LOBE SCIENCES LTD.

Management's Discussion & Analysis

For the three months ended November 30, 2023 and 2022

(Expressed in Canadian dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Lobe Sciences Ltd. and its subsidiaries ("Lobe", the "Company"), or the words "we", "us" or "our", prepared as at February 20, 2024 ("MD&A Date"), is for the three months ended November 30, 2023 and 2022.This MD&A is a supplement to and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended November 30, 2023 and 2022 ("Financial Statements"). The Company's interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards ("IASB") and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements including International Accounting Standard 34 - *Interim Financial Reporting*. In addition, the MD&A should be read in conjunction with the audited consolidated financial statements for the years ended August 31, 2023 and 2022 (the "Annual Financial Statements"), as some disclosures from the Annual Financial Statements have been condensed or omitted. All dollar amounts are in Canadian dollars, the presentation currency of the Company, except where otherwise noted. The functional currency of the Company and its subsidiaries is disclosed in the notes to the Financial Statements. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q3", "Q3" and "Q4", respectively. The three months ended November 30, 2023 and 2022, are referred to as "fiscal 2024" and "fiscal 2023", respectively.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Additional information regarding Lobe is available through the SEDAR website at www.sedarplus.ca.

FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking statements" that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. This MD&A may contain forward-looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this MD&A or as at the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations.

Such statements reflect management's current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and known or unknown risks and contingencies. Many factors could cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Please see the risk factors discussed under the heading "Risks and uncertainties".

There is a significant risk that such forward-looking statements will not prove to be accurate. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Drug development involves long lead times, is very expensive and involves many variables of uncertainty. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Company. Every patient treated on future studies can change those assumptions either positively (to indicate a faster timeline to new drug applications and other approvals) or negatively (to indicate a slower timeline to new drug applications and other approvals). This MD&A contains certain forward-looking statements regarding anticipated or possible drug development timelines. Such statements are informed by, among other things, regulatory guidelines for developing a drug with safety studies, proof of concept studies, and pivotal studies for new drug application submission and approval and assumes the success of implementation and results of such studies on timelines indicated as possible by such guidelines, other industry examples, and the Company's development efforts to date. In addition to the factors set out above and those identified in Company's MD&A under the heading "Risks and uncertainties", other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements.

Although Lobe has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

BUSINESS OVERVIEW

Lobe was incorporated under the Business Corporations Act (British Columbia) on May 13, 2010. The head office, principal address and registered office of the Company are located at 1400 - 1199 West Hasting Street, Vancouver, B.C. V6E 3T5.

The Company's common shares are listed under the symbol "LOBE" on the Canadian Securities Exchange and under the symbol "LOBEF" on the OTCQB.

Lobe is a biopharmaceutical company committed to discovering and developing patient-focused medicines for Orphan and Rare diseases. The Company, through collaborations with industry-leading partners, is engaged in drug research and development using sub-hallucinatory doses of proprietary psychedelic compounds to improve brain and mental health and wellness. Initially the Company will develop psilocin-based therapeutics for the treatment of severe forms of anxiety such as post-traumatic stress disorder, cluster headaches, and an undisclosed pediatric Orphan disease associated with severe anxiety. With our acquisition of Altemia & Company LLC ("Altemia") on April 17, 2023, we intend to commercialize a medical food named Altemia™ for the treatment of Sickle Cell Disease ("SCD").

HIGHLIGHTS

For the three months ended November 30, 2023 consolidated financial highlights

- The Company incurred a lower net loss of $568,027, or $0.01 per share, compared to net loss of $2,017,435, or $0.03 per share, for the three months ended November 30,2022.

November 30, 2023 compared to August 31, 2023 consolidated balance sheet highlights

- Total assets decreased by 5% to $2,189,786 compared to $2,299,491 at August 31, 2023. This decrease is mainly due to spending on operations and research and intangible assets amortization, partially offset by increased prepaid expenses related to filing fees.
- The Company's working capital deficiency increased to $2,633,009 compared to $2,140,263 at August 31, 2023, due to higher accounts payable related to operations and research and the accrual of interest on convertible notes.

FISCAL 2024 BUSINESS DEVELOPMENT AND OVERVIEW

Lobe is a biopharmaceutical company committed to discovering and developing patient-focused medicines for Orphan and Rare diseases. The Company, through collaborations with industry-leading partners, is engaged in drug research and development using non-hallucinatory doses of proprietary psilocin conjugate compounds to improve brain and mental health and wellness. With our acquisition of Altemia & Company LLC on April 17, 2023, we intend to commercialize a medical food named Altemia™ for the treatment of SCD. An update on business development for psilocin conjugate compounds and Altemia is provided below.

