Notice to Readers

Psyched Wellness Ltd. had amended and restated its Management's Discussion and Analysis (the "Revised MD&A") for the three months ended February 28, 2021. The refiling was made in connection with a continuous disclosure review of the Company's disclosure filings by the Ontario Securities Commission. The Revised MD&A was refiled to, among other things, provide more prominent disclosure in respect of the Company's outlook and strategy, and regulatory overview of the psychedelic industry.

The Revised MD&A is available on SEDAR as filed on July 22, 2021.

The previously filed MD&A for the financial period was originally filed by the Company on SEDAR on April 15, 2021. The Revised MD&A replaces and supersedes the previously filed version. The revisions relate only to the MD&A and no changes were made to the financial statements for the relevant period.

Psyched Wellness Ltd.

Revised Management's Discussion and Analysis

For the Three Months Ended February 28, 2021

The following is the Revised Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of Psyched Wellness Ltd. ("Psyched Wellness", "we" or the "Company") as at and for the three months ended February 28, 2021. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three months ended February 28, 2021 and 2020 (the "Q1 2021 Financials"), and its consolidated financial statements for the years ended November 30, 2020 and 2019. The Q1 2021 Financials and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures are expressed in Canadian dollars unless stated otherwise.

This MD&A also covers the subsequent period up to April 15, 2021.

Description of Business

Psyched Wellness is a Canadian-based health supplements company dedicated to the distribution of mushroom-derived products and associated consumer packaged goods. The Company's objective is to create premium mushroom-derived products that have the potential to become a leading North American brand in the emerging functional food category.

On October 21, 2020, the Company received approval for its listing on the the Canadian Securities Exchange (the "CSE") and effective October 22, 2020, the Company's common shares commenced trading on the CSE under the ticker symbol "PSYC". The Company's shares are also listed in the United States (the "U.S.") on the OTCQB® Venture Market under the ticker symbol "PSYCF", and in Germany on the Frankfurt Stock Exchange under the ticker symbol "5U9".

The Company's registered address is 77 King Street West, Suite 3000, Toronto, Ontario, M5K 1G8, Canada.

Recent Developments

Corporate developments

On December 2, 2020, the Company announced a successful up-listing from the OTC Pink Market to the OTCQB® Venture Market. The Company's shares currently trade under the symbol "PSYCF" subsequent to a symbol change on January 15, 2021.

On December 7, 2020, the Company provided highlights from the toxicology assessment (the "Toxicology Assessment") conducted by KGK Sciences Inc. ("KGK" or the "CRO Partner"), a Canadian contract research organization ("CRO"). KGK is the Company's primary CRO, and so the Company is relying solely on KGK for its research needs. Although the Company believes it could establish a working relationship with other research providers, at this time, it is substantially dependent on KGK. KGK has all the necessary regulatory permits to operate its labs and conduct the research required, which the Company confirmed in its preliminary due diligence on KGK Science. The Toxicology Assessment was conducted to determine the safe use of an Amanita Muscaria extract and related active compounds. For more information on the Toxicology Assessment, refer to the press release dated December 7, 2020 posted on www.sedar.com.

On December 8, 2020, Aaron Slater has joined the Company's Advisory Board to work with the team on exploring new markets for its products and identifying possible M&A opportunities. Mr. Slater has over 25 years of experience in corporate finance, M&A and merchant banking, and has been involved in numerous transactions including a number of buy-out deals in Latin America, the U.S. and Canada following from which he continues to maintain involvement through being a director or shareholder.

On December 10, 2020, Psyched Wellness completed a comprehensive process of lab experiments which have determined final extraction protocol, that will be used for the Company's first line of products. The Company also announced that it had completed the assembly of the safety and efficacy narratives, and the writing of the safety data sheets for its unique Amanita Mascara extract.

On December 15, 2020, the Company completed its first extraction of a legal psychedelic derived from Amanita Muscaria mushrooms. The scientific team sourced dried Amanita Muscaria mushroom caps from five separate suppliers

from different geographic regions around the world. The dried Amanita was extracted using the Company's proprietary extraction protocol and was then packaged and sent with samples of the raw materials to an independent lab.

On December 23, 2020, the Company shipped its first batch of Amanita Muscaria extract to its CRO Partner to commence to begin the first phase of its pre-clinical trial. The Amanita Muscaria extract will be used in a study to determine the Maximum Tolerated Dose ("MTD"), to determine the highest dose of our extract that will not cause unacceptable side effects or an overt toxicity in a defined period.

On December 28, 2020, the Company announced that it had commenced research on muscimol for various ailments, with a focus on mental health issues (the "Muscimol Research"). Led by Professor David Nutt, who is also a director of the Company, the objective of the Muscimol Research is to gather all the scientific papers surrounding muscimol and its various ailments, to support usage of muscimol for mental health issues.

On January 6, 2021, the Company announced that it had commenced a study to determine the therapeutic values of muscimol for antioxidant and anti-inflammatory purposes via a nerve-derived immunity and neuroprotective modulation models (the "Therapeutic Study"). Led by Brian Tancowny, a scientific advisor to the Company, the Therapeutic Study focuses on determining the effectiveness of the active compound muscimol from the Amanita Muscaria mushroom for its potential dual antioxidant and anti-inflammatory properties. The preliminary work focused on determining the potential role in health promotion via modulation of oxidative stress and inflammation.

On January 14, 2021, the Company announced that it had completed the first step of the Muscimol Research in identifying the medicinal potential of muscimol for various mental and physical health issues. The study was initiated to compile and review all the scientific papers discussing muscimol in order to provide the scientific evidence to support the thesis of using muscimol as a potential treatment for various mental and physical health issues.

On January 21, 2021, the Company announced that it has submitted an application with the U.S. Patent and Trademark Office to register the trademark "AME-1" in connection with our unique Amanita Muscaria Extract formulation (see "Outlook and Strategy" for more details on AME-1).

On January 26, 2021, the Company announced that it is part of a group of 17 companies in the U.S. and Canada which are included in the first psychedelic exchange-traded fund, managed by Horizons ETF Management. The Horizons Psychedelic Stock Index ETF index began trading under the ticker "PSYK" on the NEO Exchange on the same day.

