# MYDECINE INNOVATIONS GROUP INC.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(Expressed in Canadian dollars)

This management's discussion and analysis provides an analysis of our financial status which will enable the reader to evaluate important variations in our financial situation for the three months ended March 31, 2022, compared to the three months ended March 31, 2021. This report prepared as at May 16, 2022 intends to complement and supplement our unaudited condensed interim consolidated financial statements (the "financial statements") as at March 31, 2022 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the accompanying notes. Our consolidated financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our consolidated financial situation.

Our consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this Management Discussion and Analysis ("MD&A") are expressed in Canadian dollars, unless otherwise specified.

Where we say "we", "us", "our", the "Company" or "Mydecine", we mean Mydecine Innovations Group Inc. and/or its subsidiaries, as it may apply.

Additional information, including news releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and is available under the Company's profile at www.sedar.com or the Company's website https://www.mydecine.com/

## ***FORWARD LOOKING STATEMENTS***

*This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued development of our real estate holdings, among others, including those identified in the Risk Factors section. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions.*

*Readers are cautioned that these forward-looking statements are neither promises nor guarantees, and are subject to risks and uncertainties that may cause future results to differ materially from those expected including, but not limited to*

- *Fluctuations in the fair market value of land;*
- *Demand for CBD products and cannabis related derivatives;*
- *Expected number of users of CBD products and CBD related derivatives in the United States;*
- *Product sales expectations and corresponding forecasted increases in revenues;*
- *Successful marketing and promotion of We are Kure's lifestyle brand and products;*
- *The Company's expectations regarding the adoption and impact of certain accounting pronouncement's;*
- *The availability of financing needed to complete the Company's planned improvements on commercially reasonable terms;*
- *Federal status that may contradict local and state legislation respecting legalized marijuana;*
- *The Company's expectations with respect to the Company's future financial and operating performance;*
- *The Company's expectations with respect to future performance, results and terms of strategic initiatives, strategic agreements and supply agreements.*
- *The Company's expectation on receiving regulatory approval to develop and market psychedelic medicine including but not limited to psilocybin and derivatives of psilocybin; and,*
- *Federal status that may contradict local and state legislation respecting the legal status of psychedelic medicine including but not limited to psilocybin and derivatives of psilocybin;*

*These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf except as may be required by securities laws.*

## BACKGROUND

Mydecine Innovations Group Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on September 27, 2013, under the name 0981624 B.C. Ltd. On May 27, 2020 the Company changed its name to Mydecine Innovations Group Inc. The Company's common shares trade on the NEO exchange (NEO: MYCO), OTC exchange (OTC:MYCOF) and on the Frankfurt stock exchange (FSE:0NFA). The Company's principal activities are research, drug development, clinical trials of Psilocybin products internationally, and a telehealth application through its subsidiary Mindleap Health. The registered address, head office, principal address and records office of the Company are located at Suite 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

## EXECUTIVE HIGHLIGHTS

In 2022, Mydecine continued to define its focus and clinical trial execution strategy. The company reached several milestones with the goal to become an efficiently operated biotechnology company. During the year of 2021, the company managed to spin out its cannabis assets in order to dedicate resources toward continuing to drive core initiatives toward successful completion. Of significant note, Mydecine announced several advancements in drug development including first- and second-generation drug candidates. We have identified and pursued the indications that management believes will be most promising from the view of treating global populations in need. The company has matured significantly in every aspect of its operations, focus, efficiencies, corporate governance and execution in the pursuit of being a world class, purpose driven, drug development platform that is focused, credible and qualified to successfully accomplish its goals and bring significant value to its loyal shareholders.

On March 31, 2022, the Company conducted a Common Share Subscription Agreement (the "Subscription Agreement") with a third-party investor (the "Investor") for 70,547 common shares in the capital of the Company ("Shares") at a price of $4.73 per Share for aggregate gross proceeds of $366,667. The Company paid finder's fees of $43,334 and professional costs of $67,545. The distribution of the Shares is qualified by the Prospectus Supplement.

On January 22, 2021, the Company was included in the Psychedelics Exchanged Traded Fund (ETF). This ETF includes 17 companies in both US and Canada under ticker PSYK on the Neo Exchange. This helps establish legal authority to invest and trade in cutting edge companies like Mydecine.