Psilocin Conjugate Compounds

Lobe is currently working to develop effective non-hallucinatory psychedelic-based therapeutics for the treatment of severe forms of anxiety, cluster headaches ("CH") and an undisclosed pediatric Orphan disease associated with severe anxiety.

Other than medicines that mask individual symptoms related to these conditions, there are currently few therapeutic options or US Food and Drug Administration ("FDA") approved drugs for the treatment of severe anxiety conditions and cluster headaches. The Company intends to prove that clinical and physiological outcomes are improved by administrating doses of L-130 or L-131 our proprietary psilocin compounds. The Company plans to demonstrate these proprietary compounds elicit positive and meaningful clinical outcomes allowing patients to return to normal daily activities. Multiple studies evaluating the effect of psilocybin dosed at various levels were effective at lowering the frequency and intensity of CH. A 2006 study conducted at Harvard demonstrated that 85% of CH were aborted, 95% of treated patients experiences longer remission periods and 52% of patients experienced termination of the CH cycle[1]. A 2022 study conducted in Denmark examined the feasibility of dosing psilocybin as a prophylactic treatment in CH patients found that the incidence of headaches was decreased 30%, with one patient experiencing complete remission for 21 weeks of the study[2].

The Company intends to sponsor and work with licensed third parties to conduct any clinical trials and research and does not handle or directly manufacture controlled substances. If the Company were to conduct this work without the reliance on third parties, it would need to obtain additional licenses and approvals described below.

Relationships with Third Parties

Clearway Global LLC

On June 21, 2022, the Company announced an exclusive agreement with Clearway Global LLC ("Clearway") to lead the Company's global regulatory and development strategy and its implementation.

Ingenu Pty Ltd.

On September 1, 2022, the Company announced that it plans to conduct Phase 1b/2a clinical trials in Australia with iNGENū Pty Ltd. ("iNGENū").

Drug Development Program

The following summarizes the drug development program for L-130 and L-131:

L-130

On July 12, 2022, the Company filed patent 63/388,414, for a proprietary form of psilocin ("L-130"). L-130 is a molecular modification of naturally occurring psilocin, which is the active component of psilocybin. On October 13, 2022, the Company, through an exclusive pharmaceutical discovery and development Agreement with QCL, an FDA licensed manufacturer, completed the synthesis of bulk L-130 and of the clinical supplies to be used in upcoming trials. The L-130 was manufactured in compliance with U.S. Current Good Manufacturing Practices ("cGMPs").

The exclusive pharmaceutical discovery and development agreement with QCL provides the Company with an exclusive source of L-130. Affirming our access to cGMP pharmaceutical grade active pharmaceutical ingredients will enable us to efficiently conduct clinical trials and plan for further work using these differentiated compounds to investigate the safety and tolerability of the drug candidate, L-130 and measure absolute pharmacokinetics of this new chemical entity ("NCE"). As the Company continues to progress through the L-130 program, additional milestones related to the Phase 1b/2a clinical trials have been identified.

[1] Source: https://n.neurology.org/content/66/12/1920. Obtained July 19, 2023.
[2] Source: https://www.medrxiv.org/content/10.1101/2022.07.10.22277414v1. Obtained July 19, 2023.

On June 27, 2023 the Company announced that it has successfully completed dosing of all test subjects in our first-in-man study of L-130. This Phase 1a study, conducted in Jordan under the authority of the Jordan Food and Drug Administration in compliance with the GCP and GLP regulatory requirements of the Declaration of Helsinki and the US FDA Guidelines for Bioavailability & Bioequivalence Studies, was an open label clinical trial in 10 normal and healthy individuals designed to determine the safety and pharmacokinetic parameters of L-130 after a single oral dose. All subjects will be evaluated for impacts on cognition and anxiolytic effects on day 1, 7 and 28. To date, all subjects have been dosed with no significant adverse events. Final data analysis and full completion of the study is expected in Q1 2024. The results of this study and potentially additional Phase 1 studies will be used to determine the dose range of L-130 for a planned Phase 2 trial targeting the treatment of chronic cluster headaches, the most predominant headache disorder within the group of trigeminal autonomic cephalgias[3].

As previously announced in January 2023, the Company is in discussions with Integrative Headache Medicine of New York, to study the tolerability and efficacy of our proprietary psilocin compound L-130, in patients suffering from CH. We expect to update our progress on this study planning as we finalize agreements with all connected parties and final protocol design is completed.

