

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Overview

This management discussion and analysis (“**MD&A**”) is in respect of the operations and financial condition of Optimi Health Corp. (“**Optimi**” or the “**Company**”) and is dated as of May 25, 2021 and describes the operating and financial results of the Company for the for the three and six month period ended March 31, 2021. The MD&A supplements, but does not form part of, the financial statements of the Company, and should be read in conjunction with the Company's condensed interim consolidated financial statements and related notes for the for the three and six months ended March 31, 2021. The Company prepares and files its financial statements in accordance with IFRS. The currency referred to in this MD&A is in Canadian Dollars.

Readers should also refer to the Company's long form prospectus dated February 12, 2021 and the Company's audited consolidated financial statements for the period from incorporation on May 27, 2020 to September 30, 2020.

Certain information included in the MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See “*Cautionary Statement Regarding Forward-Looking Statements*” for further detail.

### Overall Performance

During the period from incorporation on May 27, 2020 to September 30, 2020, the Company's activities focused on: (i) obtaining financing, (ii) developing a business plan for its functional mushroom growth and health food brand, (iii) securing a lease its Facilities located in Princeton, British Columbia (the “**Facilities**”), (iv) developing and protecting its brand intellectual property (“**IP**”), (v) building out the Facilities, and (vi) identifying third party suppliers and distribution partners for the production and sale of its products.

During the six months ended March 31, 2021 the Company's activities have been focused on: (i) Completing its initial public offering (“**IPO**”) to obtain a listing on the Canadian Securities Exchange (“**CSE**”), (ii) developing its functional mushroom growth and health food business, (iii) building out the Facilities, (iv) advancing its brand and reviewing IP strategies, (v) developing agreements with strategic partners related to the Company's psilocybin research and development initiatives, (vi) securing third party suppliers and distribution partners for the production and sale of its products, (vii) recruiting and onboarding key employees and consultants, and (viii) pursuing a Health Canada research exemption and dealer's license.

### Optimi Nutraceuticals

The Company is developing a vertically integrated nutraceutical brand that focuses on the health and wellness food markets. The Company is specifically targeting the functional mushroom segment of the nootropic space which it defines as natural health formulations derived from functional mushrooms, commonly referred to as medicinal mushrooms, which do not include any psychedelic compounds. The Company intends to cultivate, extract and process high quality strains of functional mushroom at its Facilities, to develop its own health food products and to sell its mushrooms and related products directly to consumers, to other health food brands and to distributors.

Optimi plans to commence distribution of its products in Canada through its e-commerce website platform in Q3, 2021. For the initial product release, until such time that the Facilities are completed and operational, the Company will be sourcing its functional mushroom raw materials from a third-party Canadian supplier.

### Optimi Labs Inc.

The Company is developing an IP strategy encompassing delivery mechanisms, extraction methods, isolation of chemical compounds, new formulations, testing and protocol regimens specific to mushroom based products. To expedite innovation, Optimi Labs Inc. works with both academic and strategic development partnerships.

Our focus is research into mushroom-derived psilocin/psilocybin which is designed to investigate the treatment of mental illness, addiction, and other health conditions if and as permitted by applicable laws, pursuant to a research exemption and/or dealer's license.

To accelerate our research prior to the receipt of a dealer's license, Optimi aims to commission several research and development projects related to psychedelic compounds. To this end, Optimi entered into an agreement with Numinus Wellness Inc. (“**Numinus**”) to provide certain psychedelic research, development, and testing services. Numinus holds

a Health Canada dealer's license and all activities proposed under the Company's arrangement with Numinus will be carried out by Numinus personnel at its facility in compliance with its dealer's license requirements. All resulting IP will be owned 100% by Optimi.

#### *Laboratory and Services Agreement*

During the period ended March 31, 2021, the Company entered into a Laboratory and Services Agreement with Numinus pursuant to which Numinus will provide certain psychedelic materials, testing, research and development services to the Company. The Company paid Numinus a retainer of \$100,000 and issued 150,000 common shares valued at \$112,500 recorded in research and development expense. In addition, the Company will issue to Numinus a further 150,000 common shares upon completion of the first project under a project agreement.