January 27, 2021, the Company filed an application to list its common shares on the NASDAQ stock exchange. The application is subject to NASDAQ approvals and the Company's shares will continue to trade on NEO, FSX and OTC. As of March 31, 2022, the Company continues to proceed through the application process of NASDAQ.

On February 1, 2021, the company received conditional approval to list on NEO Exchange and started to trade on the NEO exchange on March 30, 2021.

On February 24, 2021, the company entered into an Exclusive Partnership with Applied Pharmaceutical Innovation (API) at the University of Alberta which increased research capabilities and the utilization or artificial intelligence (AI).

On March 16, 2021, the Company appointed Michel Rudolphie as President of European Operations.

On April 7, 2021, the company announced Four Lead Novel Drug Candidates (MYCO-001, MYCO-002, MYCO- 003, MYCO-0004) and prepared for pre-IND meetings with the FDA and Health Canada to prepare for human Clinical Trials.

On July 13, 2021, Mydecine Innovations Group launched the Mindleap Version 2.0.

**EXECUTIVE HIGHLIGHTS (continued)**

On August 18, 2021, the company signed a five-year Master Collaboration Research Agreement with Johns Hopkins University School of Medicine.

On December 10, 2021, Mydecine closed a non-brokered private placement of a convertible secured subordinated debenture (the "Debenture") in the principal amount of $5.5 million CAD, which was issued to an existing shareholder of the Company.

On December 22, 2021, Mydecine signed an LOI with Maya to co-develop a Novel Prescription Digital Therapeutic platform aiming to further increase safety, efficacy, and accessibility of psychedelic assisted treatments.

**STRATEGIC PLANNING**

Spin-out of US cannabis subsidiaries and investments

On October 1, 2021, the Company completed the spin-out of all its cannabis subsidiaries and investments to ALT House Cannabis Inc. ("ALT House") pursuant to the amended and restated arrangement agreement ("Arrangement Agreement") between the Company and ALT House. The purpose of the spin-out into ALT House was, among other things, to remove all of the cannabis assets and liabilities from the Company and permit the Company to comply with listing qualification requirements for senior stock exchanges in the United States and other comparable requirements regarding cannabis assets.

ALT House and the Company do not share a controlling shareholder or shareholder group, as a result this transaction was accounted for in accordance with IFRIC 17 *Distribution of Non-cash Assets to Owners*. The Company recognized the distribution of net assets to the Company's shareholders at fair value with the difference between that value and the carrying amount of the net assets recorded to the consolidated statements of loss and comprehensive loss. The Company engaged a third- party valuation expert to determine the fair value of all its spun-out cannabis assets. The spin-out transaction impacted the Company's consolidated financial statements as follows:

| | **As at October 1, 2021** **$** |
|---|---|
| **Net assets** | |
| Cash | 74 |
| Accounts receivable | 148,967 |
| Inventory | 41,268 |
| Investment in joint venture | 172,329 |
| Investment in associate | 170,704 |
| Investment properties | 1,419,347 |
| Accounts payable and accrued liabilities | (190,000) |
| **Carrying amount prior spin-out** | **1,762,689** |
| Fair value adjustments (i) | (551,818) |
| **Fair-value of assets disposed at spin-out** | **1,210,871** |
| Transaction costs | **721,977** |
| Contributed surplus adjustment | **(197,366)** |
| **Net distribution to owners on spin-out** | **1,735,482** |

(i) The fair value adjustments of the spin-out included:

**STRATEGIC PLANNING (continued)**

| | As at October 1, 2021 $ |
|---|---|
| **Fair-value adjustments:** | |
| Accounts receivable | (148,967) |
| Inventory | (41,268) |
| Investment in joint venture | (172,329) |
| Investment in associate | (170,704) |
| Fair value change of investment property | (18,550) |
| Total fair value adjustments | (551,818) |

**Discontinued Operations**

The spin-out of the cannabis assets also meets the definition of a discontinued operation per IFRS 5 *Non-current assets held for sale and discontinued Operations*, below are the results of discontinued operations for the three months ended March 31, 2021:

| | Three months ended March 31, 2021 (Unaudited) $ |
|---|---|
| Sales | 16,012 |
| Cost of goods sold | (10,128) |
| Gross margin | **5,884** |
| Share of losses from investment in Joint Venture | (2,783) |
| Share of income (loss) from investment in associate | (157,219) |
| Other expenses | (1,114) |
| Total operating expenses | **(161,116)** |
| Rental income | 33,159 |
| Foreign currency translation | - |
| Loss on discontinued operations | **(122,073)** |
| Net loss per share- Basic and diluted for discontinued operations | **($0.03)** |
| Weighted average number of shares outstanding – Basic and diluted | **4,127,366** |

