

# **ENTHEON BIOMEDICAL CORP.**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**For the three and nine months ended August 31, 2023 and 2022**

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#### **OVERVIEW**

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The following management discussion and analysis ("MD&A") of the financial position of Entheon Biomedical Corp. ("Entheon" or the "Company"), and results of operations prepared as of October 24, 2023, should be read in conjunction with the condensed interim consolidated financial statements for the three and nine months ended August 31, 2023, and 2022. All amounts are stated in Canadian dollars unless otherwise indicated. These unaudited condensed consolidated interim financial statements together with this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

Entheon is a biotechnology research and development company interested in treating addiction and substance use disorders, incorporated under the Canadian Business Corporations Act (the "CBCA"). Entheon is the result of a three-cornered amalgamation, completed on November 5, 2020. See below under the heading "*Corporate Structure*".

Additional information relating to the Company, including the Company's most recent Annual Information Form, is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **FORWARD LOOKING STATEMENTS**

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The information provided in this report contains forward-looking statements within the meaning of applicable Canadian securities legislation, including, without limitation, statements concerning future events or future performance with respect to the Company's project; business approach and plans, and business transactions including business partnerships and consultancy engagements and the expected benefits therefrom. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. In some cases, forward-looking statements are preceded by, followed by or include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

In making the forward-looking statements in this MD&A, the Company has applied several material assumptions including, but not limited to, the assumption that: whether the Company will continue to be in compliance with regulatory requirements; possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action; general economic, financial market, regulatory and political conditions in which the Company operates.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Entheon to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements including, without limitation: the Company's history of net losses and negative cash flows from operations and expectation of future losses and negative cash flows from operations; risks related to the ability to obtain financing needed to fund the continued development of the Company's business; risks related to the Company's failure to retain key personnel and hire additional personnel needed to develop its business; the Company's ability to manage anticipated and unanticipated costs; and general risks and uncertainties related to the Company's prospects and business strategy, as well as those factors discussed in the section entitled "*Risk Factors*."

## **ENTHEON BIOMEDICAL CORP.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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Although management of Entheon believes that the assumptions made and the expectations represented by such statements are reasonable, there can be no assurance that a forward-looking statement herein will prove to be accurate. In addition, although the Company has attempted to identify important factors that could cause actual achievements, events or conditions to differ materially from those identified in the forward-looking statements, there may be other factors that cause achievements, events or conditions not to be as anticipated, estimated or intended. Many of the foregoing factors are beyond the Company's ability to control or predict. These forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements, except as required by applicable securities laws, if circumstances or management's beliefs, expectations or opinions should change. For the reasons set forth above, forward-looking statements are inherently unreliable, and investors should not place undue reliance on forward-looking statements.

### **CORPORATE STRUCTURE**

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#### ***Name, Address and Incorporation***

The Company was incorporated on April 6, 2010, pursuant to the CBCA under the name "M.P.V. Explorations Inc./Explorations M.P.V. Inc." On October 23, 2018, the Company changed its name to "MPV Exploration Inc." The head office of the Company is located at Suite 720 – 999 West Broadway Vancouver, British Columbia, V5Z 1K5 and the registered office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia V6C 2T5.

On November 5, 2020, the Company completed a Fundamental Change as defined by the policies of the CSE whereby the former entity known as Entheon Biomedical Corp. ("Former Entheon") completed a reverse takeover of the Company by way of a three-cornered amalgamation (the "RTO") all pursuant to an amalgamation agreement between the Company, Former Entheon and 1254912 B.C. Ltd., which was previously a wholly-owned subsidiary of the Company ("MPV Sub"). Immediately prior to the completion of the RTO, the Company completed a consolidation of its common shares ("Common Shares") (the "Consolidation") on the basis of one post-Consolidation common share for every three pre-Consolidation common shares held by a shareholder of the Company prior to completion of the RTO. Pursuant to the RTO, among other things: (i) Former Entheon amalgamated with MPV Sub under subsection 269 of the *Business Corporations Act* (British Columbia) to form Entheon Holdings Corp. ("Entheon Holdings"); (ii) shareholders of Entheon Holdings received one post-Consolidation Common Share in exchange for each common share of Entheon Holdings held by such shareholder immediately prior to the effective time of the RTO; and (iii) MPV changed its name to "Entheon Biomedical Corp." and Entheon Holdings became a wholly-owned subsidiary of the Company. After completion of the RTO, the Company took over the business of Entheon Holdings and although the RTO resulted in Entheon Holdings becoming a wholly-owned subsidiary of the Company, the RTO constituted a reverse take-over of the Company because former shareholders of Entheon Holdings held approximately 73.90% of the issued and outstanding common shares of the Company immediately after completion of the RTO. On November 12, 2020, the Common Shares began trading on the CSE under the symbol "ENBI," on November 26, 2020 the Common Shares began trading on the Frankfurt Stock Exchange under the symbol "1XU1," and on May 5, 2021 the Common Shares began trading on the OTCQB Venture Market under the symbol "ENTBF."

## **ENTHEON BIOMEDICAL CORP.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

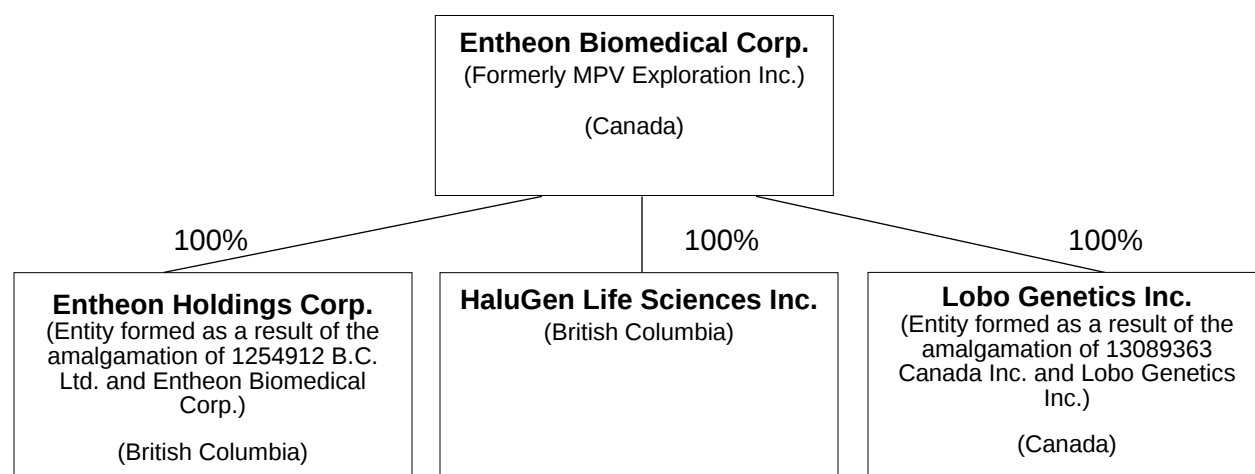
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#### ***Change in year-end***