#### *Clinical Trials*

During the period ended March 31, 2021, the Company entered into a Master Consulting Agreement ("MCA") with UTI Limited Partnership ("**Innovate Calgary**"). Innovate Calgary is an incubator designed to provide consulting services that assists ventures in the life sciences or biomedical industries with: (a) reviewing, designing, planning and/or conducting clinical trial studies, (b) presenting data generated from clinical trial studies, and/or (c) seeking clinical trial-related services from third parties. Under the MCA and first Statement of Work, Innovate Calgary will design and carry out a clinical trial in respect of the potential health and wellness applications of the Company's psilocin/psilocybin products and proposed psilocin/psilocybin products, expected to be completed within one year.

#### **Optimi Farms**

The Company is currently constructing the Facilities which are two GMP-capable 10,000 sq ft. purpose-built cultivation and processing facilities in Princeton, BC. The building shells have been erected and installation of interior processing facilities, including state-of-the-art machinery and processing equipment commenced in January of 2021, with completion anticipated during the current fiscal year. Once complete, the Facilities will be used to grow functional mushroom varieties such as Lion's Mane, Reishi, Turkey Tail and Cordyceps to be used in the Company's nutraceutical products.

#### **Results of Operations**

##### Period Ended September 30, 2020

During the period from the date of incorporation on May 27, 2020 to September 30, 2020, the Company had no revenues and a net loss of \$169,221. The main factors that contributed to the loss in the fiscal period were consulting expenses of \$28,825, marketing expenses of \$82,019, and professional fees of \$35,129. Consulting expenses relate to services provided by management relating to the initial organization of the Company and the procurement of land for its Facilities. Marketing expenses relate to the design of the website and logo, the e-commerce store logos, and brandings, as well as social media marketing services. Professional fees consist of legal and audit fees.

##### Period Ended March 31, 2021

During the six months ended March 31, 2021, the Company had no revenues and a net loss of \$1,042,508. The main factors that contributed to the loss in the fiscal period were consulting expenses of \$141,587, listing expense of \$241,500, professional fees of \$155,296, research and development expense of \$135,248 and share based compensation expenses of \$132,500.

Consulting expenses relate to services provided by management and consultants relating to the development and administration of the Company and the management of construction at the Facilities. Listing expense relates to legal, regulatory, and consulting fees associated with the Company's IPO. Research and development expense relates to research performed on psilocybin mushrooms. Share based compensation expenses relate to the vesting of incentive stock options and RSRs granted during the period.

As at March 31, 2021, the Company has incurred \$3,857,573 in construction expenditures on its facility.

Subsequent to March 31, 2021, the Company:

- Issued 118,000 common shares for gross proceeds of \$47,200 on exercise of warrants.
- Granted 2,175,000 stock options with an exercise price of \$1.50 per option with a term of five years. These options vested 25% on the grant date and 25% every six months thereafter.

- Granted 927,500 RSRs which vest and convert into common shares for no additional consideration. These RSRs vest 10% on the grant date and 15% every six months thereafter.
- Issued 50,000 common shares for advisory services.
- Paid deposits of \$1,282,678 towards marketing and investor awareness campaigns.

The Company's use of the proceeds raised in connection with IPO is consistent with the use of proceeds set forth in the Company's long form prospectus dated February 12, 2021.

### Selected Financial Information

The following table sets forth selected financial information with respect to the Company's financial statements for the period from incorporation on May 27, 2020 to September 30, 2020, and for the three months periods ended December 31, 2020 and March 31, 2021.

	Period from incorporation on May 27, 2020 to September 30, 2020 (Audited) (\$)	Three months ended December 31, 2020 (Audited) (\$)	Three months ended March 31, 2021 (Unaudited) (\$)
Revenue	-	-	-
Expenses	169,221	280,009	762,504
<b>Net loss</b>	(169,221)	(280,009)	(762,501)
Loss per share (basic and diluted)	(0.01)	(0.01)	(0.02)

### Statement of Financial Position

Assets			
Current Assets	4,622,289	3,129,030	21,186,628
Non-Current Assets	1,547,996	2,557,534	3,988,740
<b>Total Assets</b>	6,170,285	5,686,564	25,175,368
Liabilities			
Current Liabilities	751,775	468,769	151,063
Non-Current Liabilities	130,890	123,602	116,130
<b>Total Liabilities</b>	882,665	592,371	267,193
Shareholders' Equity	5,287,620	5,094,193	24,908,175
<b>Total Liabilities and Shareholders' Equity</b>	6,170,285	5,686,564	25,175,368

### Additional Disclosure for Venture Issuers Without Significant Revenues

The following table sets out a breakdown of all material components of expenses of the Company for the period from incorporation on May 27, 2020 to September 30, 2020 and for the three-month periods ended December 31, 2020 and March 31, 2021.