**STRATEGIC PLANNING (continued)**

Cash flows from discontinued operations:

| | Three months ended March 31, 2021 (Unaudited) $ |
|---|---|
| **Cash flows used in** | |
| Operating activities | |
| Net loss for the period from discontinuing operations | (122,073) |
| Items not affecting cash: | |
| Share of income from investment in Joint Venture | 2,783 |
| Share of income from investment in associate | 177,114 |
| Changes in operating activities from operations | **57,824** |
| **Changes in non-cash working capital items:** | |
| Accounts receivable | (17,065) |
| Inventory | 10,060 |
| Accounts payable and accrued liabilities | (27,901) |
| **Cash used in operating activities** | **22,918** |

**SUBSEQUENT EVENTS**

On April 13, 2022, the Company completed a reverse stock-split, thereby consolidating all of the Company's issued and outstanding common shares ("Common Shares") on the basis of one (1) post-consolidation Common Share for every fifty (50) pre-consolidation Common Shares.

On May 2, 2022, the Company, in connection with its previously announced Common Share Subscription Agreement (the "Subscription Agreement") with a third-party investor (the "Investor") dated March 18, 2022 and the subsequent filing of a second shelf prospectus supplement (the "Prospectus Supplement") in connection therewith on April 27, 2022, the Company has closed the second issuance (the "Offering") under the Subscription Agreement. The Offering resulted in the issuance of 1,254,396 common shares in the capital of the Company ("Shares") at a price of $1.35 per Share for aggregate gross proceeds of $1,693,434. The distribution of the Shares is qualified by the Prospectus Supplement.

**Nature and Extent of Involvement in Psilocybin**

The Company is currently conducting its psilocybin research in Canada at the University of Alberta. The Company also has a number of planned research and clinical trial sites internationally including Leiden University Medical Center, Macquarie University, University of Western Ontario, The Imperial College of London, John Hopkins University School of Medicine, University of Maryland Baltimore, and several other prominent Universities throughout the United States and elsewhere.

On June 16, 2021, Mydecine Innovations announced it had launched its in-silico drug discovery program in conjunction with researchers at the University of Alberta (UofA), using machine learning to rapidly screen hundreds of thousands of molecules without the need to produce them all, allowing the Company to focus on those with the strongest potential.

On August 27, 2021, the Company entered into an agreement with John Hopkins University School of Medicine to study the therapeutic use of psychedelics. The pairing with one of the world’s most prestigious research institutions

**Nature and Extent of Involvement in Psilocybin (continued)**

was a critical addition to Mydecine's CV, as it continues to cement its first-rate research credentials and deliver on investor expectations.

On October 27, 2021 Mydecine announced that it has successfully synthesized a novel psilocin analogue with improved pharmaceutical properties to further expand its library of patent-pending tryptamines.

On December 6, 2021 Mydecine Files Full Patent Application Covering Multiple Families of Psilocin Analogs.

On December 22, 2021 Mydecine Signs LOI with Maya to Co-Develop a Novel Prescription Digital Therapeutic Platform Aiming to Further Increase Safety, Efficacy, and Accessibility of Psychedelic Assisted Treatments.

## FINANCINGS

Prospectus

On March 17, 2022, Mydecine filed it's short-form base shelf prospectus Offering (over the period of 25- months), the following securities: (i) common shares of the Company; (ii) warrants exercisable to acquire other Securities; (iii) units comprised of one or more of the other Securities; (iv) senior and subordinated unsecured debt securities; and (v) subscription receipts exchangeable for other Securities, or any combination thereof having an offer price of up to $100,000,000 in aggregate (or the equivalent thereof, at the date of issue, in any other currency or currencies, as the case may be). The Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of the sale and as set forth in an accompanying prospectus supplement ("Prospectus Supplement").

Notes Payable

On March 16, 2022, the Company entered into a secured note payable with the CEO of the Company for $12,816. The security interest in the Company includes certain current assets of the Company. The note payable bear interest of 5% annually and is due one year from issuance on March 15, 2023.

On March 8, 2022, the Company entered into a secured note payable with an arms-length party for $150,784 which bears a 5% interest rate annually and matures on March 7, 2023. The security interest in the Company includes certain current assets of the Company.