On February 4, 2021, the Company provided an update on the Therapeutic Study. An initial set of preclinical tests examining potential allergenicity have been completed and results demonstrate that AME-1 does not have any allergenic properties in an invitro cell-based mast cell model. These initial findings support the notion that AME-1 is not allergenic, and that it will not show signs of hypersensitivity when used in a supplement form. Further studies will be conducted to support these findings and antioxidant and anti-inflammatory studies are also underway.

On March 2, 2021, the Company announced that it had received the results from its MTD study conducted by the CRO Partner. The MTD study summarizes the maximum tolerated dose and LD50 thresholds for AME-1. This significant set of information obtained permits for the next step of pre-clinical studies involving a 14 and 90-day oral toxicity to further identify a safe, effective dose for human consumption.

On March 12, 2021, the Company submitted a provisional patent application for AME-1 with the U.S. Patent and Trademark Office. The application discloses and claims muscimol extraction from Amanita mushrooms, and more particularly, enhanced muscimol extraction processes from Amanita Muscaria, including by distillation and refluxing and/or pressing, resulting in a liquid or powder extract useful for preparations for human health.

On March 15, 2021, Janeen Stodulski was appointed as a director of Psyched Wellness, following the resignation of Christopher Hazelton from the Board of Directors (the "Board"). Ms. Stodulski previously served on board positions and held C-suite roles in several companies and brings to the team more than 30 years of experience in the areas of taxation, corporate finance, and business consulting.

On April 14, 2021, the Company announce that its common shares are now eligible for electronic clearing and settlement through the Depository Trust Company ("DTC") which manages the electronic clearing and settlement of publicly traded companies in the U.S. Through an electronic method of clearing securities, DTC eligibility simplifies the process of trading and transferring the Company's common shares between brokerages in the U.S.

On April 29, 2021, the Company entered into a supply agreement (the "Supply Agreement") with MB MEMEL GOODS ("MEMEL"), a Lithuanian supplier of raw material-dried Amanita Muscaria mushroom caps. MEMEL is the Company's sole supplier, but the Company is not substantially dependent on its contractual relationship with MEMEL. The Company is expecting to receive 200 kilograms of dried mushroom caps under the Supply Agreement between October and December, 2021. MEMEL is not bound by any special laws or regulatory requirements to pick, package, dry, or ship its dried Amanita Muscaria mushroom caps in and out of Lithuania. MEMEL is a fully-registered company in Lithunia, and is operating under all applicable laws, which the Company confirmed in its preliminary due diligence on MEML.

On June 3, 2021, DACS Marketing ("DACS") and the Company signed a brand strategy engagement agreement (the "Marketing Agreement") which the Company press released on June 3, 2021. The aim of the Marketing Agreement is for DACS to build the branding and marketing strategy for the Company's first product. DACS is a fully registered company in Canada and is operating under all applicable laws, which the Company confirmed in its preliminary due diligence on DACS. The Company is not substantially dependent on its contractual arrangement with DACS.

Financing activities

On February 17, 2021, the Company closed a bought deal private placement (the "Offering") of 21,300,000 units ("Units") at a price of $0.31 per Unit, for gross proceeds of $6,603,000. Each Unit is comprised of one common share of the Company and one common share purchase warrant ("Warrant") exercisable at $0.43 for a period of 36 months from closing.

If, at any time following the date that is four months and one day following closing, the daily volume weighted average trading price of the common shares on the CSE is greater than $0.70 per common share for the preceding five consecutive trading days, the Company shall have the right to accelerate the expiry date of the Warrants to a date that is at least 30 days following the date of such written notice.

The proceeds from the Offering will be used to fund the pre-clinical trials of AME-1, and related scientific research for potential benefits for people suffering from serious mental and physical health issues, as well as for general corporate purposes.

Outlook and Strategy

Psyched Wellness's objective is to create premium mushroom-infused products that have the potential to become a leading North American brand in the emerging functional food and psychedelic category. Over the next 12 months, the Company intends to develop and launch a line of mushroom-infused functional tinctures, capsules designed to help with three health objectives: (i) soothe the body, (ii) ease physical distress and (iii) assist with sleeping. The Company will also be exploring the potential of its unique AME-1 formulation and its active compound, muscimol for its medicinal purposes.

The Company also intends to maintain sufficient cash to fund the Company's operating requirements and expansion plans identified from time to time. While the Company expects to incur losses for at minimum the next 12 months, management of Psyched Wellness continues to work towards the success and eventual profitability of the business.

To ensure that the Company will have sufficient financial resources in place to carry out its strategy, management had been aggressively trying to promote and raise the Company's profile to the capital markets and within the investment community. The Company's ability to access both public and private capital is dependent upon, among other things, general market conditions and the capital markets generally, market perceptions about the Company and its business operations, and the trading prices of the Company's securities from time to time. When additional capital is required, the Company intends to raise funds through the issuance of equity. Other possible sources include the exercise of stock options and warrants of the Company. There can be no assurance that additional funds can be raised upon terms

acceptable to the Company, or at all, as funding for early-stage companies remains challenging generally. In the absence of any revenues from the current operations, management understands that obtaining new funding is paramount to support the Company's operations in the foreseeable future. While additional financing will continue to be required, management believes that the approach had paid off as it was able to raise more than $6 million from the Offering, as there was a general interest from the Offering.

Operations-wise, the Company has an aggressive plan for 2021, where key focus areas include:

- Complete pre-clinical trials and rodent testing for safety and efficacy of AME-1 by Q4 2021;
- Establish sales channels for the Company's products in Canada, the U.S. and Europe;
- Expand on branding, sales and marketing efforts;
- Apply to the U.S. Food and Drug Administration (the "FDA") and Health Canada to sell AME-1 as a health supplement by Q4 2021;
- Initiate research on AME-1 as potential treatment for various mental and or physical health issues; and
- Identify other potential psychedelic plant and fungi to research for medicinal qualities.

Significant Projects

As of the date of this MD&A, the Company has seven (7) significant projects which have not generated revenue related to the operations of the Company. The following is a description of each such project, including a description of the Company's plan for such project, the status of the project relative to the Company's plan for such project, the expenditures made by the Company in respect of such project to date and how such expenditures relate to anticipated timing and costs to advance the project to the next stage of the Company's plan for the specific project.

