date of issuance.

Clinical Research
On November 17, 2022, Nova announced that *it had* entered into a research services agreement (the "Agreement") with KGK Sciences Inc. ("KGK") whereby KGK shall provide Clinical Research Organization services to oversee Nova's Health Canada Phase 2A Clinical Trial.

Pursuant to the Agreement, KGK shall provide the services in consideration of the Company issuing units of the Company (the "Units") upon certain performance milestones being met, in the aggregate amount of up to $488,951. Each Unit shall consist of one common share in the capital of the Company (the "Shares") and one-half of one warrant to purchase common shares in the capital of the Company ("Warrants"). The Units shall be issued at a deemed price equal to the greater of (a) $0.05 and (b) the closing market price of the Company's Shares on the Canadian Securities Exchange ("CSE") less the maximum allowable discount under the policies of the CSE, at the time of issuance. The Warrants shall be valid for a term of two (2) years from issuance and each whole warrant shall be exercisable at a price equal to the greater of (a) $0.075 and (b) the closing market price of the Company's

Shares on the CSE, at the time of issuance. The Units shall be subject to a four month and one day hold period commencing on the day of issuance.

On November 23, 2022, the Company issued 1,143,000 units (the "Units") in connection with the Agreement at a deemed price of $0.05 per Unit. A total of 1,143,000 shares and 571,500 warrants were issued in connection with this issuance for a total deemed value of $57,150. The fair value of the shares on the date of issuance was $0.03 per share and $34,290 was added to share capital on the statement of financial position for the year ended December 31, 2022. The residual value $22,860 was assigned to the warrants and added to reserves on the statement of financial position.

On December 28, 2022, the Company issued 1,596,000 units (the "Units") in connection with the Agreement at a price of $0.0675 per Unit for a deemed value of $107,730. A total of 1,596,000 shares and 798,000 warrants were issued in connection with this issuance. The fair value of the shares at the time of issuance was $0.09 leaving a residual value of nil assigned to the warrants.

LOAN RECEIVABLE FROM JUST KUSH

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

Pursuant to the agreement, the Company had advanced amounts to Just Kush to assist them in building out a facility to carry out operations under its ACMPR license.

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, and Just Kush had was required to repay a principal sum of $2,037,839 representing advances made by the Company to Just Kush under the original purchase agreement.

Just Kush had agreed 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. Just Kush failed to commence repayment of the loan. 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, and they 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 each of July 31, 2022 and October 31, 2022, Just Kush submitted a written request to extend repayment of the loan to November 1, 2022, and February 1, 2023, respectively. Extension fees of $80,000 were added to the principal of the loan included on the Statements of Financial Position as at December 31, 2022.

At December 31, 2021, the fair value of the loan based on the principal sum of $2,117,839, and using an effective interest rate of 29%, was $535,271. During the period ended June 30, 2023, the Company recognized accretion on the loan receivable of $nil (June 30, 2022 – $35,184). At December 31, 2022, management believed that the future recoverability of the loan was uncertain. As such, during the year ended December 31, 2022, Nova recorded an impairment loss of $764,776 on the fair value of the loan.

In June 2023, Nova signed an amended and restated loan agreement which stipulated that Just Kush would make payments against the loan based on their monthly gross sales and a sliding scale of tiered repayment rates. Subsequent to the period ended June 30, 2023, the Company received $4,476 with respect to repayment of the loan.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2023, the Company had cash and cash equivalents of $17,442 (December 31, 2022 - $266,519) to meet contractual financial liabilities of $478,456 (December 31, 2022 - $255,441). Nova had working capital deficit of $429,833 as at June 30, 2023 (December 31, 2022 – working capital of $27,020).

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 2023 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 January 17, 2023, 2,750,000 RSUs were granted to directors, officers, and consultants of the Company. The RSUs vest on the date of grant, and expire 24 months from the date of issue. The RSUs are governed by the Company's RSU Plan, which was approved by the Company's shareholders on December 22, 2020.

In January 2023, 300,000 shares were issued in connection with warrants that were exercised in December 2022 and January 2023 at a weighted average exercise price of $0.075 for proceeds of $22,500.

On February 14, 2023, 100,000 options were exercised at a price of $0.05 for proceeds of $5,000.

On March 29, 2023, Nova announced that it had granted 500,000 RSUs to a consultant of the Company. The RSUs have a fair value of $27,500 and are valid for a two-year term and are governed by the Company's RSU Plan, approved by the Company's shareholders on December 22, 2020. The RSUs are subject to a statutory hold period of four months and one day from the date of issuance.

In March 2023, the Company entered into an agreement with Octagon Media Corp., doing business as Wall Street Reporter ("WSR"), whereby WSR shall provide marketing services for a period of four (4) months commencing on March 27, 2023, in consideration of 1,400,000 common shares in the capital of the Company (the "Shares") at a deemed price of approximately $0.057 per Share.

On May 15, 2023, 50,000 shares were issued to settle RSUs.

On June 29, 2023, 50,000 shares were issued to settle RSUs.

Subsequent to the period ended June 30, 2023, 1,050,000 options expired, unexercised. The options had a weighted average exercise price of $0.12.

OUTSTANDING SHARES

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

	August 23, 2023	June 30, 2023	December 31, 2022
Common Shares	147,168,660	147,168,660	145,118,660
Warrants	30,739,500	30,739,500	31,039,500
Share Options	7,050,000	8,100,000	9,575,000
Restricted Share Units	5,200,000	5,200,000	2,200,000
Fully Diluted Shares	**190,158,160**	**191,208,160**	**187,933,160**

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, 2023 and 2022:

	Three months		Six Months	
For the period ended June 30,	**2023**	2022	**2023**	2022
Consulting fees	**42,000**	30,000	**87,000**	60,000
Management fees	**55,500**	55,500	**111,000**	111,000
Shareholder communications	**-**	7,500	**-**	15,000
Share-based payments	**197,550**	-	**197,550**	120,000

As at June 30, 2023, accounts payable and accrued liabilities included $263,467 (December 31, 2022 - $136,578) 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, 2022 and 2021.

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, 2023 and 2022.

- 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 acquisitions 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.

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, 2023 and 2022.

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, Director
Derek Ivany, Director
Dr. Stephen Glazer, Director
Rebecca Hudson, CFO
Kelly Pladson, Corporate Secretary

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.