Bought-deal financing

On February 8, 2021, the Company completed a bought-deal financing and issued 690,000 Units for gross proceeds of $17,250,000. The Company incurred cash transaction costs of $1,917,096 less deferred tax asset of $313,000. In addition, the Company incurred non-cash transaction costs of $2,576,710 relating to the issuance of 17,250 Finance Fee Units and 48,300 broker warrants. Each Finance Fee Unit consists of one common share and one share purchase warrant ("Finance Warrant"). Each Finance Warrant is exercisable to acquire one additional common share at any time until February 12, 2024, at an exercise price of $35.00 per warrant. The fair value of the Finance Unit was measured using the Black-Scholes option pricing model with a fair value of $288,960 with the following assumptions: stock price - $29; exercise price - $35; expected life – 3 years; volatility – 100%; dividend yield – Nil; and risk-free rate – 0.17%. In addition, the Company issued 48,300 Broker Warrants which are exercisable in units of one common share and one warrant ("Broker Warrant"). The fair value of the Broker Warrants was measured at $2,287,750. The Broker Warrants were measured using the Monte Carlo option model with the following assumptions: stock price - $26; exercise price - $35; expected life – 3 years; volatility – 120%; dividend yield – Nil; and risk-free rate - 0.59%.

## SELECTED QUARTERLY INFORMATION

The table below presents selected financial data for the Company's eight most recently completed quarters, all prepared in accordance with IFRS.

| | Three months ended | | | |
|---|---|---|---|---|
| | March 31, 2022 | December 31, 2021 | September 30, 2021 | June 30, 2021 |
| Total revenue | $ - | $ 7,493 | $ - | $ - |
| Expenses | 4,774,436 | 9,030,653 | 4,923,251 | 4,294,188 |
| Total assets | 5,207,731 | 7,580,702 | 8,356,890 | 13,189,846 |
| Assets held for distribution | - | - | 1,798,546 | - |
| Total liabilities | 8,916,186 | 7,369,383 | 2,057,517 | 3,148,490 |
| Net loss for the period | -5,637,886 | -15,067,366 | -489,741 | -8,305,842 |
| Net loss per share, basic and diluted | -1.20 | -1.50 | -1.00 | -2.00 |

| | Three months ended | | | |
|---|---|---|---|---|
| | March 31, 2021 | December 31, 2020 | September 30, 2020 (restated) | June 30, 2020 (restated) |
| Total revenue | $ - | $126,616 | $17,158 | $21,658 |
| Expenses | 5,004,475 | 3,764,333 | 5,343,684 | 2,203,870 |
| Total assets | 7,580,702 | 9,531,131 | 12,669,261 | 9,373,440 |
| Total liabilities | 7,369,383 | 5,970,432 | 5,037,338 | 564,571 |
| Net loss | 5,156,523 | -9,556,427 | -17,125,066 | -4,553,009 |
| Net loss per share, basic and diluted | -1.26 | -3.50 | -5.50 | -2.50 |

Fluctuation in assets is mostly due to cash used operating activities. The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the availability of funding from investors or collaboration partners. Total revenues decreased for the quarter ended March 31, 2022, relative from the comparative quarters due to the Company reduction of activities within the MindLeap application.

Expenses during quarter ended March 31, 2022 decreased to the comparative relative quarters from the reduction of corporate development expenses with the reduction of marketing and advertising spend compared to 2021 and the spin-off of the investment in joint venture and investment in associate on October 1, 2021. Lastly, the Company recorded a loss upon the revaluation of its derivative liability, totaling $893,450.

## PROPOSED TRANSACTIONS

As of the date of this MD&A, there are no proposed transactions.

## CONSOLIDATED RESULTS OF OPERATIONS

All of the balances set out in this and following sections, including the Summary of results conform to IFRS standards.