Pre-clinical trials and rodent testing for safety and efficacy of AME-1

On July 7, 2020, the Company entered into a research services agreement (the "Service Agreement") with KGK which would position the Company to complete pre-clinical trials of AME-1 based on a target date around December 2021, with the goal of submitting an application to the FDA for a New Dietary Ingredient and Health Canada for a Natural Health Product Number. This will position the Company for approvals to sell AME-1 derived products targeting the first half of 2022. The initial agreement outlined services that KGK will provide Psyched Wellness including:

<u>Pre-clinicals</u>

- Acute Toxic Class Method
- Dose-range Finding Study in Rats
- 14-day and 90-day Oral Toxicity in Rats

<u>NDIN</u>

- Stage 1 - Technical review of ingredient information
  - Literature, available safety data, ingredient dosage, previous clinical studies and pre-clinical studies;
  - Provide recommendations for additional scientific work to support NDIN, experimental requirements and designs, quotes and timelines.
- Stage 2
  - Preparation of NDIN as per FDA guidelines.
- Stage 3
  - Pre-Submission meeting with FDA.
  - NDIN revisions and submission.

In October 2020, KGK has completed the Acute Toxic Class Method and the 14-day Oral Toxicity Study. Toward the latter part of 2021, the Company anticipates the balance of the studies and milestones to be completed incurring approximately USD $288,600. Where 50% ($144,300) was paid on signing of the Service Agreement, 40% ($115,440) is payable on completion of the pre-clinical studies, and 10% ($28,860) payable on completion of the draft NDI dossier.

On July 7, 2020, the Company entered into another Service Agreement with KGK, whereby KGK was commissioned to provide the Company with a Gap Analysis/Path to Market for both the U.S. (FDA) and Canada (Health Canada), a

Master File application, Product License Application, and Safety Data Sheet (SDS) writing. As of November 2020, KGK has completed all of the above projects and has been compensated approximately USD $42,000 for these services.

On September 25, 2020, the Company entered into an additional Service Agreement with KGK for neurobehavioral studies of subject rodents to evaluate the effect of test compounds in a behavioral test battery including Morris water maze, accelerating rotarod test, balance beam and forces swim test. The anticipated cost of these studies is USD $96,400 and they are ongoing with the pre-clinical studies. Upon signing of the agreement, 80% ($77,120) was paid, 10% ($9,640) is payable on delivery of a draft report of the Neurobehavioral Studies and the balance 10% ($9,640) to be paid on delivery of the draft report for the Conditioned Place Preference Study.

Sales channels, branding and marketing efforts

The Company is working on establishing sales channels, branding and marketing efforts to align with the submission and subsequent approval from the FDA and Health Canada in the first half of 2022. As a microcap company, management and the board determined to establish a relationship with Contract Manufacturing Organization ("CMO") on a non-binding LOI basis to ensure infrastructure is in place for when the Company receives approval to market products. For greater clarity, the Company does not have any form of formal agreement in place with a CMO. In addition to establishing a relationship with a Canadian based CMO, the Company has hired an ad agency called DACS to assist in building the branding and sales channels as this is a new product in the health and wellness category. The Company will also look to bring on branding/sales and marketing staff to implement the strategies designed by DACS as the Company moves closer to product development. In April 2020, an LOI has been signed with a Canadian based distributor, Coldhaus Direct ("Coldhaus"). Coldhaus is awaiting product specifications from the Company which will be known after the oral toxicity and shelf-life studies are completed in the pre-clinical trial. In addition to retail distribution via Coldhaus, the Company will embark on a robust ecommerce sales strategy which DACS will assist with.

FDA and Health Canada applications

The Company is targeting to have its pre-submission meeting with the FDA and Health Canada once the oral toxicity studies are completed by KGK. Once the pre-clinical trials are completed, targeting December 2021, the Company will submit its application to both the FDA and Health Canada for AME-1 as a health supplement.

AME-1 additional studies

In April 2020, the Company entered into a Testing and Technical Services Agreement and engaged the National Research Council of Canada (the "NRC") to test AME-1 focused on three objectives over a two-year period. The study is to further explore the neuroprotective, anti-inflammatory and antioxidant nature of AME-1 concentrating on gut health and neuroprotection. The Company is now planning to initiate clinical trials by the end of 2021 or the early part of 2022. For greater clarity, the Company is planning to conduct clinical trials for the purposes of researching structure/function claims of AME-1 (i.e. exploring the role of AME-1 in its ability to promote stress relief, relaxation and assist with restful sleeping), and is not planning to conduct clinical trials for the purposes of drug development.

Continued research on additional psychedelic plant and fungi

As part of the on-going R&D, the Company continues to explore alternative plants and fungi that may contain psychedelic properties for health and wellness and or medicinal uses. The Company intends to focus on plants and fungi that are not regulated as controlled substances, similar to Amanita Muscaria, as that allows for a quicker path to market.

The Company intends to complete the pre-clinical trials and submit applications to both the FDA and Health Canada for AME-1 to be sold as a health supplement. In parallel to that, the Company will continue to work on branding, sales and marketing efforts and supply chain manufacturing for commercial-scale manufacturing of Amanita Muscaria-infused products. Management has identified a contract manufacturing organization ("CMO") partners that has all the necessary regulatory approvals to manufacture the product, bottle, and label on behalf of the Company.

As the Company continues to discover the potential of AME-1, management and its Advisory Board will conduct additional research on the many potential mental and physical health issues that our unique extraction formulation of AME-1 could benefit. As muscimol affects the Gaba A receptor, one of the more important receptors in the human brain, it has a unique ability to potentially assist people suffering from various mental and physical health ailments.

Impact of COVID-19

As of the date of this MD&A, the COVID-19 pandemic has not had a tangible effect on the Company's operations, and the Company has not incurred additional costs as a result of COVID-19. The Issuer is fortunate that the pandemic has not had an impact on the timing and execution of its research efforts (including the pre-clinical studies being by conducted by KGK) needed to bring the products to commercialization. In the future, it is possible that certain lockdown closures and other COVID-19 related operational restrictions may impact the timing and execution of research efforts in that they would delay or interfere with the pre-clinical studies being conducted on-site in the laboratories. The COVID-19 pandemic has not had an impact on the Company's ability to source the dried Amanita Muscaria mushrooms needed to conduct the research in the quantity and timelines needed. In the future, COVID-19 may affect the Company's ability to establish future supply chains and it is not guaranteed the Company will be able to source raw materials in the quantities and on the timelines needed.