The Company is preparing an Investigational New Drug Application ("IND") application and meeting request for filing with the FDA to confirm its regulatory strategy and clinical protocols. We plan to file the IND when we have completed additional clinical and pre-clinical studies. Following FDA's input and clearance of our IND, clinical trials may be initiated in the United States[3].

The Company intends to partially fund L-130 research in Australia with proceeds from convertible note financing bearing interest at 15% per annum with a term of 12 months (the "Convertible Notes") with Cantheon Capital ("Cantheon"). The Company intends to partially complete future clinical trials for this program in Australia through our research partner iNGENū and other international Contract Research Organizations (CRO). There is no assurance that the aforementioned timelines will be met. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Company. Such statements are informed by, among other things, regulatory guidelines for developing a drug with Ph 1 safety studies, Ph 2 proof of concept studies, and Ph 3 pivotal studies to generate data in support of a New Drug Application ("NDA") submission. Our plans are prepared to provide the best opportunities for the successful implementation and generate the results of such studies on timelines indicated regulatory guidelines, other industry examples, and the Company's development efforts to date.

L-131

On July 7, 2022, the Company announced the advancement of a second NCE, L-131 as our second NCE to enter clinical development, The exclusive pharmaceutical discovery and development agreement with QCL provides the Company with an exclusive source of L-131. Affirming our access to cGMP pharmaceutical grade active pharmaceutical ingredients will enable us to efficiently conduct pre-clinical and clinical trials to investigate the safety and tolerability of the drug candidate, L-131 by measuring absolute pharmacokinetics of this NCE. As the Company continues to progress through the L-131 program, additional milestones related to the clinical trials will be identified.

The Company intends to:

- provide results of preclinical rodent studies in the first quarter of 2024 which will evaluate its safety and pharmacokinetics and support our Orphan Drug application; and
- pending positive results for the pre-clinical trial the Company will file an IND for initiating clinical trials in children[3].

[3] There is no assurance that the aforementioned timeline will be met or that the program will advance to clinical trials, at all. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Company. Such statements are informed by, among other things, regulatory guidelines for developing a drug with safety studies, proof of concept studies, and pivotal studies for new drug application submission and approval, and assumes the success of implementation and results of such studies on timelines indicated as possible by such guidelines, other industry examples, and the Company's development efforts to date.

(Expressed in Canadian dollars, except where noted)

The Company is investigating filing a Pediatric Orphan Drug application with the FDA using L-131 in the second half of 2023. If approved by the FDA this Orphan Drug indication may qualify the Company for a Priority Review Voucher from the FDA[4].

The Company intends to complete future clinical trials for this program in Australia, North America and Europe. There is no assurance that the timelines will be met. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Company. Such statements are informed by, among other things, regulatory guidelines for developing a drug with Ph 1 safety studies, Ph 2 proof of concept studies, and Ph 3 pivotal studies to generate data in support of an NDA submission. Our plans are prepared to provide the best opportunities for the successful implementation and generate the results of such studies on timelines indicated regulatory guidelines, other industry examples, and the Company's development efforts to date.

Intellectual Property

The Company, through its wholly owned subsidiary Eleusian Biosciences Corp., has title to provisional patent applications as summarized below.

	Patent Application Number	Date of Application	Expiry	Jurisdiction	Status	Description
1	2021358135	April 20, 2021	April 20, 2041	Australia	Pending	Methods for Treating Mild Traumatic Brain Injury, Post Traumatic Stress Disorder, and Mild Traumatic Brain Injury
2	3,176,225	April 20, 2021	April 20, 2041	Canada	Pending	Methods for Treating Mild Traumatic Brain Injury, Post Traumatic Stress Disorder, and Mild Traumatic Brain Injury
3	21792649.2	April 20, 2021	April 20, 2041	Europe	Pending	Methods for Treating Mild Traumatic Brain Injury, Post Traumatic Stress Disorder, and Mild Traumatic Brain Injury
4	17/916,855	April 20, 2021	April 20, 2041	United States	Pending	Methods for Treating Mild Traumatic Brain Injury, Post Traumatic Stress Disorder, and Mild Traumatic Brain Injury
5	63/388,414	July 12, 2022	July 12, 2023	United States	Pending	Preparation of Stable Psilocin Salts and Uses Thereof
6	63/390,451	July 19, 2022	July 19, 2023	United States	Pending	Confidential Pediatric Orphan Disease

Regulatory Framework and Licensing Regimen

The Company intends to sponsor and work with licensed third parties to conduct any clinical trials and research and does not handle controlled substances. If the Company were to conduct this work without the reliance on third parties, it would need to obtain additional licenses and approvals described below.