Effective November 5, 2020, the Company changed its financial year-end from March 31 to November 30 in connection with the RTO. The change in year-ended resulted in the Company filing a one time, 7-month transition year for the period of April 1, 2020 to November 30, 2020. Subsequent to the transition year, the Company's financial year became and currently is from the period of December 1 to November 30. Information regarding the change of year-end can be found in the Amended Notice of Change in Corporate Structure filed on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) on November 10, 2020.

#### **Intercorporate Relationships**

As of the date hereof, the Company has three wholly owned subsidiaries, which are reflected in the organization chart below:



#### **DESCRIPTION OF BUSINESS**

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The Company is a biotechnology research and development company interested in treating addiction and substance use disorders.

##### ***Entheon RX***

Entheon RX focuses on the development of therapeutic drugs using DMT as pharmacological benchmark.

EBRX-101 refers to the DMT Phase I safety and proof of concept clinical study in humans. On July 8, 2022, the Company completed the sale of EBRX-101 to Cybin IRL Limited ("Cybin IRL"), a subsidiary of Cybin Inc. pursuant to an asset purchase agreement for a purchase price of CAD\$1,000,000. In connection with the transaction, Cybin IRL has assumed all accrued liabilities and accounts payable associated with EBRX-101.

## **ENTHEON BIOMEDICAL CORP.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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EBRX-101, now named CYB004-E, is being conducted in the Netherlands at the Centre for Human Drug Research, a leading independent foundation specializing in innovative early-stage clinical drug research, in 50 healthy volunteers who smoke (cigarettes/nicotine users). In connection with closing of the transaction, the Company has entered into a consulting services agreement with Cybin IRL for a period of 12 months and a fee to the Company of up to CAD\$480,000 pursuant to which the Company will provide ongoing support to CYB004-E. The Company has also entered into a data license agreement with Cybin IRL, which permits the Company to have access to certain clinical trial data to support its Entheon IQ program.

The consulting contract was terminated on April 28, 2023 as services had been fully rendered and fees payable by Cybin to the Company were accelerated as a result of the early termination.

#### ***Entheon IQ***

Entheon IQ focuses on the development of treatment algorithms through the analysis of patient data.

EBIQ-101 refers to an observational trial that was to take place at Heading Health, LLC ("Heading Health") in Austin, Texas, United States, assessing the neurophysiological effects of ketamine. On October 4, 2022, the Company announced that it had closed patient enrolment in the clinical research study and expects to commence the process of concluding the study in cooperation with its vendors and partners. In addition, the Company announced the sale of its Series A Preferred Stock position in Heading Health. The Company previously invested \$200,000 USD in Heading Health for 500,000 shares of Preferred Stock. The Company entered into a stock purchase and sale agreement dated September 28, 2022, with Heading Health and TVC Momentum Fund I, LP, pursuant to which the Company sold the Heading Health Shares for aggregate gross proceeds of \$400,000 USD on October 3, 2022.

#### ***Entheon ID***

Entheon ID focuses on the identification, analysis, and predictive use of Electroencephalogram ("EEG") biomarkers and genetics in the selection and management of drug treatment. Entheon ID will incorporate certain clinical trial data made available through the data license agreement with Cybin IRL, to support future studies that use novel biomarkers to screen patients and guide treatment protocols.

#### ***HaluGen Life Sciences Inc.***

On January 14, 2021, the Company completed its acquisition of HaluGen Life Sciences Inc. ("HaluGen"), its now wholly-owned subsidiary.

HaluGen is a biotech company in the business of developing and commercializing a pre-screening genetic test designed to identify specific DNA biomarkers in order to gauge the risk and potential of adverse reactions toward hallucinogenic drugs (the "Psychedelics Genetic Test"). HaluGen has successfully developed a turn-key operation to build, order, ship, process and deliver the Psychedelics Genetic Tests. Customers who purchase the Psychedelics Genetic Test receive a swab kit that is shipped directly to their home and the unique kit identifier is registered on HaluGen's secure online portal existing on the HaluGen Platform (defined below). After a non-invasive cheek swab sample is taken, the kit is returned for laboratory processing at HaluGen's testing facility. A personalized genetic profile with five sensitivity and risk reports for psychedelics is provided to the customer through the

## **ENTHEON BIOMEDICAL CORP.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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HaluGen Platform (as defined below). In addition, customers are provided access to pre-screening mental health surveys and relevant peer-reviewed scientific studies. The Psychedelics Genetic Test is the industry's first comprehensive pre-screening genetic test for psychedelics; it analyzes a series of relevant DNA biomarkers along with pre-screening mental health surveys in order to provide insights into an individual's risk and potential of adverse reactions with the use of hallucinogenic drugs. The Psychedelics Genetic Test provides users with personalized reports and actionable insights, delivered directly to one's smartphone or desktop through the HaluGen Platform, providing a convenient and safe means to better understand one's sensitivity to psychedelics. The Psychedelics Genetic Test also provides insights into the short and long-term potential of psychedelic-induced risks, such as psychosis.

In connection with its business, HaluGen has also developed a psychedelics pre-screening mobile and desktop platform (the "HaluGen Platform") that builds upon Lobo's (as defined below) existing genetic testing capabilities for both research and direct to consumer applications. As discussed above, the HaluGen Platform is the mechanism by which HaluGen communicates to its customers, the results, and other information, from a customer's completion of the Psychedelics Genetic Test. The HaluGen Platform provides genetic, personal and familial insights to better inform one's psychedelic assisted therapy experience. By obtaining DNA test results, and data from mental-health surveys, individuals are equipped with valuable insights to make more informed decisions around psychedelic assisted therapy, potential side effects and risk profile.