COVID-19 did not have an impact on the Company's ability to secure financing under the Offering, but the effects of the pandemic may affect the Company's ability to secure financing to fund the Company's planned operations in the future.

Regulatory Overview

The Company does not directly engage in any activities that would trigger the need to comply with any federal laws related to psychedelic substances, as the Amanita Muscaria mushrooms are not controlled or scheduled under any of the applicable regulations or legislation, including the *Controlled Drugs and Substances Act (Canada),* and the *Controlled Substances Act (United States).* The Company is not directly or indirectly involved with illegal selling, production, or distribution of any substances in jurisdictions in which it operates. For greater certainty, the Company is not at commercialization stage, and it is not selling or distributing its products in any jurisdictions. The Company does not require a license, permit or approval to conduct its research operations at present. Following pre-clinical studies, in order to commercialize the product in Canada, the Company will need to submit a product license application to the Natural and Non-Description Health Product Directorate, a division of Health Canada, to receive a natural product number ("NPN") which will allow for its sale as a natural health product ("NHP"). To commercialize the product in the United States, the Company will need to be subject of a new dietary ingredient notification submitted to the Food and Drug Administration of the United Sates Department of Health and Human Services. For greater clarity, the Company has not completed its pre-clinical studies, and cannot apply for the requisite regulatory approvals until such studies are complete. For more information on the relevant regulatory frameworks which affect the Company's operations, please see below.

Canada

In Canada, the sale of food and drug products is regulated under the *Food and Drug Regulations* under the *Food and Drugs Act* (Canada), while various activities relating to controlled substances under the *Controlled Drugs and Substances Act* (Canada) are prohibited. The active ingredients in Amanita Muscaria mushrooms are not controlled or scheduled under any of the applicable regulations or legislation in Canada, and such may be distributed through conventional channels in the self-case category as NHPs.

In Canada, NHPs are a considered to be an inherently low-risk subset of drugs, that are specifically regulated under the *Natural Health Product Regulations* (Canada) ("NHPR"), which are a set of regulations under the *Food and Drugs Act* (Canada), by the Natural and Non-Description Health Product Directorate, a division of Health Canada ("NNHPD"). The product safety, quality, manufacturing, packaging, labeling, storage, importation, advertising, distribution, sale and clinical trials of NHPs are subject to regulation primarily under the *Food and Drugs Act* (Canada). The companies that are in the business of manufacturing NHPs in Canada or importing NHPs into Canada must also hold an NHP Site License issued by NNHPD. In order to obtain an NHP Site License, the manufacturers are required to undergo an application process with the NNHPD, which includes demonstrating evidence of compliance with cGMP. While the Company is not required to hold an NHP Site License, the CMOs that would eventually manufacture the Company's products would need to hold such license. The Company must also ensure that the labelling, marketing and selling of any of its products comply with the Food and Drugs Act (Canada) and NHPR, including by ensuring that the Company's products are not packaged or marketed in a manner that is misleading or deceptive to a consumer. There is mandatory information that needs to appear on the Company's packaging as outlined by Health Canada such as ingredients, dosage, delivery method, lot, expiry, safety data, contraindications, and Natural Product Number.

NHPs come in various dosage forms such as capsules, tablets, tinctures, powders, gels and have various routes of administration including oral, topical, nasal and others. An NHP must have a product license application ("Product License Application") prepared and submitted to the NNHPD, in order to obtain an NPN, which is required prior to the sale for all finished products. Following the completion of the pre-clinical studies, in order to commercialize the product in Canada, the Company will need to submit a product license application to the NNHPD. which would allow for its sale as an NHP. For clarity, the Company does not require a license, permit, or approval to conduct its research operations.

Health Canada has implemented a three-class review system to provide a faster path to the market for lower risk products. NNHPD requires all pertinent data associated with the product from active medicinal ingredients to non-medicinal ingredients to be provided including their source and evidence/attestation of compliance with quality standards, to prove they are safe for consumption as well as the recommended use of the product and supporting evidence.

Product License Application in Canada

The Product License Application first undergoes a screening review process before being accepted for review. Applications may be rejected if found to be deficient during this review. Class I applications are with respect to products that are formulations that are entirely based on a single Health Canada Product Monograph. Class II applications include those that are supported by a combination of more than one compendial ingredients (i.e. an ingredient that fulfills the definition of a Product Monograph or labelling standard). Health Canada's review policy dictates a 60-business day and 90 calendar day review period for Class I and II applications, respectively. In the case of a Class III application, comprised of general, traditional and homeopathic applications requiring full assessment (not captured above in Class I or II), the Product License Application will be accepted into the assessment queue and reviewed for the safety and efficacy requirements if the application contains all the required information and is in the appropriate format. Once all requirements are met, a Product License and NPN will be issued within 210 calendar days from the end of the screening period. During the review process, Health Canada will send an Information Request Notice ("IRN") to obtain clarification to the information submitted or to request additional information. If the IRN response is deemed deficient additional IRNs may be issued or if the applicant does not satisfy all Class III requirements, an Application Refusal Letter will be issued. Licensing can take from a matter of days to several years. Since there is currently no Product Monograph that covers Amanita Muscaria, the Product License Application that the Company intends to submit to NNHPD in regard to its Amanita muscaria-derived water-based extract product will be classified as a Class III application. Class III Product License Applications require that the submitter provide evidence of the safety, quality, and efficacy of the finished natural health product. Evidence supporting safety may include data derived from animal and/or human studies and may also include evidence of the history of traditional use in humans. Evidence that the product is manufactured according to the NNHPD's standard of cGMP is also required. Lastly, evidence demonstrating the efficacy of the product for its intended use is required. This generally is required to include data derived from human studies but as mentioned above nutritional content claims may be supported by in vitro and preclinical animal studies.

