OPTIMI HEALTH CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

This management's 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 August 18, 2023 and describes the operating and financial results of the Company for the period ended June 30, 2023. The MD&A supplements, but does not form part of, the condensed interim consolidated 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 period ended June 30, 2023. The Company prepares and files its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("**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 period ended June 30, 2023 and up to the date of this MD&A, the Company has (i) completed a strategic non-brokered private placement for gross proceeds of $1,850,000 with Wilson Capital, the private equity division of Chip Wilson's family office, (ii) successfully commenced sales of its Nutraceutical products on Amazon.ca, (iii) engaged M2 Brand Management as a retail sales broker for its Nutraceuticals products, (iv) successfully produced the first batch of its novel MDMA drug candidate OPTI-MHCL for R&D purposes, (v) signed a psilocybin and MDMA supply agreement of encapsulated product for gross proceeds of up to $900,000, (vi) signed a psilocybin supply agreement to supply psilocybin extract and clinical trial product for gross proceeds of $1,200,000, (vii) received a Natural Health Product site licence by Health Canada to produce and supply for clinical research and controlled patient markets, psychedelic substances such as MDMA, natural GMP-grade psilocybin, along with natural health product formulations, (vii) entered into an agreement with Numinus Wellness Inc. ("Numinus") to supply Numinus' with MDMA for its clinical trial training partnership with the Multidisciplinary Association for Psychedelic Studies ("MAPS"), (viii) completed and filed a patent for a proprietary extraction process to extract psilocybin from mushrooms, without relying on synthetic production, which increases the potency of the extraction and maintains the mushrooms botanical characteristics, (ix) announced up to $3,000,000 in senior debt financing with an interest rate of 7.5% with a term of three years ($1,000,000 received as of the date of this MD&A).

Optimi Nutraceuticals

The Company has developed a 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 manufacture 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 for future product consideration. 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) and Amazon.ca. Further, the Company has expanded its sales channels through partnerships with a National Distributor (Purity Life), a National Broker (M2) and various independent health and wellness retail stores.

Optimi Labs Inc.

The Company is developing an IP strategy encompassing delivery mechanisms, extraction methods, isolation of synthetic 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. The Company is additionally researching and producing an MDMA formulation that could be used in clinical studies for PTSD and other applications.

The Company holds a Controlled Substances Dealer's License ("Dealer License") which allows the Company to possess, produce, assemble, sell, and deliver psilocybin and other psychedelic substances within the regulated framework set forth by Health Canada . The Dealer's license allows the Company to possess up to 20kg of psilocybin and 200g of psilocin (which is estimated to be equal to approximately 2000kg of dried full-body psilocybin-containing mushrooms), and for 2 kg of MDMA. The Company has submitted and received approval for an additional 16 psychedelic substances providing opportunity for Optimi to pursue research opportunities and clinical trial supply as opportunities arise.

The Company has 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 listed 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 and MD&A to patients in need under the SAP.

Lastly, the Company has completed the purchase of research and development as well as analytical instrumentation which is poised to dramatically ramp up in-house productivity. Optimi will be able to produce 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.

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 (the "**Facilities**"). On May 27, 2022, the Company held its grand opening of the Facilities located at 261 and 269 David Brown Way.

The Facilities are being used for cultivation, processing, extraction, research and distribution of psilocybin, psilocin, and other psychedelic substances approved by Health Canada in the Company's amended licence.

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

<u>Period Ended June 30, 2023</u>

During the 6-month period ended June 30, 2023, the Company had revenue of $161,162, interest and other income of $129,567 and a net loss of $3,870,578. The main factors that contributed to the loss in the fiscal period were amortization expense of $664,076, consulting of $539,229 and wages and benefits of $1,190,132.

Amortization expense relates to the natural deterioration of plant and equipment due to the passage of time. 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 June 30, 2023, the Company has incurred $14,849,984 in construction expenditures on the Facilities and equipment of which $1,200,000 were incurred through the issuance of common shares for construction consulting services.

During the period ended June 30, 2023, the Company received a deposit of $112,500 pursuant to a supply agreement for gross proceeds of $450,000. The purchaser has the option to purchase additional products for proceeds of up to $450,000. As the Company does not plan to deliver these products until subsequent periods, the deposit is classified as deferred revenue.

During the period ended June 30, 2023, the Company received a deposit of $365,966 (USD$270,000) pursuant to a supply agreement. Subsequent to the period ended June 30, 2023, the Company received a termination notice from this customer. The Company has not accrued any additional expenses associated with this agreement as the Company believes the customer's claims for termination of said agreement are without merit.