| | For the three-months ended, | |
|---|---|---|
| | **March 31, 2022** | **March 31, 2021** |
| Sales | **$ -** | $ - |
| Cost of goods sold | **-** | - |
| **Gross margin** | **-** | - |
| **Expenses** | | |
| Finance cost | **221,199** | 95,737 |
| Corporate development | **127,880** | 1,997,935 |
| Depreciation | **60,672** | 41,532 |
| Consulting fees | **1,423,873** | 1,023,655 |
| Director and management fees | **110,572** | 490,876 |
| Foreign exchange loss | **28,188** | 222,375 |
| Insurance | **259,345** | - |
| Office and miscellaneous | **119,736** | 83,464 |
| Professional fees | **607,154** | 653,055 |
| Regulatory and filing fees | **98,246** | 165,636 |
| Research and development | **1,049,525** | 230,210 |
| Salaries | **638,046** | - |
| **Total expenses** | **4,744,436** | 5,004,475 |
| **Other income (expenses)** | | |
| Change in fair value of derivative liabilities | **(893,450)** | (27,656) |
| Gain (loss) on settlement of debt | **-** | (2,319) |
| **Total other income (expenses)** | **(893,450)** | (29,975) |
| **Loss from continuing operations** | **(5,637,886)** | (5,034,450) |
| **Loss from discontinued operations** | **-** | (122,073) |
| **Net loss for the year** | **$ (5,637,886)** | $ (5,156,523) |

## RESULTS OF OPERATIONS – EXPENSES

*For the three months ended March 31, 2022 and 2021*

The Company recorded net loss of $5,637,886 for the three months ended March 31, 2022 compared to a net loss of $5,156,523 for the corresponding period in 2021. Some of the significant charges to operations are as follows:

- The Company incurred finance fees expense in the amount of $221,199 (2021-$95,737). The Company completed the 2021 Convertible Debenture which generated both interest and accretion expense.

- The Company incurred corporate development expenses in the amount of $127,880 (2021 - $1,997,935), as the Company performed public relations to raise awareness and branding of the Company and solidify its position within the psychedelic space and mental health.

**RESULTS OF OPERATIONS – EXPENSES (continued)**

- The Company incurred consulting expenses of $1,423,873 (2021 - $1,023,655), as the Company increased expenditure to consultants for structuring finance deals as well as to consult on the development and commercialization of solutions for treating mental health problems through its psilocybin research.

- Director and management fees of $110,572 (2021 - $490,876) is attributed to changes in key management ,management personal moved to employees, cost to hire industry experts, and a scientific advisory board.

- Foreign exchange gain of $28,188 (2021 - $222,375) is due to the strengthening US dollar during the period ended March 31, 2022. The Company's parent Company is denominated in Canadian whereas the US subsidiaries are denominated in the US dollar, resulting in fluctuations in foreign exchange.

- Insurance expense of $259,345 (2021 - $nil) is attributable to the company executing numerous corporate insurance policies during the period. During 2021, the Company did not execute any insurance policies until the second quarter of 2021.

- Office and Miscellaneous expense of $119,736 (2021 - $83,464), the increase in expenditures is from the Company increasing its research resources in the Colorado Lab which includes purchasing of numerous chemistry and biological expenses.

- Professional fees of $607,154 (2021 - $653,055), is a result of the Company engaging various legal and accounting professionals to assist with the listing process to the London Stock Exchange and Nasdaq.

- Research and development costs of $1,049,525 (2021 - $230,210), due to the enhanced research for solutions of treating mental health problems through psilocybin and MindLeap expenses.

- Salaries of $638,046 (2021 - $nil), due to the conversion from contractors to employees during the quarter ended September 30, 2021.

**RESULTS OF OPERATIONS – REVENUES**

During 2022 and 2021, the Company's principal business focused on the development and commercialization of solutions for treating mental health problems through its psilocybin research and development and it will no longer have ownership interest in the manufacturing or sale of cannabis and CBD products. As a result, the company has limited revenues.

**LIQUIDITY**

The Company is focused on the emerging psychedelic medicines market. As of the date of this MD&A, the Company has received minimal revenues to date. As a result, its ability to conduct operations is based on its current cash and its ability to raise funds, primarily from equity sources, and there can be no assurance that the Company will be able to do so.

The Company's continued existence is dependent upon its ability to raise additional capital, the continuing support of its creditors, and ultimately, the attainment of profitable operations and positive cash flows. The Company's loans, lease payments are in good standing as of the date of this MD&A.

At March 31, 2022, the Company's working capital deficiency of $1,061,333 (December 31, 2021 – $2,274,092) and cash of $264,679 (December 31, 2021 - $1,495,311).

**LIQUIDITY (continued)**

The Company's subsidiaries have not yet generated any significant income but revenues are expected to increase over time. This will contribute to the Company's overall liquidity and the Company intends to use income from operations to satisfy long term liquidity needs. Until these subsidiaries generate significant revenue, their ability to assist the Company by providing increased liquidity is very limited.

However, if the Company is unable to develop its brand successfully, revenues will be limited. There is no assurance that the Company will successfully grow its brand.