[4] This statement is based on the following material assumption: drug development involves long lead times, is very expensive and involves many variables of uncertainty. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Company. As of the date hereof, it has not yet completed the aforementioned items. Such statements are informed by, among other things, regulatory guidelines for developing a drug with safety studies, proof of concept studies, and pivotal studies for new drug application submission and approval, and assumes the success of implementation and results of such studies on timelines indicated as possible by such guidelines, other industry examples, and the Company's development efforts to date. See "Risk Factors".

Canada

In Canada, oversight of healthcare is divided between the federal and provincial governments. The federal government is responsible for regulating, among other things, the approval, import, sale, and marketing of drugs such as psilocybin and other psychedelic substances, whether natural or novel. The provincial/territorial level of government has authority over the delivery of health care services, including regulating health facilities, administering health insurance plans such as the Ontario Health Insurance Plan, distributing prescription drugs within the province, and regulating health professionals such as doctors, psychologists, psychotherapists and nurse practitioners. Regulation is generally overseen by various colleges formed for that purpose, such as the College of Physicians and Surgeons of Ontario. Certain psychoactive compounds, such as psilocybin, are considered controlled substances under Schedule III of the Controlled Drugs and Substances Act (Canada) (the "CDSA"). In order to conduct any scientific research, including preclinical and clinical trials, using psychoactive compounds listed as controlled substances under the CDSA, an exemption under Section 56 of the CDSA ("Section 56 Exemption") is required. This exemption allows the holder to possess and use the controlled substance without being subject to the restrictions set out in the CDSA. The Company has not applied for a Section 56 Exemption from Health Canada. The possession, sale or distribution of controlled substances is prohibited unless specifically permitted by the government. A party may seek government approval for a Section 56 Exemption to allow for the possession, transport or production of a controlled substance for medical or scientific purposes. Products that contain a controlled substance such as psilocybin cannot be made, transported or sold without proper authorization from the government. A party can apply for a Dealer's Licence under the Food and Drug Regulations (Part J). In order to qualify as a licensed dealer, a party must meet all regulatory requirements mandated by the regulations including having compliant facilities, compliant materials and staff that meet the qualifications under the regulations of a senior person in charge and a qualified person in charge. Assuming compliance with all relevant laws (Controlled Drugs and Substances Act, Food and Drugs Regulations) and subject to any restrictions placed on the licence by Health Canada, an entity with a Dealer's Licence may produce, assemble, sell, provide, transport, send, deliver, import or export a restricted drug (as listed in Part J in the Food and Drugs Regulations - which includes psilocybin and psilocin) (see s. J.01.009 (1) of the Food and Drug Regulations).

United States

The FDA and other federal, state, local and foreign regulatory agencies impose substantial requirements upon the clinical development, clinical testing, approval, labeling, manufacture, marketing and distribution of drug products. These agencies regulate, among other things, research and development activities and the testing, approval, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, advertising and promotion of any prescription drug product candidates or commercial products. The regulatory approval process is generally lengthy and expensive, with no guarantee of a positive result. Moreover, failure to comply with applicable FDA or other requirements may result in civil or criminal penalties, recall or seizure of products, injunctive relief including partial or total suspension of production, or withdrawal of a product from the market. The Company intends to file an IND application related to L-130 for one or more clinical indications[5]. Anticipated timelines related to regulatory filings are based on reasonable assumptions informed by current knowledge and information available to the Company. Psilocybin and psilocin are strictly controlled under the federal Controlled Substances Act, 21 U.S.C. §801, et. seq. ("CSA") as Schedule I substances. Schedule I substances by definition have no currently accepted medical use in the United States, a lack of accepted safety for use under medical supervision, and a high potential for abuse. Schedule I and II drugs are subject to the strictest controls under the CSA, including manufacturing and procurement quotas, security requirements and criteria for importation. Anyone wishing to conduct research on substances listed in Schedule I under the CSA must register with the United States Drug Enforcement Administration ("DEA") and obtain DEA approval of the research proposal. A majority of state laws in the United States classify psilocybin and psilocin as Schedule I controlled substances. For any product containing psilocybin or any Schedule I substance to be available for commercial marketing in the United States, such substance must be rescheduled, or the product itself must be scheduled, by the DEA to Schedule II, III, IV or V. Scheduling determinations by the DEA are dependent on FDA approval of a substance or a specific formulation of a substance.

