OPTIMI HEALTH CORP.

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 December 12, 2022 and describes the operating and financial results of the Company for the year ended September 30, 2022. The MD&A supplements, but does not form part of, the consolidated financial statements of the Company, and should be read in conjunction with the Company's consolidated financial statements and related notes for the year ended September 30, 2022. The Company prepares and files its consolidated 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 short form base shelf prospectus dated August 13, 2021, its annual information form dated January 12, 2022, and the Company's audited consolidated financial statements for the years ended September 30, 2022 and 2021.

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 year ended September 30, 2022 and up to the date of this MD&A, the Company has (i) substantially completed construction of its two mushroom cultivation facilities in Princeton, BC ("the Facilities"), (ii) commenced growing of natural GMP-grade psilocybin mushrooms at the Facilities (iii) launched its functional mushroom nutraceutical brand, (iv) developed agreements with strategic partners related to the Company's psilocybin research and development initiatives, (v) received a Controlled Substances Dealers License ("Dealer License") which will allow the Company to possess, produce, assemble, sell, and deliver psilocybin and other psychedelic substances within the regulated framework set forth by Health Canada, (vi) advanced its brand, reviewed IP strategies, and filed for patents, (vi) expanded its team by further recruiting and onboarding key employees and consultants, (vii) completed an uplist from the OTCQB to the OTCQX for its US listed securities, (viii) furthered the expansion of its on-site analytical laboratory, (iv), completed its first grow of psilocybin mushrooms and scaled up its production to ensure quality, (x) signed multiple supply agreements for psilocybin and functional mushrooms, (xi) obtained an amendment to its Health Canada license allowing the Company to manufacture and distribute additional psychedelic substances, most notably MDMA, and (xii) announced Canada's first natural psilocybin product aimed to supply patients approved by Health Canada's Special Access Program, (xiii) launched Canada's first therapeutical psilocybin product "Blue Serenity" for approved patients including psilocybin therapy advocate Thomas Hartle, (xiv) entered into a Phase 1 natural psilocybin and MDMA clinical trial with ATMA Journey centres, (xv) closed a strategic private placement for gross proceeds of $1,850,000.

Optimi Nutraceuticals

The Company has developed 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. Currently, the Company is sourcing mushroom raw materials from third parties and has commenced cultivation of a variety of functional strains. The Company is currently in the research and development phase of its functional mushroom cultivation. . The Company has obtained the required product licenses called Natural Product Number (NPN) as assessed by the Natural and Non-Prescription Health Product Directorate (NNHPD) of Health Canada.

The Company has commenced selling its products in Canada through its e-commerce website platform (www. optimilife.com). As of the date of this MD&A, the Company has generated revenue of $129,040 through the sale of its Nutraceuticals products.

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, led by Chief Science Officer, Justin Kirkland.

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 and regulations, pursuant to the research exemption and/or Dealer's License that Optimi holds.

<u>During the year ended September 30, 2022:</u>

The Company received the Dealer's License as described above. The Dealer's license allows the Company to possess up to 10kg of psilocybin and 100g of psilocin (which is estimated to be equal to approximately 5,000kg of dried full-body psilocybin-producing mushrooms).

The Company filed a patent pertaining to a breakthrough process that facilitates the extraction of the natural products Psilocybin and Psilocin from mushrooms at higher yields than previously expected.

In addition, the Company was approved by Health Canada as an approved supplier under the Special Access Program ("the SAP"). The SAP allows qualified medical practitioners to request access to Schedule 3 controlled substances such as psilocybin or MDMA on a case-by-case emergency basis. The Company intends to supply psilocybin to patients in need under the SAP.