## LIQUIDITY AND CAPITAL RESOURCES – CASH FLOW

### OPERATING ACTIVITIES

Cash used in operating activities for the three months ended March 31, 2022 was $1,621,545 as compared to $8,722,158 in the comparative period of 2021 period. Relative to the comparative period, the Company increased its research objectives and moved from stage 1 to stage 2 within the U.S. FDA drug approval process. The Company engaged additional firms which specialize in this type of transactions. These costs did not exist in the comparative period. In addition, the Company incurred various legal, accounting and consulting costs in the normal course of operations.

### INVESTING ACTIVITES

Cash used for investing activities for the three months ended March 31, 2022 was $28,475 as compared to $316,977 in the comparative period of 2021. Lease payments incurred $28,475 during the three months ended March 31, 2021 where in comparative period in 2021 was $28,486. During the quarter ended March 31, 2021, the Company had $132,874 from purchase of equipment and $155,617 for internally developed software.

### FINANCING ACTIVITIES

Cash provided from financing activities for the three-month ended March 31, 2022 was $419,388 (2021 - $ 18,173,432). Proceeds from a private placement of $366,667 (2021-$Nil.) with $110,879 of cash used to acquire the capital. During the three months ended March 31, 2022, the company entered into two secured agreements for total proceeds of $163,600. During the three months ended March 31, 2021, the company completed a bought deal of $15,332,904 and exercise of warrants of $2,840,528.

## CAPITAL RESOURCES

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures. In the management of capital, the Company includes cash and the components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required. In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and expects to raise additional amounts as needed. The Company will continue to assess new business and seek to acquire an interest in additional business if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

**CAPITAL RESOURCES (continued)**

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and all are held in major Canadian financial institutions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended March 31, 2022. The Company is not subject to externally imposed capital requirements.

## TRANSACTIONS WITH RELATED PARTIES

The Directors and Executive Officers of the Company are as follows:

| | |
|---|---|
| Joshua Bartch | CEO and Director |
| Damon Michaels | COO |
| Michael A. Connolly | Chief Compliance Officer and Director |
| Dr. Rakesh Jetly | Chief Medical Officer |
| Rob Roscow | Chief Science Officer |
| Dean Ditto | CFO |

The Company incurred the following related party transactions, with associated persons or corporations as follows:

Key management includes directors, executive officers and officers which constitutes the management team. The Company paid or accrued compensation in form of consulting fees to companies controlled by directors, executive officers and officers as follows:

| *Management Compensation*<br>*Period Ended March 31, 2022* | Non-cash stock compensation<br>$ | Salary, bonus, and consulting fees<br>$ | Total compensation<br>$ |
|---|---|---|---|
| Director and management fees paid to the CEO of the Company | - | 110,572 | 110,572 |
| Director and management fees paid to the CFO of the Company | - | 95,895 | 95,895 |
| Management fees paid to the COO | - | 108,874 | 108,874 |
| Management fees paid to other officers of the Company | - | 306,322 | 306,322 |
| Director fees | - | 3,000 | 3,000 |
| Director and management fees paid to a former director of the Company | - | - | - |
| **Total** | **-** | **624,662** | **624,662** |

During the three months ended March 31, 2022, the Company has an accrual for deferred salary, bonuses, and compensation for $266,646 (December 31, 2021- $Nil) for the executive team and board directors with the accounts payable and accounts payable and accrued liabilities within the condensed interim consolidated statement of financial position.

As at March 31, 2022, the Company has a loan receivable from the CEO for $12,816 which is classified as notes payable, current in the condensed interim consolidated statement of financial position. The loan has an interest rate of 5% and is payable one year from the date of issuance.

**TRANSACTIONS WITH RELATED PARTIES (continued)**

| *Management Compensation*<br>*Period Ended March 31, 2021* | Non-cash stock compensation<br>$ | Salary, bonus, and consulting fees<br>$ | Total compensation<br>$ |
|---|---|---|---|
| Director and management fees paid to the CEO of the Company | - | 98,700 | 98,700 |
| Director and management fees paid to the CFO of the Company | - | 56,255 | 56,255 |
| Management fees paid to the COO | - | 60,019 | 60,019 |
| Management fees paid to other officers of the Company | - | 144,377 | 144,377 |
| Director fees | - | - | - |
| Director and management fees paid to a former director of the Company | - | 97,422 | 97,422 |
| **Total** | **-** | **456,773** | **456,773** |

**OFF BALANCE SHEET ARRANGEMENTS**

As at March 31, 2022, the Company had no off-balance sheet arrangements.