	Period from Incorporation on May 27, 2020 to September 30, 2020 (Audited)	Three months ended December 31, 2020 (Audited)	Three months ended March 31, 2021 (Un-audited)
<b>Expenses</b>			
Amortization	\$5,425	\$7,716	\$7,716
Bank charges and interest	2,655	3,919	4,003
Consulting	28,825	57,121	84,466
Insurance	-	-	60,731
Listing expense	-	-	241,500
Marketing	82,019	17,300	65,759
Office, rent and administration	15,168	10,172	13,780
Professional fees	35,129	58,805	96,491
Research and development	-	-	135,248
Share-based compensation	-	103,219	29,281
Transfer agent and filing fees	-	21,757	23,526
<b>Total</b>	<b>\$ 169,221</b>	<b>\$ 280,009</b>	<b>\$ 762,501</b>

### Liquidity and Capital Resources

As at March 31, 2021, the Company had a working capital surplus of \$21,035,565.

The Company had negative cash flow of \$1,476,145 from operating activities during the period ended March 31, 2021 and has not generated any revenues since incorporation. The Company expects to start generating revenue through sales of its nutraceutical products in the second quarter of this year. During the period ended March 31, 2021, the Company spent \$1,924,823 in construction expenditures on its Facilities. The Company successfully completed its IPO in February 2021 and raised \$19,098,063 net of share issue costs and finders' fees; in addition, the Company raised \$167,200 through exercise of warrants as of the date of this MD&A.

The Company's future capital requirements will depend upon many factors including, without limitation, the completion of its Facilities, its ability to produce, market and sell its products, consumer demand for its products, the Company's ability to secure required financing, and in the event consumer demand is strong for its products, the Company's ability to expand its business to facilitate this demand. The Company has limited capital resources and has historically relied upon the sale of equity securities for cash required for research and development purposes, for acquisitions and to fund the administration of the Company. The Company intends to generate cash flow from sales of its nutraceutical products during the upcoming quarter; however, there is no assurance that this revenue will be sufficient to fund operations. The Company may need to rely upon the sales of its equity and debt securities to raise capital, which would result in further dilution to the shareholders. There is no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any time or for any period and that such financing can be obtained on terms satisfactory to the Company or at all.

### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Key Management Compensation and Related Party Transactions

During the period of incorporation to September 30, 2020 and the six-month period ended March 31, 2021, the Company incurred the following amounts charged by officers and directors (being key management personnel) and companies controlled and/or owned by officers and directors of the Company in addition to the related party transactions disclosed elsewhere in this MD&A:

	September 30, 2020	March 31, 2021
Consulting fees	-	\$ 44,016
Share-based compensation	-	124,013
	\$ -	\$ 168,029

During the period ended September 30, 2020, the Company signed a Project Development Consulting agreement with BC Green Pharmaceuticals Inc. ("BC Green"), a company related by a common director and common officers. During the period ended March 31, 2021, the Company granted BC Green 3,000,000 common shares as consideration for consulting services related to the construction of the Princeton Facilities. 1,500,000 common shares were issuable when the Company received its building permits for the Princeton Facilities and an additional 1,500,000 common shares were issuable upon the Company being granted an exemption to conduct commercial production, processing, manufacturing, distribution and sales activities with one or more controlled substances under the *Controlled Drugs and Substances Act* (Canada).

The Company has entered into a lease agreement with BC Green described in Note 5 of the condensed interim consolidated financial statements.

As at March 31, 2021, there was \$1,336 (September 30, 2020 - \$4,000) owing to key management which is included in accounts payable and accrued liabilities. The amounts are unsecured, without interest and due on demand.

### Proposed Transactions

The Company has no proposed transactions.

### Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the year. Actual results may differ from these estimates.

Significant estimates and judgments are evaluations and assumptions about the future and other sources of estimation uncertainty that management has made, which could result in a material adjustment to the carrying amounts of assets and liabilities. Significant estimates and judgments used in the preparation of these consolidated financial statements include, but are not limited to, the following:

#### ***Going concern***

The assessment of whether the concern assumption is appropriate requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

#### ***Provisions and contingencies***

The amount recognized as a provision, including legal, contractual, constructive, and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available.