United States

In the U.S., various activities relating to controlled substances are regulated by the *Controlled Substances Act* (United States). The *Controlled Substances Act* (United States) establishes five "schedules" into which a substance with abuse potential may be classified. Neither the mushroom Amanita muscaria, nor its constituents, including muscimol, appear in any of the Schedules of the *Controlled Substances Act* (United States) and are therefore not considered controlled substances in the U.S. The Company's proposed products that contain Amanita Muscaria derived water-based extracts would be treated as dietary supplements, a category of food in the U.S., for regulatory purposes.

The governing food and drug law in the U.S. is the *Food, Drug and Cosmetic Act* (United States). The purpose of the *Food, Drug and Cosmetic Act* (United States). is to forbid the movement in interstate commerce of adulterated and misbranded food, drugs, devices and cosmetics. The Food and Drug Administration of the United Sates Department of Health and Human Services (the "FDA") is charged with protecting the integrity of the U.S. food supply, cosmetic products, as well as monitoring the safety and efficacy of drugs, biological products and almost any compound intended for human or animal consumption, among other areas.

DSHEA, an amendment to the *Food, Drug and Cosmetic Act* (United States) established a framework governing the composition, safety, labeling, manufacturing and marketing of dietary supplements in the U.S. DSHEA defined the term

"dietary supplement" for the first time as well as the types of ingredients that can be considered as "dietary ingredients". According to Section 201(ff)(1) of the FD&C Act, a dietary ingredient may include a vitamin; mineral; herbs or other botanical; amino acid; dietary substance for use by man to supplement the diet by increasing the total dietary intake; and a concentrate, metabolite, constituent, extract, or combination of any of the ingredients listed above. However, under Section 201(ff)(3)(B) of the FD&C Act, a substance may not be used as a dietary ingredient if it includes "an article" that was: first (1) approved as a new drug or (2) approved as an IND for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public. The FDA is generally prohibited from regulating the main ingredients in dietary supplements as food additives, or as drugs unless product claims trigger drug status. A dietary supplement product is considered a drug if it contains a drug ingredient or if its intended use or claims made for the product suggest that it has the ability to diagnose, treat, prevent, or mitigate disease or a health condition. The DSHEA requires the FDA to regulate dietary supplements to guarantee consumer access to beneficial dietary supplements, allowing only truthful and proven claims.

Generally, under the DSHEA, dietary ingredients marketed in the United States prior to October 15, 1994 are considered "old", grandfathered, or pre-DSHEA dietary ingredients and may be used in dietary supplements without notifying the FDA. "New" dietary ingredients (i.e. dietary ingredients "not marketed in the U.S. before October 15, 1994") must be the subject of a new dietary ingredient notification ("NDIN") submitted to the FDA, at least 75 days prior to introduction of the ingredient into interstate commerce, unless the ingredient has been present in the food supply as an article used for food without being "chemically altered." Any NDIN must provide the FDA with evidence of a "history of use or other evidence of safety" establishing that use of the dietary ingredient "will reasonably be expected to be safe" through conducting pre-clinical and/or clinical safety studies or demonstrate an exemption to the NDIN requirement by showing it is "Generally Recognized As Safe" (GRAS) which is an industry-recognized standard for food ingredient safety in the United States. Accordingly, to commercialize the product in the U.S., the Company will need to be subject to an NDIN submitted to the FDA.

The Company's expected products would be considered "food" and must be labeled as such. Within the U.S., this category of products is subject to the federal *Nutrition, Labeling and Education Act* ("NLEA"), and regulations promulgated under the NLEA. The NLEA regulates health claims, ingredient labeling and nutrient content claims characterizing the level of a nutrient in the product. The ingredients in conventional foods must either be generally recognized as safe by experts for the purposes to which they are put in foods, or be approved as food additives under the regulations.

The FDA has broad authority to enforce the provisions of the *Food, Drug and Cosmetic Act* (United States) applicable to foods, drugs, dietary supplements, and cosmetics, including powers to issue a public warning letter to a company, to publicize information about illegal or harmful products, to request a recall of products from the market, and to request the United States Department of Justice to initiate a seizure action, an injunction action, or a criminal prosecution in the U.S. courts.

The Federal Trade Commission (the "FTC") would the body to exercise jurisdiction over the advertising of the Company's expected products in the U.S. The FTC has in the past instituted enforcement actions against several dietary supplement and food companies and against manufacturers of dietary supplement products, including for false and misleading advertising, label claims or product promotional claims.

Supply of Amanita Muscaria

The Company currently only procures dried Amanita Muscaria mushrooms from MEMEL, a fully registered company in Lithuania. There are no special laws or regulatory requirements for picking, packing, drying, or shipping dried Amanita Muscaria mushroom caps in and out of Lithuania. MEMEL is operating under all applicable laws.

Overall Performance

Selected quarterly financial results

The Company's selected financial information for the eight most recently completed quarters as at February 28, 2021 are as follows:

	Q1 2021	Q4 2020	Q3 2020	Q2 2020
	$	$	$	$
Operating expenses	(1,302,828)	(1,155,515)	(741,065)	(223,662)
Other income (expenses)	(8,447)	1,675	(15,435)	77,506
Net loss and comprehensive loss	(1,311,275)	(1,153,840)	(756,500)	(146,156)
Net loss per share – basic	(0.012)	(0.011)	(0.007)	(0.005)
Cash	7,287,317	2,059,776	3,134,753	1,831,188
Total assets	8,526,566	3,210,878	4,025,570	2,557,937

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
	$	$	$	$
Operating expenses	(14,636)	(19,391)	(33,889)	(121,480)
Other expenses	(1,626)	(75,005)	(1,013)	(418)
Net loss and comprehensive loss	(16,262)	(94,396)	(34,902)	(121,898)
Net loss per share – basic	(0.003)	(0.011)	(0.008)	(0.009)
Cash	8,046	1,471	-	-
Total assets	11,294	4,779	93,924	92,038

Quarterly results of operations

During the three months ended February 28, 2021 ("Q1 2021"), the Company incurred total operating expenses of $1,302,828, as compared to total operating expenses of $14,636 during the three months ended February 29, 2020 ("Q1 2020"), for an increase of $1,288,192. The significant increase in operating expenses in the current period is primarily attributable to the following items:

- Advertising and promotion expenses of $432,939 (Q1 2020 – $2,500), as management continued to ramp up efforts to promote the Company with the assistance of various marketing, social media, and investor relations firms, aimed at attracting investors' attention and interest;
- Management and consulting fees of $385,361 (Q1 2020 – $nil), as the Company entered into additional new consulting agreements with various arm's length parties in exchange for advisory services to Psyched Wellness, to assist the Company to establish its operations and navigate its path in the psychedelic sector;
- Non-cash stock-based compensation of $206,395 (Q1 2020 – $nil), in relation to expenses recorded on vesting of stock options;
- Professional fees of $154,576 (Q1 2020 – $10,308), primarily for legal, accounting and audit fees incurred for the period, which are included in professional fees; and
- Research cost of $39,887 (Q1 2020 – $nil), as the Company had commenced various studies to assess the effectiveness of muscimol, for discovery of potential impact of muscimol for various mental and health issues.