**OUTSTANDING SHARE DATA**

*Issued and Outstanding:*

As of the date of this MD&A the Company has 5,370,319 common shares, 263,863 stock options and 1,812,514 warrants outstanding.

**CONTINGENCIES**

There is no other contingency outstanding as of date of this discussion.

**RISKS AND UNCERTAINTIES**

*Psilocybin industry*

Psilocybin is currently a Schedule I drug under the Controlled Drugs and Substances Act (CDSA) and it is a criminal offence to possess substances under the CDSA without a prescription and Health Canada has not approved psilocybin and psilocin as drugs. Any activities such as sale, possession, production, etc. of the substance is prohibited unless authorized for clinical trial or research purposes under section 56 of the CDSA. Health Canada can grant exemptions under section 56 of the CDSA to use controlled substances if it is deemed to be necessary for a medical or scientific purpose or is otherwise in the public interest. Health Canada must also approve the clinical trials.

Any delays of the Company in obtaining, or failure to obtain regulatory approvals from Health Canada to commence or continue clinical testing would significantly delay the development of the Company's markets and products and could have a material adverse effect on its business, results of operations and financial condition.

**RISKS AND UNCERTAINTIES (continued)**

*Government Regulation*

In addition to various trade organizations that the Company will be subject to, the consumer agriculture and food warehousing / processing industry is subject to various U.S. federal government, and provincial laws and regulations on, standards, claims, safety, efficacy and other matters from regulatory bodies such as Canadian Food Inspection Agency **(**CFIA**),** BC FoodSafe Program and the department of Health Protection in Fraser Health. Regulatory approvals by government agencies on the Company's facilities may be withheld or not granted at all and if granted may be subject to recalls which would materially affect the Company.

Although the Company's activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail development, production, manufacture, product claims, marketing or commercialization. Amendments to current laws and regulations governing operations and activities of the consumer health industry or more stringent implementation thereof could have a substantial adverse impact on the Company.

*Uninsured Risks*

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include key person insurance as the Company heavily relies on the Company officers.

*Conflicts of Interest*

Certain directors of the Company also serve as directors and/or officers of other companies involved in other business ventures. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

*Negative Operating Cash Flows*

As the Company is at the start-up stage it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can be sufficiently developed to commercialize.

*Reliance on Key Personnel and Advisors*

The Company relies heavily on its officers. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

*Licenses, Patents and Proprietary Rights*

The Company's success could depend on its ability to protect its intellectual property, including trade secrets, and continue its operations without infringing the proprietary rights of third parties and without having its own rights infringed.

**RISKS AND UNCERTAINTIES (continued)**

*Competition, Technological Obsolescence*

The agriculture and food warehousing / processing industries are competitive. Others in the field may have significantly more financial, technical, distribution and marketing resources. Technological progress and product development may cause the Company's services and facilities offerings to become obsolete or may reduce their market acceptance.

*Operating History and Expected Losses*

The Company expects to make significant investments in order to develop its services, increase marketing efforts, improve its operations, conduct research and development and update its equipment. As a result, start-up operating losses are expected and such losses may be greater than anticipated, which could have a significant effect on the long-term viability of the Company.

*Risks Related as a Going Concern*

As at March 31, 2022, the Company has an accumulated deficit of $130,553,026 (December 31, 2021 - $124,915,140), net loss from continuing operations of $5,637,886 (March 31, 2021- $5,156,523) and negative cash from operating activities of $1,621,545 (March 31, 2021- $8,722,158). The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements.

*Uncertainty Regarding Penetration of the Target Market*

The commercial success of the Company's business as compared with those of its competitors depends on its acceptance by potential users and the consumer community. Market acceptance will largely depend on the reputation of the Company, its marketing strategy, consumer acceptance and the Company's services and performance. The Company's success will depend on its ability to commercialize and expand its network users. The Company will need to expand its marketing and sales operations and establish business relations with suppliers and users in a timely manner. In order to meet its business objectives, the Company will have to ensure that its facilities and services are safe, reliable and cost-effective, and bring the expected return. There can be no assurance that the Company's facilities and services will be accepted and recommended.