Altemia

SCD is a group of hereditary red blood cell disorders. Healthy red blood cells are round, and they move through small blood vessels to carry oxygen to all parts of the body. In someone who has SCD, the red blood cells ("RBC") become inflamed under certain stress conditions resulting in among other symptoms, an increase of C-Reactive Protein (a biomarker for SCD).

[5] This statement is based on the following material assumption: drug development involves long lead times, is very expensive and involves many variables of uncertainty. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Company. As of the date hereof, it has not yet completed the aforementioned items. Such statements are informed by, among other things, regulatory guidelines for developing a drug with safety studies, proof of concept studies, and pivotal studies for new drug application submission and approval and assumes the success of implementation and results of such studies on timelines indicated as possible by such guidelines, other industry examples, and the Company's development efforts to date. See "Risk Factors".

Inflammation causes the RBC's membrane to become hard and sticky, and this tends to slow or even block blood flow in the blood vessels (capillaries) of the limbs and organs. This slowing of the blood cells causes a cascade of events that results in pain and vaso-occlusive event. The sickle cells die earlier than normal red blood cells and the bone marrow cannot make enough new red blood cells to replenish the dying ones, which causes a constant shortage of red blood cells called anemia. Blocked blood flow may cause pain and other serious problems such as infection, acute chest syndrome and stroke. Populations that suffer from SCD have a shortened life span.

According to the CDC, it is estimated that SCD affects approximately 100,000 individuals in the United States, occurring among approximately 1 out of every 500 Black or African American births and 1 out of every 36,000 Hispanic American births. A similar number of patients are affected in Europe. There are millions of patients in the Middle East, Africa and India[6].

Altemia™ is the brand name of a patent pending oral emulsion consisting of a proprietary mixture of polyunsaturated fatty acid triglyceride esters clinically evaluated to reduce inflammation associated in adults with SCD. The term medical food, as defined in section 5(b) of the Orphan Drug Act (21 U.S.C. 360ee (b) (3)) is "a food which is formulated to be consumed under the supervision of a physician and which is intended for the specific dietary management of a disease or condition for which distinctive nutritional requirements, based on recognized scientific principles, are established by medical evaluation." SCD is among a few inborn errors of metabolism specifically named in legislation that qualifies as treatable with medical foods.

On April 17, 2023, the Company signed a share purchase agreement with Sancillio, LLC to acquire a 100% interest in Altemia which includes all assets, know-how, intellectual property and commercial inventory to manage patients suffering from SCD. The Company plans to sell Altemia™ globally, either directly or through partners, and expects to generate sales and cash flow in the second half of calendar 2023. Altemia has no current or long-term liabilities. Pursuant to the Agreement, Altemia shareholders received total of 76,000,000 common shares of Lobe ("Lobe Shares") at a deemed issue price of $0.05 per Lobe Share. The Lobe Shares were subject to certain restrictions on transfer. On August 30, 2023, the Company signed an amendment to its April 17, 2023 share purchase agreement to acquire a 100% interest in Altemia ("Amendment"). Pursuant to the Amendment, the 76,000,000 common shares of the Company (each a "Lobe Share") previously issued to the Selling Members were returned and cancelled by Lobe pursuant a share cancellation agreement.

Pursuant to the Amendment, the 76,000,000 Lobe Shares will be reissued upon the later of:

- Achievement of the following milestones:
    a. 25% on or after the Amendment closing date;
    b. 25% on delivery of inventory to a Lobe designated storage facility;
    c. 25% on the first commercial sale allowing the trademark validation; and
    d. 25% on successful completion of SAN100 Tech Transfer Documentation and samples of SAN100 are delivered to Lobe.

- Within ten days of Selling Members providing Lobe a written notice to release some or all of the then available shares with respect to which the applicable Milestone has been met. Each Altemia member may in such notice designate one or more third parties to receive some or all of any such Lobe Shares then available for release.

Lobe will issue 3,000,000 warrants contingent on Altemia achieving $20,000,000 in cumulative sales ("Contingent Warrants"). Pricing of the Contingent Warrants will be determined in accordance with the relevant CSE policy.

Sancilio LLC is owned by Fred and Alex Sancilio who are owners to Clearway. Pursuant to the share exchange agreement, Altemia can appoint one member to the Company's Board of Directors. It is expected that Fred Sancilio will be appointed to the Company's board of directors in the coming weeks.

The Company will pay a tiered royalty on annual net sales and issue 3,000,000 warrants upon the first achievement of US$20,000,000 in cumulative sales. The transaction provides a 5% payment on the net sales revenue received for the sale of a pediatric priority review voucher for the approval of our SCD prescription drug for the pediatric orphan indication.