HaluGen launched direct to consumer sales of the Psychedelics Genetic Test in Canada on April 5, 2021, and in the United States on June 10, 2021. The Psychedelics Genetic Tests retailed for CAD\$89 in Canada and USD\$89 in the United States.

The Company stopped sales of the Psychedelics Genetic Test as of November 30, 2022.

#### ***Lobo Genetics Inc.***

On July 29, 2021, the Company completed its acquisition of Lobo Genetics Inc. ("Lobo"), its now wholly-owned subsidiary.

Lobo is a Toronto-based personalized genetics company with a direct-to-consumer platform (the "Lobo Platform") currently being used in both the psychedelics and cannabis space to provide personalized insights into an individual's response to hallucinogenic and psychoactive drugs. Lobo also has various existing distribution and partner relationships both domestically and internationally that are a strategic fit with Enttheon's goal of expanding the Lobo Platform globally.

Lobo offers a direct-to-consumer genetic test kit (the "Cannabis Genetic Test Kit") for the two main cannabinoids (1) delta-9-tetrahydrocannabinol ("THC") and (2) cannabidiol ("CBD"). The Cannabis Genetic Test Kit provides users with personalized reports and actionable insights, delivered directly to one's smartphone or desktop through the Lobo's website customer platform, providing a convenient and safe means to better understand one's sensitivity to THC and CBD. The test also provides insights into the short and long-term risk factors associated with THC use and how THC can affect one's memory.

The Cannabis Genetic Test Kit was available in Canada and the United States and retailed for CAD\$85 in Canada and USD\$85 in the United States.

# ENTHEON BIOMEDICAL CORP.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended August 31, 2023 and 2022

The Company stopped sales of the Cannabis Genetic Test Kit as of November 30, 2022.

### RESULTS OF OPERATIONS

Entheon's total assets as at August 31, 2023 were \$430,865 (\$769,222 - November 30, 2022), a decrease of \$338,357. The decrease was primarily due to the use of \$298,357 in cash in operations and a decrease of other receivables of \$31,324. Entheon's current liabilities as at August 31, 2023 were \$41,571 (\$154,650 – November 30, 2022), a decrease of \$113,079, primarily due to the payment of accounts payable. Entheon had cash and equivalents at August 31, 2023, in the amount of \$381,809 (\$680,166 – November 30, 2022) and working capital of \$379,294 (\$589,572 – November 30, 2022). The decrease in cash was primarily due to funding operations and the decrease in working capital was primarily due to the decrease in cash and other receivables.

#### Summary of quarterly results

|                                                | Aug 31,<br>2023 | May 31,<br>2023 | Feb 28,<br>2023 | Nov 30,<br>2022 | Aug 31,<br>2022 | May 31,<br>2022 | Feb 28,<br>2022 | Nov 30,<br>2021 |
|------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                                | \$              | \$              | \$              | \$              | \$              | \$              | \$              | \$              |
| <b>Total revenue</b>                           | -               | 130,323         | 120,000         | 120,000         | 69,864          | 11,984          | 8,901           | 14,314          |
| <b>Net income (loss)</b>                       | (94,856)        | (35,992)        | (95,589)        | (5,841,132)     | 458,193         | (1,270,823)     | (1,866,971)     | (1,869,789)     |
| <b>Income (loss) per share</b>                 | (0.00)          | (0.00)          | (0.00)          | (0.10)          | 0.01            | (0.02)          | (0.03)          | (0.03)          |
| <b>Income (loss) per share (fully-diluted)</b> | (0.00)          | (0.00)          | (0.00)          | (0.10)          | 0.01            | (0.02)          | (0.03)          | (0.03)          |
| <b>Cash</b>                                    | 381,809         | 478,560         | 490,913         | 680,166         | 248,385         | 467,582         | 821,329         | 2,049,131       |
| <b>Working capital</b>                         | 379,294         | 460,288         | 495,481         | 589,572         | 524,139         | (29,534)        | 763,985         | 2,280,792       |
| <b>Total assets</b>                            | 430,865         | 574,324         | 671,214         | 769,222         | 6,689,208       | 7,403,372       | 8,321,448       | 9,977,712       |
| <b>Total non-current financial liabilities</b> | Nil             | Nil             | Nil             | Nil             | Nil             | Nil             | Nil             | Nil             |

The variability of net loss during the quarterly results is mainly due to the expenses described above in the "Results of Operations" section. As a result of the commercialization of HaluGen's Psychedelics Genetic Test and Lobo's Cannabis Genetic Test Kits, the Company began generating sales revenue during 2021. Additionally, as a result of a consulting services agreement with Cybin IRL in connection with the sale of EBRX-101, the Company began generating consulting revenue on July 8, 2022 until April 28, 2023.

#### For the three months ended August 31, 2023

Entheon recorded a net loss of \$94,856 or \$0.00 per share compared to net income of \$458,193 or \$0.01 per share for the three months ended August 31, 2023. Revenue was \$nil compared to \$69,677 due to consulting revenue from Cybin following the sale of EBRX-101 ending in May 2023.. Operating expenses decreased by \$638,233 due to lower research and development expenses of \$60,996 as

## ENTHEON BIOMEDICAL CORP.

### MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended August 31, 2023 and 2022

clinical research was stopped; \$577,596 less spent on general and administrative due to lower headcount as the product sales and clinical research was stopped; and share based compensation was \$524 lower as there were no stock options granted during the period. There was a decrease of \$1,338,558 of other income as the sale of EBRX-101 was recognized in 2022. Discontinued operations loss of \$216,953 was related to genetic test kits sales that were stopped on November 30, 2022.