Net loss for Q1 2021 was $1,311,275 (loss of $0.012 per basic and diluted share), as compared to a net loss of $16,262 (loss of $0.003 per basic and diluted share) for Q1 2020.

Breakdown of material components

The following table provides a summary of material components of advertising and promotion and R&D costs, for the three months ended February 28, 2021 and February 29, 2020:

	2021	2020
	$	$
Advertising and Promotion		
Investor relations and media campaigns	**191,379**	-
Promotional items	**918**	-
Marketing expenses	**240,642**	2,500
	432,939	2,500
Research and Development Costs		
Quantitative analysis of ibotenic acid, muscarine and muscimol	**13,645**	-
Pre-clinical studies and NDIN dossier	**26,242**	-
	39,887	-

As previously discussed in the "Outlook and Strategy" section, management had pursued an aggressive strategy in raising the Company's profile to the capital markets and within the investment community, with the ultimate objective of raising the necessary capital to conduct all required testing which would eventually lead to the launch of its mushroom-infused products. This strategy has been carried into Fiscal 2021 to date. Significant components comprising advertising and promotion expenses are as follows:

- Investor relations and media campaigns expenses incurred in Q1 2021 are primarily comprised of fees paid to various agency and consulting firms which the Company had engaged to promote our brand, to maximize Psyched Wellness's online presence among investors and to generate lead activities. In Q1 2021, the Company entered into a new one-month business development and media traffic campaign with Amherst Baer Consulting Corp, a Vancouver-based consulting firm, for $132,820 (USD $100,000). In addition, the Company also entered in other short-term investor relations campaign with independent consultants, which pushed investors relations and media campaign to almost $200,000 for the period;
- Promotional items consisted of apparels such as hats, t-shirts and sweatshirts which were designed specifically for the awareness and marketing campaigns; and
- Marketing expenses were primarily related to an agreement entered with Hybrid Financial Ltd., which ended in December 2020. During Q1 2021, the Company engaged several new marketing agencies to continue to help promote its brand. A notable contract included a digital traffic campaign with Winning Media LLC, a Houston-based branding and design firm which cost the Company $127,350 (USD $100,000) related to copywriter and design fees plus ticker tag articles for the Company.

In terms of the R&D costs, Flora Research Laboratories, LLC ("Flora Lab"), an analytical laboratory based in Grants Pass, Oregon, was engaged to conduct several analytical reports on the contents of Muscarine and heavy metals in Amanita Muscaria mushrooms. In December 2020, two such additional quantitative analyzes were ordered with Flora Lab, where the cost of $13,645 incurred is classified under quantative analysis of ibotenic acid, muscarine and muscimol. The remaining costs of $26,242 relates to pre-clinical studies of Amanita Muscaria, preparation of the NDIN submission to the FDA and the Product License Application submission to Health Canada, which continued to progress under the supervision of KGK during the quarter.

Cash flows

During Q1 2021, net cash used in the Company's operating activities was $1,097,486, as compared to net cash used in operating activities of $28,425 in Q1 2020. The substantial increase in operating spending is a direct reflection of the increased scope of corporate activities as we continued to evolve and expand into the psychedelic space. In parallel, the Company continued to make substantial investments in an effort to market and promote the Psyched Wellness brand.

With a healthy cash position on hand, the Company also made several advances to secure the services of certain arm's length consultants for the next six to 12 months, in order to assist its growth strategy.

During Q1 2021, net cash provided by financing activities was $6,325,027, as compared to cash inflows of $35,000 in Q1 2020 through proceeds received on a promissory note and other subscription of securities. In February 2021, the Company closed the Offering for gross proceeds of $6,603,000, as issuance cost, including commissions of $456,093, were paid on closing. During Q1 2021, the Company also received proceeds of $51,200 and $126,920 (Q1 2020 – $nil and $nil), through various exercises of stock options and broker warrants, respectively.

During Q1 2021, the Company did not participate in any investing activities (Q1 2020 – $nil)

Working Capital and Liquidity Outlook

As Psyched Wellness had yet to generate any revenues to date, the Company currently has no regular cash flows from operations, and the level of operations is principally a function of availability of capital resources. The primary source of funding has historically been through private placement financings of equity securities and convertible debentures. While it was able to raise funds through the Seed Financing and the Series A Financing which were completed in the second and third quarter of 2020, and through the Offering in Q1 2021, the Company will likely have to continue to rely on equity or debt financings in order to maintain its working capital requirements. There is no guarantee that the Company will be able to successfully complete such financings, as market conditions and business performance may dictate availability and interest.

As at February 28, 2021, the Company had current assets of $8,077,955 (November 30, 2020 – $2,762,267), including cash of $7,287,317 (November 30, 2020 – $2,059,776) to settle current liabilities of $130,388 (November 30, 2020 – $34,847), for a working capital of $7,947,567 (November 30, 2020 –$2,727,420).

Management is actively monitoring cash forecasts and managing performance against its forecasts. As of the date of the MD&A, the Company has access to approximately $7.1 million of funds available at its disposal. In the past year, the Company had substantially improved its financial position by settling various outstanding debts. Nevertheless, management will remain cautious in its capital management approach, and continue to look for new sources of financing in the next 12 months, to fund its working capital to advance the Company's operations.