On May 5, 2023, the Company announced an exclusive distribution agreement with Pentec Health Inc. ("Pentec"). In the ensuing months we have been working closely with Pentec planning all facets of the commercial launch for Altemia™. During the three months ended November 30, 2023, the Company shipped Altemia™ inventory to Pentec and recorded sales revenue of $136,205 (US$99,750).

[6] Source: https://www.cdc.gov/ncbddd/sicklecell/data.html. Obtained April 26, 2023

(Expressed in Canadian dollars, except where noted)

Intellectual Property

The Company, through Altemia, holds a licensing agreement which grants a worldwide, nontransferable, non-sublicensable, exclusive right to make, have made, use, offer to sell, sell, and import licensed products utilizing the Patent Cooperation Treaty ("PCT") application as summarized below.

	Patent Application Number	Date of Application	Expiry	Jurisdiction	Status	Description
1	PCT/US2021/021879	March 11, 2021	March 11, 2041	Europe, USA, Saudi Arabi, and the United Arab Emirates	Pending	A composition comprising docosahexaenoic acid and egg yolk suitable for sickle cell disease treatment

SUMMARY OF QUARTERLY RESULTS

	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Net loss	**(568,027)**	(1,375,840)	(312,101)	(1,001,973)
Comprehensive loss	**(566,682)**	(1,378,439)	(310,651)	(1,001,777)
Basic and diluted net loss per share	**(0.01)**	(0.01)	(0.00)	(0.01)
Number of weighted average shares - basic and diluted	**79,136,172**	134,234,357	114,291,584	76,837,215

	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Net loss	(2,017,435)	(2,604,068)	(1,961,634)	(3,112,634)
Comprehensive loss	(2,017,435)	(2,604,068)	(1,961,634)	(3,112,634)
Basic and diluted loss per share	(0.03)	(0.07)	(0.05)	(0.08)
Number of weighted average shares - basic and diluted	70,575,069	38,442,056	38,712,285	37,438,997

The Company reported lower net loss in Q1 2024 mainly as a result of decrease in research expense compared to Q4 2023. The net loss reported in in prior periods was higher a result of losses from fair value changes on preferred shares and common shares, and impairment of dividends receivable on the preferred shares.

COMPARISON OF RESULTS FOR THE THREE MONTHS ENDED NOVEMBER 30, 2023 AND 2022 PERFORMANCE

A summary of the Company's results of operations for the three months ended November 30, 2023 and 2022 is as follows:

	Q1 2024	Q1 2023
	$	$
Revenue	**136,205**	-
Cost of sales	**(1,757)**	-
Gross profit	**134,448**	-
Advertising	**(2,450)**	(60,000)
Amortization	**(28,236)**	(1,220)
Consulting fees	**(198,732)**	(351,934)
General and administrative	**(32,042)**	(66,637)
Insurance	**(79,132)**	(90,121)
Professional fees	**(110,221)**	(46,469)
Research	**(189,280)**	(285,515)
Share-based compensation	**(45,700)**	(18,107)
Operating loss	**(551,345)**	(920,003)
Accretion expense	**(12,857)**	-
Agreement termination expense	**-**	(1,029,088)
Foreign exchange	**5,557**	(59,372)
Interest expense	**(9,382)**	-
Share of loss on Krysalis	**-**	(8,972)
Net loss	**(568,027)**	(2,017,435)

(Expressed in Canadian dollars, except where noted)

Q1 2024 compared to Q1 2023:

The Company reported a net loss of $568,027compared to $2,017,435 in the prior year comparable period. The primary drivers of this decrease are as follows:

- Revenue increased to $136,205 compared to $nil in the prior year comparable period due to sales of Altemia™, which did not occur in the prior year comparable period.
- Advertising, consulting fees, and research expenses decreased to $2,450, $198,732 and $189,280, respectively, compared to $60,000, $351,934 and $285,515, respectively, in the prior year comparable period due to a higher level of development activity and available financing during the prior year comparable period.
- The Agreement termination expense decreased from $1,029,088 compared to $nil in the prior year comparable period due to entering into mutual separation agreements with the Company's former Executive Chairman and an arm's length independent consultant in the prior year comparable period.

Partially offsetting the decrease in the net loss were increases to expenses as follows:

- Professional fees increased to $110,221 compared to $46,469 in the prior year comparable period as a result from higher technical advisory on accounting matters and audit fees in the current period.
- Amortization increased to $28,236 compared to $1,220 in the prior year comparable period due to the addition of intangible asset acquired with the Altemia acquisition that were not present in the prior year comparable period.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Liquidity

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities and other contractual obligations. The Company's strategy for managing liquidity is based on accessing capital markets through equity financing and achieving positive cash flows from operations to internally fund operating and capital requirements.