#### ***For the nine months ended August 31, 2023***

Entheon recorded a net loss of \$226,437 or \$0.00 per share compared to a net loss of \$2,679,601 or \$0.03 per share for the nine months ended August 31, 2023. Revenue was \$250,323 compared to \$69,677 due to consulting revenue that started being earned from Cybin following the sale of EBRX-101 in July 2022. Operating expenses decreased by \$2,948,496 due to lower research and development expenses of \$1,196,961 as clinical research was stopped; \$1,495,476 less spent on general and administrative due to lower headcount as the product sales and clinical research was stopped; and share based compensation was \$254,888 lower as there were no stock options granted during the period. Other income was \$21,945, a decrease from \$1,651,403 related to the sale of EBRX-101 in 2022. Loss on settlement of shares was \$9,415 compared to \$405,715 as investments were sold in 2022. Discontinued operations of \$862,025 related to genetic test kits were recorded for the nine months ended August 31, 2023.

#### ***Milestones and Business Objectives***

Set out below is an update to the Company's milestones:

| Milestone                                                               | Update                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DMT Assay Development                                                   | Analytical method development using DMT drug substance from Psygen Labs was completed at LUMC, the clinical pharmacy located in the Netherlands in Q2 2021. Additional validation of these assays was performed using the Ofichem-supplied non-GMP certified DMT drug substance which was received by LUMC in September 2021 and using the Ofichem-supplied GMP certified DMT drug substance which was shipped to LUMC in November 2021. Stability studies will be ongoing for at least 6 months, concurrent with the Phase I Study. As at the date hereof, Entheon had expended \$Nil towards the milestone leaving EUR€66,050 remaining. On July 8, 2022, Cybin IRL assumed all accrued liabilities and accounts payable associated with the DMT Study and this milestone has been removed.                                                                                                                                                                                                                                                                                                                                                                                                         |
| Developing the DMT Protocol and Conducting the Phase I Study (EBRX-101) | The DMT Protocol has been completed and submitted as part of the clinical trial application to the Dutch Ethics Committee, and is largely based on the details of continuous intravenous administration of DMT fumarate to humans. The DMT Protocol synopsis was finalized in June 2021 and an initial draft of the full DMT Protocol was received by the Company in late September 2021. The second draft of the full DMT Protocol was sent to CHDR for review by its Scientific Advisory Board on October 12, 2021; the Scientific Advisory Board has completed their review and has provided their endorsement of the second draft. The Company submitted its regulatory package to the Dutch ethics committee on January 3, 2022, and received approval on January 28, 2022. The Phase I Study based on the DMT Protocol commenced with the first patient dosed in March 2022. As at the date hereof, Entheon had expended EUR€437,933 and CDN\$6,237 towards the completion of this milestone, leaving EUR€705,555 and CDN\$66,808 remaining. On July 8, 2022, Cybin IRL assumed all accrued liabilities and accounts payable associated with the DMT Study and this milestone has been removed. |

**ENTHEON BIOMEDICAL CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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**LIQUIDITY AND CAPITAL RESOURCE**

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Entheon had cash on August 31, 2023, in the amount of \$381,809 and a working capital of \$379,294 in order to meet short-term business requirements. During the nine months ended August 31, 2023, Entheon had the following changes in cash flow:

*Cash used in Operating Activities*

Entheon's cash used in operating activities for the nine months ended August 31, 2023, was \$313,357 compared to Entheon's cash used in operating activities for the nine months ended August 31, 2022 of \$1,402,362, a decrease of \$1,089,005, primarily due to result of a decrease in operating expenses that Entheon incurred following the sale of EBRX-101 in July 2022 and discontinued operations in November 2022.

*Cash used in Investing Activities*

Entheon's cash provided by investing activities for the nine months ended August 31, 2023, was \$15,000 compared \$83,140 for the nine months ended August 31, 2022, a decrease of \$68,139 as the Company disposed of investments during the nine months ended August 31, 2022.

*Cash provided by Financing Activities*

Entheon's cash provided by financing activities for the nine months ended August 31, 2023 and 2022, was \$nil.

In order to continue as a going concern and meet its corporate objectives, Entheon will require additional financing through debt or equity issuances or other available means. Although Entheon has been successful in the past in obtaining financing, there is no assurance that Entheon will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to Entheon. Should Entheon identify a suitable asset or business acquisition, it would be required to raise additional capital to finance the transaction.

Entheon requires positive working capital to be able to continue its operations and have sufficient funds to satisfy maturing short-term obligations. Upcoming operational expenses include management and consulting fees, office expenses, rent, and professional fees.

The extent of Entheon's liquidity is dependent upon, among other things, its ability to: (a) complete subsequent debt or equity financings or obtain other sources of funding; (b) adequately manage its cash on hand; and (c) reduce costs and expenses. The aforementioned factors indicate the existence of material uncertainties which may cast significant doubt on Entheon's ability to continue as a going concern. Additionally, economic downturns, changes in legislation or policies that affect Entheon and changes in the industry in which Entheon operates, in each case as discussed in more detail under the heading "*Risk Factors*", are, among others, circumstances that may affect Entheon's liquidity.

This MD&A does not discuss adjustments or accompanying information that would be required if the going concern assumption is not an appropriate basis for preparation of the financial statements related to this MD&A. These adjustments could be material.

## **ENTHEON BIOMEDICAL CORP.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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#### **SHARE CAPITAL**

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As at August 31, 2023, Entheon has the following outstanding securities:

- (i) Common Shares: 59,089,266
- (ii) Warrants: nil
- (iii) Stock options: 1,400,000 generating proceeds of \$879,000
- (iv) RSUs: 1,150,000

As at and at the date hereof, Entheon has the following outstanding securities:

- (i) Common Shares: 59,089,266
- (ii) Warrants: nil
- (iii) Stock options: 1,400,000 generating proceeds of \$879,000
- (iv) RSUs: 1,150,000

Entheon has obtained its capital funding through debt and equity financings.