Key Management Compensation and Related Party Transactions

Key management personnel compensation

Key management includes the Company's directors and officers with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

The remuneration of directors and other members of key management personnel during the three months ended February 28, 2021 and 2020 were as follows:

	2021	2020
	$	$
Management and consulting fees	**66,000**	-
Professional fees	**22,125**	4,500
Stock-based compensation	**38,415**	-
	126,540	4,500

On March 25, 2020, Psyched Wellness and S4 Management Group Inc. ("S4 Management"), an entity controlled by Jeffrey Stevens, the Chief Executive Officer ("CEO") and also a director of the Company, entered into a consulting agreement, for a monthly renumeration of $8,000 in consideration of the CEO's services to be provided to the Company. Effective October 1, 2020, the CEO's renumeration had been adjusted to $12,000 per month. During the three months ended February 28, 2021, S4 Management charged $36,000 (2020 – $nil) for consulting services provided to the Company, which are included in management and consulting fees. As at February 28, 2021, no balance was owed to S4 Management (November 30, 2020 – $nil).

On March 25, 2020, Psyched Wellness and David Shisel, the Chief Operating Officer ("COO") of the Company, entered into a consulting agreement, for a monthly renumeration of $8,000 in consideration of the COO's services to be provided to the Company. Effective October 1, 2020, the COO's renumeration had been adjusted to $10,000 per month. During the three months ended February 28, 2021, the COO charged $30,000 (2020 – $nil) for consulting services provided to the Company, which are included in management and consulting fees. As at February 28, 2021, no balance was owed to the COO (November 30, 2020 – $nil).

During the three months ended February 28, 2021, Branson Corporate Services Ltd. ("Branson"), where the Chief Financial Officer ("CFO") of the Company is employed, charged fees of $22,125 (2020 – $4,500), for CFO services, as well as other accounting and administrative services, which are included in professional fees. As at February 28, 2021, no balance was owed to Branson (November 30, 2020 – $nil).

Stock-based compensation

On November 13, 2020, the Company granted 500,000 options to a director, which vested three months from the date of grant. During the three months ended February 28, 2021, stock-based compensation of $38,415 (2020 – $nil) attributable to these options was recorded in connection with the vesting of options.

Risk Management

The Company's financial instruments consist primarily of cash, accounts payable and promissory notes payable. The Company is exposed to various risks as it relates to these financial instruments. There have not been any changes in the nature of these risks or the process of managing these risks from previous reporting periods.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Cash is held with reputable Canadian chartered banks and in trust with the Company's legal counsel, which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments is minimal. The maximum exposure to credit risk at period-end is limited to the accounts receivable balance.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at February 28, 2021, the Company had a cash balance of $7,287,317 (November 30, 2020 – $2,059,776) to settle current liabilities of $130,388 (November 30, 2020 – $34,847).

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at February 28, 2021:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	$	$	$	$
Accounts payable and accrued liabilities	130,388	130,388	-	-

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its liabilities as they come due. The Company has undertaken several proposed restructuring initiatives and other corporate measures to rationalize its capital and debt structure to better position the Company for future opportunities and meet its obligations as they come due. Until these initiatives and efforts are finalized, there is no assurance that one or any of these initiatives will be successful.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any instruments subject to interest rate risk as at February 28, 2021.

Significant Accounting Judgments and Estimates

The preparation of the Company's unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Business combination

In a business acquisition, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the acquisition date at their respective fair values. The date on which the acquirer obtains control of the acquiree is generally the date on which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquiree – the closing date. However, the acquirer might obtain control on a date that is either earlier or later than the closing date. Management exercises judgment in considering all pertinent facts and circumstances in identifying the acquisition date.

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition. In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management also exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Goodwill

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the groups of assets (each a "Cash-Generating Unit or a "CGU") to which goodwill has been allocated must be valued using present value techniques. The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value

less cost to sell. The determination of the recoverable amount involves significant estimates and assumptions. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes pricing model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Summary of Significant Accounting Policies

The accounting policies applied by the Company in the Q1 2021 Financials are the same as those noted in the Company's audited consolidated financial statements for the year ended November 30, 2020, unless otherwise noted below.

Adoption of New Accounting Policies

The Company adopted the following amendments, effective December 1, 2020. The changes were made in accordance with the applicable transitional provisions:

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after December 1, 2020. The Company had assessed that there was no material impact upon adoption of these amendments on its unaudited condensed interim consolidated financial statements.

Recent Accounting Pronouncements

At the date of authorization of the Q1 2021 Financials, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after December 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact upon the adoption of the following amendments on its financial statements:

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by

management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted.

Business Combination

On May 5, 2020, the Company entered into a share exchange agreement (the "Share Exchange Agreement") pursuant to which the Company acquired 100% of the issued and outstanding shares of Psyched Wellness Corp. ("Psyched Corp.") from holders of Psyched Corp. shares (the "Share Exchange"). Psyched Corp. is a private corporation incorporated pursuant to the Canadian Business Corporations Act on January 8, 2019 as "Sushego Ltd.", which filed articles of amendment on March 25, 2020 to change its name to "Psyched Wellness Corp". Upon closing of the Share Exchange, Psyched Corp. became a wholly-owned subsidiary of the Company. The Company determined that the Share Exchange was a business combination in accordance with the definition of IFRS 3 – Business Combination, and as such, has accounted for it in accordance with this standard, with the Company being the acquirer on the closing date.

The purchase price for the Share Exchange was $360,000 and was satisfied in full by the Company issuing to Psyched Corp. shareholders an aggregate of 18,000,000 common shares. The purchase price and other terms of the Share Exchange Agreement were negotiated at arm's length with the Board of the Company and Psyched Corp. The Share Exchange has allowed the Company to capitalize and position itself to participate in the growing psychedelic space.

Purchase Price Allocation

Purchase Price Consideration Paid	
	$
Fair value of common shares issued	**360,000**
Fair value of settlement of pre-existing balance	**117,676**
Total consideration paid	**477,676**
Net Identifiable Asset Acquired	
Accounts receivable	**19,868**
Prepaid expenses	**30,600**
Accounts payable and accrued liabilities	**(21,403)**
Total net identifiable assets acquired	**29,065**
Goodwill	**448,611**

Total consideration of $477,676 paid on the Share Exchange is comprised of the following components that were measured at the estimated fair value on the transaction date:

(i) The fair value of the 18,000,000 common shares, issued to holders of Psyched Corp. shares, was determined to be $360,000 based on the fair value of founders' shares issued on April 23, 2020.