Period Ended June 30, 2022

During the nine months ended June 30, 2022, the Company had revenue of $37,982, interest income of $48,055 and a net loss of $5,680,556. The main factors that contributed to the loss in the fiscal period were marketing expenses of $1,357,959, share-based compensation of $863,756, investor relations of $317,949, wages and benefits of $1,044,469, and consulting expenses of $640,614.

During the three months ended June 30, 2022, the Company had revenue of $37,982, interest income of $11,931 and a net loss of $1,338,939. The main factors that contributed to the loss in the fiscal period were consulting expenses of $291,268, share-based compensation of $179,609, and transfer agent and filing fee of $392,270.

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 restricted share rights (**"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. Transfer agent and filing fees are fees related to maintaining the Company's listings on public stock exchanges.

As at June 30, 2022, the Company has incurred $13,090,249 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 June 30, 2023, the Company:

- Announced senior debt financing of $3,000,000 with an interest rate of 7.5% and a term of three years. As of the date of the financial statements $1,000,000 in proceeds have been received from a company controlled by JJ Wilson, Chairman. In connection with this financing, the Company issued 100,000 common share purchase warrants with an exercise price of $0.50 and a term of three years.

Selected Financial Information

The following table sets forth selected financial information with respect to the Company's condensed interim consolidated financial statements for the periods ended June 30, 2023, and 2022.

	Period ended June 30, 2023	**Period ended June 30, 2022**
Operations:		
Revenue	$161,162	$37,982
Expenses	$4,050,602	$5,759,376
Interest and other income	$129,567	$48,055
Loss and comprehensive loss	($3,870,578)	($5,680,556)
Loss per share (basic and diluted)	($0.05)	($0.08)
Assets:		
Current Assets	$1,149,257	$4,480,931
Non-Current Assets	$14,141,990	$14,150,993
Total Assets	$15,291,247	$18,631,925
Liabilities:		
Current Liabilities	$1,116,728	$1,589,701
Non-Current Liabilities	$42,303	$78,104
Total Liabilities	$1,159,031	$1,667,805

Shareholders' Equity	$14,132,216	$16,964,120
Total Liabilities and Shareholders' Equity	$15,291,247	$18,631,924

Selected of Quarterly Results

Quarter	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Loss for the period	$1,506,022	$1,215,241	$1,195,059	$1,319,271
Loss per share	$(0.02)	$(0.01)	$(0.01)	$(0.02)
Total assets	$15,291,247	$16,365,028	$17,368,052	$16,817,771
Total liabilities	$1,159,031	$751,645	$618,386	$797,665
Quarter	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Loss for the period	$1,338,939	$1,752,509	$2,940,109	$2,807,935
Loss per share	$(0.02)	$(0.02)	$(0.04)	$(0.04)
Total assets	$18,631,925	$18,726,251	$19,817,147	$23,463,407
Total liabilities	$1,667,805	$1,623,302	$1,277,444	$2,395,387

Liquidity and Capital Resources

As at June 30, 2023, the Company had a working capital surplus of $32,529.

The Company had negative cash flow of $2,648,228 from operating activities during the period ended June 30, 2023. During the period ended June 30, 2023, the Company spent $114,180 construction expenditures on its Facilities and $333,478 in equipment additions and received proceeds of $15,000 in equipment disposals. During the period ended June 30, 2023, the Company raised $1,850,000 in gross proceeds through a strategic private placement.

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 9-month period ended June 30, 2023, 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 condensed interim consolidated financial statements:

	June 30, 2023 $	June 30, 2022 $
Consulting fees	165,500	148,500
Share-based compensation	122,409	507,525
Wages and benefits	375,000	250,000
	662,909	**906,025**

The Company has entered into a lease agreement with BC Green, a related party to the Company.

As at June 30, 2023, there was $227,714 (2022 - $33,140) 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 inventory

Inventories are valued at the lower of cost and net realizable value. Inventory is accounted for using the weighted average purchase cost of the components that comprise finished goods inventory. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

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 period ended June 30, 2023.

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, trade receivables, accounts payable and accrued liabilities, deferred revenue, and lease liability. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, deferred revenue approximate their carrying values due to the short-term nature of these instruments. The fair value of the least liability was determined using level 2 inputs.

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.

Commitments

The Company has lease commitments for the Facilities. Cash commitments for minimum lease payments in relation to the facility leases as at June 30, 2023, are payable as follows:

	$
Within 1 year	35,801
Between 1 year and 5 years	42,303
	78,104

Disclosure of Outstanding Security Data

The Company has one class of shares outstanding, being common shares. As of the date of this MD&A, 87,038,441 common shares were issued and outstanding. The Company also has 2,946,154 share purchase warrants, 278,250 RSRs, and 3,950,000 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. 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.