#### **RELATED PARTY TRANSACTIONS**

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Key management personnel comprise the Company's Board of Directors, Chief Executive Officer, Chief Financial Officer, Chief Science Officer and Director of Operations, Chief Business Officer, and Corporate Secretary. Key management personnel compensation is comprised of the following:

|                                              | For the three months ended |                    | For the six months ended |                    |
|----------------------------------------------|----------------------------|--------------------|--------------------------|--------------------|
|                                              | August 31,<br>2023         | August 31,<br>2022 | August 31,<br>2023       | August 31,<br>2022 |
|                                              | \$                         | \$                 | \$                       | \$                 |
| Payroll, consulting fees, and other benefits | 55,775                     | 176,758            | 244,657                  | 466,760            |

As at August 31, 2023, \$2,813 (November 30, 2022 - \$15,150) was due to directors and officers and companies controlled by directors and officers. The amounts are unsecured, non-interest bearing, due on demand and included in accounts payable and accrued liabilities. The share-based compensation for these related parties totaled \$nil and \$1,107 for the three and nine months ended August 31, 2023 respectively (three and nine months ended August 31, 2022 - \$39,042 and \$214,270 respectively).

#### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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##### **Significant estimates and judgements**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

**ENTHEON BIOMEDICAL CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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- i) The determination of discount rate and effective interest rates on liability and equity components of the convertible notes. Changes in these assumptions could materially affect the recorded amounts.
- ii) The determination of fair value of investments in convertible notes and equity securities requires valuation techniques. In applying the valuation techniques management makes maximum use of market inputs wherever possible, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, company-specific information is considered when determining whether the fair value of an investment in convertible notes or equity securities should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing investments in convertible notes and equity securities.
- iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts.
- iv) The valuation of options and warrants requires estimation and assumptions for valuation techniques. Changes in such assumptions and estimates could materially impact the recorded amounts.
- v) Amortization of intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of estimates. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

**Significant judgments**

The preparation of these consolidated financial statements requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include:

- i) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its projects and working capital requirements and whether there are events or conditions that may give rise to significant uncertainty.
- ii) The determination of whether a business combination or an asset acquisition involves judgment regarding whether the acquiree meets the definition of business under IFRS 3. The application of the Company's accounting policy for business combinations requires management to make certain judgments on a case-by-case basis as to the determination of the accounting method of an acquisition to determine if the assets acquired meet the definition of a business requiring the acquisition method of accounting for a business combination or an asset acquisition when applying the optional asset concentration test.

**ENTHEON BIOMEDICAL CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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**FINANCIAL RISK MANAGEMENT**

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The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and market risk.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has exposure to credit risk through its cash and cash equivalents. The Company manages credit risk, in respect of cash, by maintaining the majority of cash at highly rated financial institutions.

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the statement of financial position. At August 31, 2023 and November 30, 2022, no amounts were held as collateral.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by its operating, investing and financing activities. The Company had cash and equivalents at August 31, 2023, in the amount of \$381,809 and a working capital of \$379,294 in order to meet short-term business requirements. Accounts payable have contractual maturities of approximately 30 to 90 days or are due on demand and are subject to normal trade terms.

*Market risk*

Market risk consists of interest rate risk, foreign currency risk and price risk. These are discussed further below.

*Interest rate risk*

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rates on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

In management's opinion, the Company is not exposed to significant interest rate risk as the risk is primarily on cash and cash equivalents.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not subject to significant foreign exchange risk.

**ENTHEON BIOMEDICAL CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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*Price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is not exposed to any significant price risk.

***Capital Management***

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the research and development of psychedelic compounds.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets, reduce debt or increase its debt. The capital of the Company comprises the shareholders' equity. The Company is not subject to any externally imposed capital requirements.

***Classification of financial instruments****Fair Values and Classification*

The Company's financial instruments consist of cash and cash equivalents, investment in convertible notes, investments in equity securities, accounts payable and convertible notes. Financial instruments are classified into one of the following categories: FVTPL, FVTOCI, or amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

| <b>Financial Instrument</b> | <b>Category</b> |
|-----------------------------|-----------------|
| Cash and restricted cash    | FVTPL           |
| Investments                 | FVTPL           |
| Accounts payable            | Amortized cost  |

**ADDITIONAL INFORMATION**

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***Off-Balance Sheet Arrangements***

As at August 31, 2023, and up to the current date, Enttheon had no off-balance sheet arrangements.

***Legal Proceedings***

As at the date hereof, management was not aware of any legal proceedings involving Enttheon.

***Contingent Liabilities***

As at August 31, 2023 and up to the current date management was not aware of any outstanding contingent liabilities relating to Enttheon's activities.

**ENTHEON BIOMEDICAL CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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**RISK FACTORS**

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In addition to the risks described herein, reference is made to the section entitled “Risk Factors” in the Listing Statement, which is incorporated herein by reference. The risks described herein are not the only risks faced by Entheon and security holders of Entheon. Additional risks and uncertainties not currently known to Entheon, or that Entheon currently deems immaterial, may also materially and adversely affect its business. The business, financial condition, revenues or profitability of Entheon could be materially adversely affected by any of the risks set forth in this MD&A, in the documents incorporated by reference or such other risks. The trading price of the Common Shares could decline due to any of these risks and investors could lose all or part of their investment. This MD&A contains forward-looking statements that involve risks and uncertainties. Entheon's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by Entheon described below and elsewhere in this MD&A. No inference should be drawn, nor should an investor place undue importance on, the risk factors that are included in this MD&A as compared to those included in the documents incorporated by reference herein, as all risk factors are important and should be carefully considered by a potential investor.

**Limited operating history**

The business of Entheon began in June 2019 and has yet to generate any significant revenue. Entheon is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that Entheon will ever be able to generate significant revenue or will be successful in achieving a return on shareholders' investment. Entheon's ultimate success will depend on its operating ability and ability to generate cash flow from sales of HaluGen's Psychedelics Genetic Test. Investors should consider Entheon's likelihood of success in light of the early stage of operations.

**Entheon will require substantial additional funding, which may not be available to it on acceptable terms, or at all, and, if not so available, may require Entheon to delay, limit, reduce or cease its operations**

Entheon has used the proceeds from its previous equity offerings, and Entheon intends to use the proceeds from any possible future offerings, to, among other uses, engaging scientific and clinical advisors, filing patent applications, establishing key relationships, and conducting further research. Developing pharmaceutical solutions, including conducting preclinical studies both in vitro and in vivo and clinical trials, is expensive. Entheon will require substantial additional future capital in order to complete clinical development.