**RISKS AND UNCERTAINTIES (continued)**

*Reliance on Joint Ventures, License Assignors and Other Parties*

The nature of the Company's operations requires it to enter into various agreements with partners, joint venture partners, other agriculture and food warehousing / processing facilities, and equipment suppliers in the business world, government agencies, licensors, licensees, and other parties for the successful operation of its businesses and the successful marketing of its services.

There is no guarantee that those with whom the Company needs to deal will not adopt other technologies or that they will not develop alternative business strategies, acting either alone or in conjunction with other parties, including the Company's competitors, in preference to those of the Company.

*Growth Management*

In executing the Company's business plan for the future, there will be significant pressure on management, operations and technical resources. The Company anticipates that its operating and personnel costs will increase in the future. In order to manage its growth, the Company will have to increase the number of its technical and operational employees and efficiently manage its employees, while at the same time efficiently maintaining a large number of relationships with third parties.

*Potential Liability*

The Company is subject to the risk of potential liability claims with respect to its agriculture and food warehousing / processing facilities. Should such claims be successful, plaintiffs could be awarded significant amounts of damages, which could exceed the limits of any liability insurance policies that may be held by the Company. There is no guarantee that the Company will be able to obtain, maintain in effect or increase any such insurance coverage on acceptable terms or at reasonable costs, or that such insurance will provide the Company with adequate protection against potential liability.

**Disclosure Regarding the Company's Proposed Research into the United States Psilocybin Industry**

*Legal risks*

All drugs on the CDSA schedules require a prescription. It is a criminal offence to possess substances scheduled under the CDSA without a prescription.

Under the CDSA, person who is in possession of a substance under Schedule III without a prescription is liable to:
(i) a maximum of three years imprisonment if found guilty of an indictable offence; or
(ii) a maximum $1000 fine for the first offence and/or a maximum 6-month term of imprisonment, increasing to a maximum fine of $2000 for each subsequent offense and/or a maximum of 1 year in prison if found guilty of a summary conviction offence.

A person who produces or is in possession of a substance under Schedule III for the purpose of trafficking, or exportation is liable to:

(i) a maximum of ten years imprisonment if found guilty of an indictable offence; or
(ii) a maximum 18 months' imprisonment if found guilty of a summary conviction offence.

**RISKS AND UNCERTAINTIES (continued)**

*Psilocybin industry*

Canada

Psilocybin is currently a Schedule III drug under the Controlled Drugs and Substances Act (CDSA) and it is a criminal offence to possess substances under the CDSA without a prescription and Health Canada has not approved psilocybin and psilocin as drugs. Any activities such as sale, possession, production, etc. of the substance is prohibited unless authorized for clinical trial or research purposes under section 56 of the CDSA. Health Canada can grant exemptions under section 56 of the CDSA to use controlled substances if it is deemed to be necessary for a medical or scientific purpose or is otherwise in the public interest. Health Canada must also approve the clinical trials.

Any delays of the Company in obtaining, or failure to obtain regulatory approvals from Health Canada to commence or continue clinical testing would significantly delay the development of the Company's markets and products and could have a material adverse effect on its business, results of operations and consolidated financial condition.

*United States of America*

Psilocybin is currently a Schedule I drug under the Controlled Substances Act (CSA) which list Schedule I substances as those that have the following findings:

A. The drug or other substance has a high potential for abuse.
B. The drug or other substance has no currently accepted medical use in treatment in the United States.
C. There is a lack of accepted safety for use of the drug or other substance under medical supervision.

No prescriptions may be written for Schedule I substances, and such substances are subject to production quotas which the DEA imposes.

The following disclosure is intended to comply with the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities*.

**Disclosure Regarding the Company's Proposed Investments in Entities Carrying on Business in the United States Cannabis Industry**

During 2021, the Company's principal business will focus on the development and commercialization of solutions for treating mental health problems through its psilocybin research and development and will spin-off the interest in cannabis assets and will no longer have ownership interest in the manufacturing or sale of cannabis and CBD assets. The Company completed the spin-off of cannabis assets on October 1, 2021.

See the filed December 31, 2021 Management Discussion & Analysis for discussion on the Risk and Uncertainties of the Company's involvement in the U.S Cannabis Industry.

**FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES**

During the three-months ended March 31, 2022 and 2021, there has been no significant change in the Company's internal control over financial reporting since last year.

The management of the Company has filed the Venture Issuer Basic Certificate with the Interim Filings on SEDAR at www.sedar.com.

**FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES (continued)**

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.