Factors that may affect the Company's liquidity are continuously monitored. These factors include patent application costs, research and development costs to develop the Company's patents, operating costs, capital costs, income tax refunds, foreign currency fluctuations, market immaturity and a highly fluid environment related to state and federal law passage and regulations. The Company's main use for liquidity is to fund the development of its research programs as noted above. The primary source of liquidity has been from public financing to date. The ability to fund operations, to make planned capital expenditures and execute the growth/acquisition strategy depends on the future operating performance and cash flows, which are subject to prevailing economic conditions, regulatory and financial, business and other factors, some of which are beyond the Company's control.

In the event that the Company is adversely affected by any of these factors and, as a result, the operating cash flows are not sufficient to meet the Company's working capital requirements there is no guarantee that the Company would be able to raise additional capital on acceptable terms to fund a potential cash shortfall. Consequently, the Company is subject to liquidity risk.

A summary of the Company's working capital deficiency is as follows:

	November 30, 2023	August 31, 2023
	$	$
Cash	**46,563**	140,290
Receivables	**3,082**	14,915
Inventory	**15,296**	16,979
Prepaid expenses and deposits	**172,945**	147,171
Total current assets	**237,886**	319,355
Accounts payable and accrued liabilities	**2,309,881**	1,921,978
Income tax payable	**205,000**	205,000
Convertible notes	**356,014**	332,640
Total current liabilities	**2,870,895**	2,459,618
Working capital deficiency	**(2,633,009)**	(2,140,263)

(Expressed in Canadian dollars, except where noted)

The Company incurred a net loss of $568,027 during the three months ended November 30, 2023. As at November 30, 2023, the Company has an accumulated deficit of $36,250,402. These factors form a material uncertainty that may raise significant doubt regarding the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company's ability to raise sufficient financing to acquire or develop a profitable business. The Company intends on financing its future development activities and operations from the sale of equity securities and through debt financing through Convertible Notes. Management will continue to monitor and assess its capital resources to meet operating requirements over the next twelve months.

Cash flows, sources and uses of cash

A summary of the Company's cash flows is as follows:

	Q1 2024	Q1 2023
	$	$
Cash used in operating activities	**(94,788)**	(1,044,744)
Cash provided by financing activities	**-**	586,620
Effect of exchange rate on cash	**1,061**	-
Cash, beginning of period	**140,290**	907,537
Cash, end of period	**46,563**	449,413

Cash used in operating activities is primarily driven by drug development and corporate costs. Cash used in operating activities decreased during the three months ended November 30, 2023 due to lower cash levels as the Company pursues new financing.

Cash provided by financing activities for the three months ended November 30, 2023 decreased to $nil compared to $586,620 in the prior year comparable period due to funds raised through a private placement and the exercise of share purchase options, which were partially offset by share issue costs in the prior year comparable period. This funding was used for drug development costs and working capital.

Capital resources

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the current operations including corporate and administrative functions to support operations. The Company obtains funding primarily through issuing common share. Future financing is dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

PROPOSED TRANSACTIONS

There are no proposed transactions under consideration as at November 30, 2023 or the MD&A Date.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at November 30, 2023 and the MD&A Date.

RELATED PARTY DISCLOSURES

Key management personnel include those who have the authority and responsibility of planning, directing and executing the activities of the Company. Key management includes directors of the Company, Chief Executive Officer, Executive Chairman, Chief Financial Officer, Chief Science Officer, Chief Operating Officer, Regulatory advisor and former Executive Chairman. Other than the amounts disclosed above, there was no other compensation paid or payable to key management for employee services for the reported periods.

(Expressed in Canadian dollars, except where noted)

A summary of the Company's related party transactions for the three months ended November 30, 2023 and 2022, is as follows:

	2023	2022
	$	$
Consulting fees	**158,232**	129,678
Directors' fees included in consulting fees	**40,500**	40,500
Professional fees	**16,800**	33,825
Share-based compensation	**43,986**	(38,487)
	259,518	165,516

Professional fees included in the table above were charged by a company related to the Chief Financial Officer.

Share-based compensation represents the expense recognized during the period for vesting of share purchase options, RSUs and DSUs. During the three months ended November 30, 2022, the Company recognized share-based compensation recovery of due to the cancellation of unvested RSUs and DSUs.