Entheon will continue to require substantial additional capital to continue its clinical development and commercialization activities. Entheon is unable to estimate the actual amount of funding it will require to complete research and development and commercialize its products under development.

The amount and timing of Entheon's future funding requirements will depend on many factors, including but not limited to:

- whether its plan for clinical trials will be completed on a timely basis and, if completed, whether Entheon will be able to publicly announce results from its clinical trials in accordance with its announced milestones;

## ENTHEON BIOMEDICAL CORP.

### MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended August 31, 2023 and 2022

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- whether Entheon is successful in obtaining interest for possible co-development and licensing out partners;
- the progress, costs, results of and timing of its clinical trials and also of its preclinical studies;
- the outcome, costs and timing of seeking and obtaining Health Canada, EMA, FDA and any other regulatory approvals;
- the costs associated with securing and establishing commercialization and manufacturing capabilities;
- its ability to maintain, expand and enforce the scope of its intellectual property portfolio, including the amount and timing of any payments Entheon may be required to make, or that it may receive, in connection with the licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;
- its need and ability to hire additional management and scientific and medical personnel;
- the effect of competing psychedelic therapeutic products;
- its need to implement additional internal systems and infrastructure, including financial and reporting systems;
- as applicable, research grant terms that change over time or whose terms Entheon is unable to meet;
- its ability to attract and retain competent staff;
- changes in the political and economic environment in the jurisdictions in which Entheon operates;
- the economic and other terms, timing of and success of any collaboration, licensing or other transactions into which Entheon may enter in the future.

Entheon expects that it will need to raise additional funds in the future.

Entheon may seek additional funding through a combination of equity offerings, debt financings, government or other third-party funding, commercialization, marketing and distribution transactions and other collaborations, strategic alliances and licensing transactions. Additional funding may not be available to Entheon on acceptable terms or at all. In addition, the terms of any financing may adversely affect the holdings or the rights of Entheon securityholders. In addition, the issuance of additional Entheon Shares, or the possibility of such issuance, may cause the market price of the Entheon Shares to decline. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities.

If Entheon is unable to obtain funding on a timely basis, it may be required to significantly curtail one or more of its research or development programs and/or incur financial penalties. Entheon also could be required to seek funds through transactions with collaborative partners or otherwise that may require Entheon to relinquish rights to some of its technologies or psychedelic therapeutic products or otherwise agree to terms unfavourable to Entheon.

**Entheon has a limited operating history and expects a number of factors to cause its operating results to fluctuate on an annual basis, which may make it difficult to predict the future performance of Entheon**

Entheon is a research and development biomedical company with a limited operating history. Entheon's operations to date have been focused on developing its Dosing Strategies, conducting in-house research, preparing proprietary dose forms of psychedelic molecules into an FDA, EMA and Health Canada approval model for eventual development of authorized Dosing Strategies for future use in clinical trials, developing clinical trials protocols, filing patent applications and establishing key

## ENTHEON BIOMEDICAL CORP.

### MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended August 31, 2023 and 2022

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relationships. Entheon has yet to commence clinical trials for the psychedelic therapeutic products in its pipeline and has yet to receive approvals from regulatory agencies.

Consequently, any predictions made about Entheon's future success or viability may not be as accurate as they could be if Entheon had a longer operating history or approved products on the market. Entheon's operating results are expected to significantly fluctuate from quarter-to-quarter or year-to-year due to a variety of factors, many of which are beyond its control. Factors relating to Entheon's business that may contribute to these fluctuations include:

- delays in the commencement, enrolment and timing of preclinical and clinical trials;
- difficulties in identifying patients suffering from its target indications;
- the success of its clinical trials through all phases of clinical development;
- its ability to attract and retain talented and experienced people;
- competition from existing products or new products that continue to emerge;
- the ability of patients or healthcare providers to obtain coverage or sufficient reimbursement for its products;
- its ability to adhere to clinical trial requirements directly or with third parties such as CROs;
- its dependency on third-party manufacturers to manufacture products and key ingredients;
- its ability to establish or maintain collaborations, licensing or other transactions;
- its ability to defend against any challenges to its intellectual property including, claims of patent infringement;
- its ability to enforce its intellectual property rights against potential competitors;
- its ability to attract and retain key personnel to manage its business effectively;
- a biological or chemical effect that Entheon does not predict;
- adverse economic circumstances;
- potential liability claims; and

Accordingly, the results of any historical quarterly or annual periods should not be relied upon as indications of future operating performance.

Entheon is preparing to conduct important preclinical and clinical trials in Europe. The risks associated with conducting research and clinical trials abroad could materially adversely affect Entheon's business. Currently, clinical trials are planned at the Centre for Human Drug Research in Leiden, the Netherlands. Additional sites in Europe and elsewhere are currently being evaluated for preclinical trials and subsequent studies.

**Entheon has never been profitable, it has only one product approved for commercial sale, and to date it has not generated any significant revenue. As a result, Entheon's ability to reduce its losses and reach profitability is unproven, and thus, Entheon may never achieve or sustain profitability.**

April 5, 2021, Entheon, through its wholly-owned subsidiary HaluGen, launched its Psychedelics Genetic Test for sale on HaluGen's online platform and has only begun generating revenue from this product. Entheon has not yet submitted any psychedelic therapeutic solutions for approval by regulatory authorities in Canada, the European Union, the United States or elsewhere.

To date, Entheon has devoted most of its financial resources to research and development, including drug discovery research, preclinical development activities and clinical trial preparation, as well as corporate overhead. Entheon has not generated any significant revenues from product sales. Entheon expects to continue to incur losses for the foreseeable future and expects these losses to increase as

## **ENTHEON BIOMEDICAL CORP.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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Entheon continues to add infrastructure and personnel to support its continuing product development efforts. Entheon anticipates that any such losses could be significant for the next several years. As a result of the foregoing, Entheon expects to continue to experience net losses and negative cash flows for the foreseeable future. These net losses and negative cash flows have had, and will continue to have, an adverse effect on Entheon's stockholders' equity and working capital.

Because of the numerous risks and uncertainties associated with pharmaceutical solution development, Entheon is unable to accurately predict the timing or amount of increased expenses or when, or if, Entheon will be able to achieve profitability. The amount of future net losses will depend, in part, on the rate of future growth of its expenses and its ability to generate revenues.