Lastly, the Company completed the purchase of research and development as well as analytical instrumentation which is poised to dramatically ramp up in-house productivity. Upon final approval by the onsite quality assurance team, Optimi will be able to provide assays to include potency testing by high-performance liquid chromatography including a diode array detector that allows for measuring multiple substance at multiple wavelengths (or components) simultaneously. Additional study capability includes potency, stability and identity testing utilizing thin layer chromatography, ultraviolet-visible spectroscopy, and mass spectrometry. The laboratory now provides an advanced ability to test for heavy metals and elemental impurities in compliance with guidelines put forth by the FDA, USP and ICH organizations to protect patients from the risks associated with heavy metal contaminants.

Clinical Trials

During the year ended September 30, 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.

During the year ended September 30, 2021, the Company received permission from Health Canada to submit formal application for its phase I dosing study and expects to commence clinical trials in 2023. During the period ended September 30, 2022, the Company reported that Dr. Valerie Taylor, MD, PhD, was appointed as principal investigator on behalf of Innovate Calgary for the proposed phase I psilocybin clinical dosing study.

During the year ended September 30, 2022, the Company entered into a Phase 1 natural psilocybin and MDMA clinical trial partnership with ATMA Journey Centres.

Optimi Farms

The Company has completed the construction of the Facilities which are two GMP-compliant 10,000 sq ft. purpose-built mushroom cultivation and processing facilities in Princeton, BC. On May 27, 2022, the Company held its grand opening of the Facilities located at 261 and 269 David Brown Way ("269").

During the year ended September 30, 2022, the Company hired its head grower and commenced cultivation of psilocybin and psilocin mushrooms at 269. 269 will be used for the cultivation, processing, extraction, research and distribution of psilocybin, psilocin, and other psychedelic substances approved by Health Canada in the Company's amended licence. Once operational, 261 David Brown Way will be equipped to grow functional mushroom varieties

such as Lion's Mane, Reishi, Turkey Tail and Cordyceps which could be used in the Company's nutraceutical products. During the year ended September 30, 2022, the Company completed multiple successful harvests of psilocybin mushrooms at 269.

The Facilities will also be equipped with state-of-the-art laboratory equipment as described above. In addition to testing its own products, the Company plans to use this equipment to perform laboratory services for third party customers resulting in an additional revenue stream.

Results of Operations

Year Ended September 30, 2022

During the year ended September 30, 2022, the Company had revenue of $80,717, interest income of $66,943 and a net loss of $7,350,828. The main factors that contributed to the loss in the fiscal period were marketing expenses of $1,581,571, share-based compensation of $1,005,114, investor relations of $321,949, wages and benefits of $1,370,591, and consulting expenses of $794,950.

During the three months ended September 30, 2022, the Company had revenue of $42,735, interest income of $18,888 and a net loss of $1,670,272. The main factors that contributed to the loss in the fiscal period were consulting expenses of $154,336, marketing expenses of $223,612, share-based compensation of $141,358, and wages and benefits of $326,122.

Marketing expenses are services provided by third parties to help increase exposure of the Company to potential financial investors and bring attention to its numerous initiatives as outlined above. Share-based compensation expenses relate to the vesting of incentive stock options and RSRs. Investor relation expenses relate to services provided by third parties for communication with existing and potential shareholders. Wages and benefits relate to amounts paid to employees and 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.

As at September 30, 2022, the Company has incurred $13,303,489 in construction expenditures on the Facilities of which $1,200,000 were incurred through the issuance of common shares for construction consulting services.

Subsequent to September 30, 2022, the Company:

- Issued 5,692,308 units pursuant to a private placement at a unit price of $0.325 per unit. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at a price of $0.50 for a period of two years. The common shares issued on exercise of warrants are subject to a statutory hold period of four months.
- Issued 139,125 common shares on vesting of RSRs

Year Ended September 30, 2021

During the year ended September 30, 2021, the Company had no revenues (except interest income of $55,038) and expenses of $6,074,567. The more significant expenses in this fiscal year included investor relations of $613,840, marketing expenses of $1,822,679, consulting expenses of $604,639, professional fees of $402,219, research and development expense of $240,924 and share based compensation expenses of $1,260,618.