### ***Impairment of plants under construction***

Management considers both external and internal sources of information in determining if there are any indications that the Company's plant under construction are impaired. Management considers the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its plant under construction. Management considers the manner in which the plants under construction are being used or are expected to be used an indication of economic performance of the assets.

### ***Valuation of share-based payments***

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

### **Changes in Accounting Policies**

There have been no changes to accounting policies during the period ended March 31, 2021.

### **Financial Instruments**

#### **a) Categories of financial instruments**

The classification of the financial instruments as well as their carrying values is shown below:

#### ***Fair value***

The fair value recorded on initial recognition of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers the carrying amounts of all its financial assets and financial liabilities recognized at amortized cost in these consolidated financial statements to approximate their fair values due to the short-term maturity of these instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, cash held in trust, accounts payable and accrued liabilities and lease liability. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments.

#### **b) Management of financial risks**

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of these risks. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

#### ***Interest rate risk***

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be limited as it holds no assets or liabilities subject to variable rates of interest.

### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The financial instruments that potentially subjects the Company to credit risk consists of cash, and cash held in trust. The Company limits exposure by maintaining its cash with major Canadian commercial banks.

### ***Liquidity risk***

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company is reliant upon equity issuances and loans as its main sources of cash. The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company continuously reviews its actual expenditures, forecasts cash flows, and matches the maturity dates of its cash to capital and operating needs. All of the Company's existing commitments are budgeted and funded as at the date of the financial statements. All financial liabilities have contractual maturities of less than one year and are subject to normal trade terms with the exception of the Company's lease liability which matures based on the lease agreement.

### ***Currency risk***

The Company is not exposed to financial risk related to the fluctuation of foreign exchange rates.

The Company's financial instruments consist of cash, cash held in trust, accounts payable and accrued liabilities, and lease liability. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise stated.

### **Disclosure of Outstanding Security Data**

The Company has one class of shares outstanding, being common shares. As of the date of this MD&A, 69,231,006 common shares were issued and outstanding. The Company also has 41,345,005 share purchase warrants, 1,377,500 RSRs, 1,932,000 agent options and 2,715,000 stock options outstanding.

### **Cautionary Statement About Forward-Looking Statements**

Certain statements in this MD&A, constitute "forward-looking information" or "forward looking statements" (collectively, "forward looking statements") within the meaning of applicable Canadian securities laws and are based on assumptions, expectations, estimates and projections as of the date of this MD&A. Forward-looking statements include statements with respect to projected growth rates, targets, plans, the Company's future growth, results of operations, performance and business prospects and opportunities. The words "plans", "expects", "projected", "estimated", "forecasts", "anticipates", "intend", "guidance", "outlook", "potential", "prospects", "seek", "aim", "strategy", "targets" or "believes", or variations of such words and phrases or statements that certain future conditions, actions, events or results "will", "may", "could", "would", "should", "might" or "can", or negative versions thereof, "occur", "continue" or "be achieved", and other similar expressions, identify forward-looking statements. Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by the Company as of the date of such statements, are outside of the Company's control and are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being entirely or partially incorrect or untrue. Forward looking statements contained in this MD&A are based on various assumptions, including, but not limited to the following: the Company's ability to achieve its growth strategy; the demand for the Company's products and fluctuations in future revenues; sufficiency of current working capital to support future operating and working capital requirements; the stability of general economic and market conditions; currency exchange rates and interest rates; equity and debt markets continuing to provide the Company with access to capital; the Company's ability to comply with applicable laws and regulations; and the Company's continued compliance with third party IP rights.

By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections, or conclusions will not prove to be accurate, that assumptions may not be correct, and that objectives, strategic goals and priorities will not be achieved.

Known and unknown risk factors, many of which are beyond the control of the Company, could cause the actual results of the Company to differ materially from the results, performance, achievements, or developments expressed or implied by such forward-looking statements. Such risk factors include but are not limited to those factors which are discussed

in the Company's long form prospectus dated February 12, 2021, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com). The risk factors are not intended to represent a complete list of the factors that could affect the Company and the reader is cautioned to consider these and other factors, uncertainties, and potential events carefully and not to put undue reliance on forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. 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, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law. All the forward-looking statements contained in this MD&A are qualified by these cautionary statements.

**Other Information**

Additional information relating to the Company is available for viewing on the Company's web site at [www.optimihealth.ca](http://www.optimihealth.ca).