#### **Entheon has minimal sales, marketing or distribution experience and it will have to invest significant resources to develop those capabilities or enter into acceptable third-party sales and marketing transactions**

Entheon has minimal sales, marketing or distribution experience. To develop sales, distribution and marketing capabilities, Entheon will have to invest significant amounts of financial and management resources. For psychedelic therapeutic products where Entheon decides to perform sales, marketing and distribution functions itself or through third parties, it could face a number of additional risks, including that Entheon or its third-party sales collaborators may not be able to build and maintain an effective marketing or sales force. If Entheon uses third parties to market and sell its solutions, it may have limited or no control over their sales, marketing and distribution activities on which its future revenues may depend.

#### **Protection and enforcement of Entheon's intellectual property in all jurisdictions it operates in**

Entheon's success will depend in part upon its ability to protect Entheon's intellectual property interests in Canada, the United States and Europe and upon the nature and scope of the intellectual property protection it receives. The ability to compete effectively and to achieve partnerships will depend on Entheon's ability to operate without infringing on the proprietary rights of others. Additionally, there is no assurance that Entheon's pending patent applications will be approved in a form that will be sufficient to protect its intellectual property interests in Canada, the United States and Europe.

The patent positions of pharmaceutical companies can be highly uncertain and involve complex legal, scientific and factual questions for which important legal principles remain unresolved. Patents issued to Entheon may be challenged, invalidated or circumvented. To the extent Entheon's intellectual property, including licensed intellectual property, offers inadequate protection in any of the jurisdictions in which it intends to operate in, or is found to be invalid or unenforceable, Entheon is exposed to a greater risk of direct competition. If Entheon's intellectual property does not provide adequate protection against its competitors' products, Entheon's competitive position could be adversely affected, as could its business, financial condition and results of operations. Both the patent application process and the process of managing patent disputes can be time consuming and expensive, and the laws of some foreign countries may not protect Entheon's intellectual property rights to the same extent as do the laws of Canada and the United States. Entheon will be able to protect its intellectual property from unauthorized use by third parties only to the extent that its intellectual property interests, key products, and any future products are covered by valid and enforceable intellectual property rights in each jurisdiction in which it operates in.

**ENTHEON BIOMEDICAL CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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**Entheon may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights**

Entheon may from time to time seek to enforce its intellectual property rights against infringers when it determines that a successful outcome is probable and may lead to an increase in the value of the intellectual property. If Entheon chooses to enforce its patent rights against a party, then that individual or company has the right to ask the court to rule that such patents are invalid or should not be enforced. Additionally, the validity of its patents and the patents it has licensed may be challenged if a petition for post grant proceedings such as inter-partes review and post grant review is filed within the statutorily applicable time with the Canadian Intellectual Property Office, the United States Patent and Trademark Office or the European Patent Office. These lawsuits and proceedings are expensive and would consume time and resources and divert the attention of managerial and scientific personnel even if Entheon were successful in stopping the infringement of such patents. In addition, there is a risk that the court will decide that such patents are not valid and that Entheon does not have the right to stop the other party from using the inventions. There is also the risk that, even if the validity of such patents is upheld, the court will refuse to stop the other party on the ground that such other party's activities do not infringe its intellectual property rights.

**If Entheon is not able to adequately prevent disclosure of trade secrets and other proprietary information, the value of its proprietary information could be significantly diminished**

Entheon relies on trade secrets to protect its proprietary information, especially where it does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Entheon relies in part on confidentiality agreements with its employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to protect its trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover its trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of its proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect its competitive business position.

**Entheon will need to expand its operations and increase the size of its company, and it may experience difficulties in managing growth**

As of the date hereof, Entheon has 2 full-time employees and 3 consultants and part-time contractors. To meet its obligations as a public company, Entheon may need to increase its general and administrative capabilities. Entheon's management, personnel and systems currently in place may not be adequate to support this future growth. If Entheon is unable to successfully manage this growth and increased complexity of operations, our business may be adversely affected.

**Internal controls**

Effective internal controls are necessary for Entheon to provide reliable financial reports and to help prevent fraud. Although Entheon will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on Entheon under Canadian securities law, Entheon cannot be certain that such measures will ensure that Entheon will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their

## **ENTHEON BIOMEDICAL CORP.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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implementation, could harm Entheon's results of operations or cause it to fail to meet its reporting obligations. If Entheon or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in Entheon's consolidated financial statements and materially adversely affect the trading price of the Entheon Shares.

Management of Entheon will ensure the accounting cycle, payroll administration, operational activities, and financial reporting controls to assess internal control risks and to ensure proper internal control is in place. One of the deficiencies in internal control is the lack of segregation of accounting duties due to the limited size of Entheon. However, the threat of this deficiency is considered immaterial as management has taken effective measures to mitigate this weakness.

The potential risk that flows from the identified deficiencies and weaknesses is the risk of potential fraud. However, the risk of fraud is considered low as management anticipates taking a number of measures as stated above to mitigate the potential risk of fraud, including without limitation: (i) all purchase and payment, including payroll, must be authorized by management; (ii) all capital expenditures must be preapproved by the Board; (iii) all source documents in any other language other than English must be translated and scanned for accounting entries and recordkeeping purposes; (iv) and almost all of Entheon's cash will be deposited with a Canadian bank in Vancouver, Canada. Bank statements of Entheon will be reviewed by the CFO of Entheon regularly.

The Board will continue to monitor the operations of Entheon, evaluate the internal controls, and develop measures in the future to mitigate any potential risks and weaknesses.

#### **Changes in legislation, regulations and guidelines**

Entheon's operations are subject to various laws, regulations and guidelines relating to, among other things, drug research, development, marketing practices, health and safety, the conduct of operations and clinical trials. In addition to Health Canada, EMA and FDA restrictions on the marketing of pharmaceutical solutions, several other types of state and federal laws have been applied to restrict certain marketing practices in the pharmaceutical and medical industries in recent years, as well as consulting or other service agreements with physicians or other potential referral sources. While to the knowledge of management, Entheon is currently in compliance with all such laws, changes to applicable laws, regulations and guidelines may cause adverse effects to its operations. The risks to the business of Entheon represented by this or similar risks are that they could significantly reduce the addressable market for Entheon's solutions and could materially and adversely affect the business, financial condition and results of its operations.