Investor relation expenses relate to services provided by third parties for communication with existing and potential shareholders. Marketing expenses are services provided by third parties to help increase exposure of the Company to potential financial investors and bring attention to its numerous initiatives as outlined above. 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. Professional fees relate to legal fees related to the Company's prospectus filings, patent work and general corporate matters, and auditor fees related to the audit and review of the Company's financial statements and prospects filings. 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 year.

As at September 30, 2021, the Company has incurred $8,586,465 in capitalized construction expenditures on the Facilities of which $1,200,000 were incurred through the issuance of common shares.

Selected Financial Information

The following table sets forth selected financial information with respect to the Company's consolidated financial statements for the years ended September 30, 2022, and 2021.

	Year ended September 30, 2022	**Year ended September 30, 2021**
Operations:		
Revenue	$80,717	–
Expenses	$7,471,689	$6,074,567
Interest income	$66,943	$55,038
Loss and comprehensive loss	($7,350,828)	($6,019,529)
Loss per share (basic and diluted)	($0.09)	($0.12)
Assets:		
Current Assets	$2,427,526	$14,302,204
Non-Current Assets	$14,390,245	$9,161,203
Total Assets	$16,817,771	$23,463,407
Liabilities:		
Current Liabilities	$728,180	$2,239,904
Non-Current Liabilities	$69,485	$155,483
Total Liabilities	$797,665	$2,395,387
Shareholders' Equity	$16,020,106	$21,068,020
Total Liabilities and Shareholders' Equity	$16,817,771	$23,463,407

Selected of Quarterly Results

Quarter	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Loss for the period	$1,319,271	$1,338,939	$1,752,509	$2,940,109
Loss per share	$(0.02)	$(0.02)	$(0.02)	$(0.04)
Total assets	$16,817,771	$18,631,925	$18,726,251	$19,817,147
Total liabilities	$797,665	$1,667,805	$1,623,302	$1,277,444

Quarter	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Loss for the period	$2,807,935	$2,169,084	$762,501	$280,009
Loss per share	$(0.04)	$(0.03)	$(0.01)	$(0.01)
Total assets	$23,463,407	$24,224,462	$25,175,368	$5,686,564
Total liabilities	$2,395,387	$798,127	$267,193	$592,371

Liquidity and Capital Resources

As at September 30, 2022, the Company had a working capital surplus of $1,699,346.

The Company had negative cash flow of $4,579,541 from operating activities during the year September 30, 2022. During the year ended September 30, 2022, the Company spent $6,251,470 construction expenditures on its Facilities and $604,406 in equipment additions. During the year ended September 30, 2022, the Company raised $1,297,800 in proceeds through exercise of warrants.

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 year ended September 30, 2022, 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 these financial statements:

	September 30, 2022	September 30, 2021
	$	$
Consulting fees	263,000	209,516
Share-based compensation	750,270	932,174
Wages and benefits	500,000	172,255
	1,513,270	**1,313,945**

The Company has entered into a lease agreement with BC Green described in Note 8.

As at September 30, 2022, there was $84,051 (2021 - $35,796) 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

On August 17, 2021, the Company filed a final short form prospectus on SEDAR.com to raise proceeds of up to $100,000,000 through issuance of common shares, warrants, subscriptions receipts or units. As of the date of this MD&A, no proceeds have been raised through the shelf prospectus.

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 take into account 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 plant 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 fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models such as the Geske option pricing model for equity instruments involving compound options that incorporate market data and involve uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate. The Company estimates volatility based on historical share price of comparable companies, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility.

Changes in Accounting Policies

There have been no changes to accounting policies during the year ended September 30, 2022.

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 and cash equivalents, short-term investments, 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 and credit unions.

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, 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, 86,774,316 common shares were issued and outstanding. The Company also has 16,646,154 share purchase warrants, 642,375 RSRs, 1,932,000 agent options and 3,847,500 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. 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 sites at www.optimihealth.ca and www.optimilife.com.