A summary of the Company's consulting fees paid to related parties for the three months ended November 30, 2023 and 2022, as per consulting agreement, is as follows:

	2023	2022
	$	$
Former Executive Chairman	**-**	30,172
Chief Executive Officer and Executive Chairman	**59,931**	59,067
Chief Science Officer	**41,313**	-
Chief Operating Officer	**51,015**	40,439
Regulatory advisor	**5,973**	-
	158,232	129,678

A summary of the Company's amounts due to related parties is as follows:

	November 30, 2023	August 31, 2023
	$	$
Accounts payable and accrued liabilities	**587,188**	477,950

A summary of the Company's accounts payable and accrued liabilities per related party is as follows

	November 30, 2023	August 31, 2023
	$	$
Chief Executive Officer, for consulting fees	**45,326**	16,955
Chief Science Officer, for consulting fees	**149,516**	108,361
Company related to the Chief Financial Officer, for professional fees	**7,350**	17,758
Company related to the Regulatory Advisor, for consulting fees	**263,783**	-
Director	**120,629**	334,876
Former Chief Financial Officer, for expense reimbursement	**584**	-
	587,188	477,950

On October 3, 2022, the Company entered into a mutual separation agreement with the former Executive Chairman of the Board of Directors of the Company. As part of the agreement, the Company agreed to issue an aggregate of 5,300,836 common shares of the Company for total consideration of $556,588, which was recorded as agreement termination expense.

FINANCIAL RISK MANAGEMENT

The Company measures its cash, deposits (included in prepaid expenses and deposits), accounts payable and accrued liabilities and convertible notes are measured at amortized cost.

The carrying values of cash, deposits (included in prepaid expenses and deposits), accounts payable and accrued liabilities and convertible notes approximate their respective fair values due to the short-term nature of these instruments.

The Company examines its various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. The risks may include credit risk, currency risk, liquidity risk and interest rate risk. The Company's risk management program strives to evaluate the unpredictability of financial markets and its objective is to minimize the potential adverse effects of such risks on the Company's financial performance, where financially feasible to do so.

When deemed material, these risks may be monitored by the Company's finance group, and they are regularly discussed with the Board of Directors.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk is predominantly related to cash balances held in financial institutions, receivables. The Company minimizes its credit risk related to cash and cash equivalents by placing cash with major financial institutions. The Company has no investments and does not expect any credit losses. The Company periodically assesses the credit quality of its financial institutions and is satisfied with the credit ratings of its banks. The Company has deposits with vendors, included in prepaid expenses and deposits, made with vendors towards the completion of research and development activities and does not expect any credit losses.

b) Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company is exposed to foreign exchange risk from fluctuations in United States dollars and Australian dollars. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk.

A summary of the Company's financial assets and liabilities that are denominated in United States dollars and Australian dollars as at November 30, 2023, is as follows:

	USD	AUD
	$	$
Financial assets		
Cash	23,812	782
	23,812	782
Financial liabilities		
Accounts payable and accrued liabilities	1,375,241	11,650
Convertible notes	262,122	-
	1,637,363	11,650
Net financial liabilities	(1,613,551)	(10,868)

A 10% increase or decrease in the United States dollar relative to the Canadian dollar and Australian dollar relative to Canadian dollar would result in a change of approximately $207,777 and $1,116 in the Company's comprehensive loss for the period, respectively.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company is exposed to liquidity risk through its accounts payable and accrued liabilities and convertible notes. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

(Expressed in Canadian dollars, except where noted)

As at November 30, 2023, the Company had a cash balance of $46,563 and current liabilities of $2,870,895 (August 31, 2023 - $140,290 and $2,459,618, respectively). The Company's current cash resources are insufficient to settle its current liabilities, however, the Company intends to raise funds through equity financings.

d) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk, since its convertible notes bear a fixed rate of interest.

OUTSTANDING SHARE DATA

A summary of the number of the Company's issued and outstanding equity instruments is as follows:

	November 30, 2023	MD&A Date
	#	#
Common Shares	79,136,172	79,136,172
Share Purchase Options	8,369,812	8,153,145
Performance Warrants	776,000	776,000
Share Purchase Warrants	30,716,133	30,716,133
Restricted Share Units	4,743,750	4,743,750
Deferred Share Units	1,240,004	1,240,004
	124,981,871	124,765,204

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant accounting estimates and judgements are disclosed in the Annual Financial Statements.

RISKS AND UNCERTAINTIES

For a detailed listing of the risks and uncertainties faced by the Company, please refer to the Company's MD&A for the years ended August 31, 2023 and 2022.