#### **Psychedelic regulatory risks**

Successful execution of the Company's strategy is contingent, in part, upon compliance with regulatory requirements from time to time enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of psychedelic therapeutic products. The psychedelic therapy industry is a new and emerging industry with ambiguous existing regulations and uncertainty as to future regulations; the Company cannot predict the impact of the ever-evolving compliance regime in respect of this industry. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for its future products, or the extent of testing and documentation that may, from time to time, be required by governmental authorities. The impact of compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the

## **ENTHEON BIOMEDICAL CORP.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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development of markets, its business and products, and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or result in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

#### **Third party risk with respect to preclinical studies and clinical trials**

Entheon will rely on foreign contract research organizations, including CHDR, to conduct its preclinical and clinical development activities. Preclinical activities include toxicological and pharmacological assays as well as in vivo studies using specific disease models. Clinical development activities include trial design, regulatory submissions, patient recruitment, trial monitoring, data management and analysis, and safety monitoring. If there is any dispute or disruption in Entheon's relations with CHDR or other third parties, Entheon's active development programs will face delays. Although Entheon does not anticipate any risk specific to CHDR's foreign jurisdiction (being the Netherlands), if they or other third parties fail to perform as expected or if their work fails to meet regulatory requirements, Entheon's testing could be delayed, cancelled or rendered ineffective.

#### **Entheon may not be able to manage its business effectively if it is unable to attract and retain key personnel and consultants**

Entheon may not be able to attract or retain qualified management, finance, scientific and clinical personnel and consultants due to the intense competition for qualified personnel and consultants among biotechnology, pharmaceutical and other businesses. If Entheon is not able to attract and retain necessary personnel and consultants to accomplish its business objectives, it may experience constraints that will significantly impede the achievement of its development objectives, its ability to raise additional capital and its ability to implement its business strategy.

Entheon is highly dependent on the development, regulatory, commercialization and business development expertise of its management team, key advisors and consultants. If Entheon loses one or more of its executive officers or key advisors or consultants, its ability to implement its business strategy successfully could be seriously harmed. Any of its executive officers or key advisors or consultants may terminate their engagement at any time. Replacing executive officers, key advisors and consultants may be difficult and may take an extended period of time because of the limited number of individuals in Entheon's industry. Competition to hire and retain employees and consultants from this limited pool is intense, and Entheon may be unable to hire, train, retain or motivate these additional key personnel and consultants. Entheon's failure to retain key personnel or consultants could materially harm its business.

#### **Insurance and uninsured risks**

Entheon's business is subject to a number of risks and hazards generally, including adverse clinical trial results, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

## **ENTHEON BIOMEDICAL CORP.**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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Entheon's insurance will not cover all the potential risks associated with its operations. Entheon may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of Entheon is not generally available on acceptable terms. Entheon might also become subject to liability for pollution or other hazards which may not be insured against or which Entheon may elect not to insure against because of premium costs or other reasons. Losses from these events or any significant uninsured liability may require Entheon to pay substantial amounts, which would adversely affect its financial position and results of operations.

#### **Entheon may be materially adversely affected in the event of cyber-based attacks, network security breaches, service interruptions, or data corruption**

Entheon relies on information technology to process and transmit sensitive electronic information and to manage or support a variety of business processes and activities. Entheon uses technology systems to record, process, and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal, and tax requirements. Entheon's information technology systems, some of which are managed by third-parties, may be susceptible to damage, disruptions or shutdowns due to computer viruses, attacks by computer hackers, failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, telecommunication failures, user errors or catastrophic events. Although Entheon has developed systems and processes that are designed to protect proprietary or confidential information and prevent data loss and other security breaches, such measures cannot provide absolute security. If its systems are breached or suffer severe damage, disruption or shutdown and Entheon is unable to effectively resolve the issues in a timely manner, its business and operating results may significantly suffer and it may be subject to litigation, government enforcement actions or potential liability. Security breaches could also cause Entheon to incur significant remediation costs, result in product development delays, disrupt key business operations, and divert attention of management and key information technology resources.

#### **Litigation**

Entheon may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Entheon becomes involved be determined against Entheon such a decision could adversely affect Entheon's ability to continue operating and the market price for the Entheon Shares and could use significant resources. Even if Entheon is involved in litigation and wins, litigation can redirect significant company resources.

#### **Conflicts of interest**

Certain of the directors and officers of Entheon are 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 Entheon may become subject to conflicts of interest. The CBCA provides that in the event that a director or senior officer has a material interest in a transaction or agreement or proposed transaction or agreement that is material to an issuer, the director or senior officer must disclose his interest in such contract or agreement and a director must refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the CBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the CBCA. To the management of Entheon's knowledge, as at the date hereof there are

**ENTHEON BIOMEDICAL CORP.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended August 31, 2023 and 2022

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no existing conflicts of interest between Entheon and a director or officer of Entheon except as otherwise disclosed in the Listing Statement.

***Psychedelic Regulatory Risks and Risks of Violations of Law***

Psychedelic therapy is a new and emerging industry with ambiguous existing regulations and uncertainty as to future regulations. Certain psychedelics may be illegal substances other than when used for scientific or medical purposes. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. This industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Entheon's earnings and could make future capital investments or operations uneconomic. The psychedelic therapy industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Some of the Company's planned business activities, while believed to be compliant with applicable laws in the jurisdictions in which the Company operates, may be illegal or become illegal in such jurisdictions. If the Company's historical current or future operations were found to be in violations of any such laws the Company may be subject to enforcement actions in such jurisdictions including but not limited to penalties, including criminal and significant civil monetary penalties, damages, fines, imprisonment, exclusion from participation in government programs, injunctions, or refusal to allow the Company to enter into certain contracts, any of which could adversely affect the Company's ability to operate its business and its results of operation.

Local, provincial and federal laws and regulations governing psychedelics are broad in scope and subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violation of these laws or allegations of such violations could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effects such changes, when and if promulgated, could have on the Company's business.