(ii) The effective settlement of a pre-existing relationship related to the promissory note to the Company by Psyched Corp. of $117,676, including interest of $155.

The estimated fair value of the net assets acquired do not include any intangible assets.

Goodwill of $448,611 recognized on the Company's consolidated statements of financial position in connection with the Share Exchange is primarily attributable to the assembled skills and expertise of Psyched Corp.'s management and the synergies expected to arise after the Company's acquisition of the business.

The net loss attributed to Psyched Corp. for the period of the Share Exchange to November 30, 2020 was $556,793. Transaction costs of approximately $56,827 were incurred in association with the Share Exchange.

Off Balance Sheet Arrangements

As at November 30, 2020 and the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company.

Subsequent Events

Subsequent to February 28, 2021, the Company issued 810,000 common shares as a result of the exercises of 750,000 stock options for cash proceeds of $75,000, and 60,000 broker warrants for cash proceeds of $6,000, respectively.

Subsequent to February 28, 2021, the Company granted 2,000,000 options to various officers and consultants. The options are exercisable at a price of $0.39 per common share for a period of five years. The options vest three months from the date of grant.

Disclosure of Outstanding Share Data as of April 15, 2021

	Authorized	**Outstanding**
Voting or equity securities issued and outstanding	Unlimited number of common shares	129,399,495 common shares
Securities convertible or exercisable into voting or equity		11,150,000 options and 24,806,365 warrants exercisable to acquire common shares of the Company.

Capital Management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern and to maintain optimal returns to shareholders and benefits for its stakeholders. While the Company does not yet have any commercial operations, management monitors its capital structure and makes adjustments according to market conditions to meet its objectives given the current outlook of the business and industry in general. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended February 28, 2021, and the year ended November 30, 2020.

The Company is not subject to any externally imposed capital requirements.

Risk Factors

There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. If any of these risks occur, the Company's business, financial condition or results of operation may be adversely affected. In such case, the trading price of the Company's common shares could decline, and investors could lose all or part of their investment. The following is a summary of risks that could be applicable to the business of the Company:

Limited operating history in psychedelic industry

The Company, with a limited operating history in the psychedelic industry, is in the early stage of development and must be considered as a start-up company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company also has no history of earnings.

Because the Company has a limited operating history in an emerging area of business, investors should consider and evaluate its operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- Risks that it may not have sufficient capital to achieve its growth strategy.
- Risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its patients' or customers' requirements.
- Risks that its growth strategy may not be successful.
- Risks that fluctuations in its operating results will be significant relative to its revenues; and
- Risks relating to an evolving legal and regulatory regime for the psychedelic industry that varies significantly by jurisdiction.

The Company's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

Additional financing

The Company believes that its raised capital is sufficient to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms or at all.

Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

The market price of securities is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of shares to sell their securities at an advantageous price. Market price fluctuations in the shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the shares.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares may decline even if the Company's results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the common shares may be materially adversely affected.

Changes in applicable federal, provincial, or state laws and regulations, or the expansion of current, or the enactment of new laws or regulations relating to sale, manufacturing and distribution of mushroom-derived products, could adversely affect the Company's business.

While the sale, manufacturing and distribution of Amanita Muscaria mushrooms are not currently subject to regulation under the Controlled Drugs and Substances Act in Canada and under the Federal Controlled Substances Act ("FCSA") in the U.S., there is no certainty that this exclusion could not be altered by court or governmental action or re-interpretation. If either muscimol or products containing extracts from Amanita Muscaria would be become controlled substances, the Company may need to seek to adjust its product development efforts to ensure compliance with applicable laws and regulations, which may result in substantial delays to achieving commercial revenue, change in timing of securing the required permits and licenses and unforeseen costs, which would adversely affect the Company's business.

There is no certainty that in the future FDA or Health Canada will not regulate the use of muscimol or Amanita Muscaria extracts and prohibit its use as a dietary ingredient in dietary supplements or a natural health product. There is no certainty that muscimol, or other dietary ingredients marketed by the Company, will be considered a grandfathered dietary ingredient under DSHEA, meet the definition of a dietary ingredient, or would otherwise be permitted for use under the DSHEA. There is no certainty that the FDA would file a new dietary ingredient notification ("NDIN") with no objections for muscimol or any other extract from Amanita Muscaria, or file a NDIN with no objections for any other dietary ingredients the Company seeks to market, and thus there is a possibility that certain extracts and dietary ingredients of the Company may not be marketed as dietary ingredients in dietary supplements in the U.S. It appears that a clinical trial on muscimol was commenced on or about June 23, 2000 to examine its ability to control seizures in patients with intractable epilepsy. The trial was a Phase I trial with three enrolled subjects and appears to have been terminated prior to completion.[1] Another interventional trial intended for subjects with Parkinson's disease was commenced and withdrawn with no enrollment.[2] Under Section 201(ff)(3)(B) of the Food, Drug, and Cosmetic Act (U.S.), a substance may not be used as a dietary ingredient if it includes "an article" that was first (i) approved as a new drug or (ii) approved as an Investigational New Drug Application ("INDA") for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public. Thus, it is possible that an INDA has been filed and/or authorized to study muscimol as a drug and FDA could take the position that muscimol is precluded from being an ingredient in dietary supplements. Similarly, other ingredients or extracts from Amanita Muscaria that the Company may seek to market in the future may also be precluded from being marketed as dietary ingredients in dietary supplements.

[1] *https://clinicaltrials.gov/ct2/show/NCT00005925*
[2] *https://clinicaltrials.gov/ct2/show/NCT00921128*

Risk in the Company becoming subject to enforcement actions by various government authorities that would materially impact the Company's business

The Company relies on the supply of muscimol and its extracts, which may be imported from other countries. In the U.S., neither Amanita Muscaria nor muscimol are scheduled under the FCSA and therefore, are not under the enforcement authority of the Drug Enforcement Administration ("DEA"). If in the future, the DEA exerts jurisdiction over Amanita Muscaria or muscimol products, the Company may become subject to additional licensing requirements, which may require additional capital. There is no assurance that the Company will be able to obtain any such licenses, be eligible to apply for such licenses, or comply with the current or evolving regulatory framework in any jurisdiction where it carries on its business or sells its products, which would adversely affect the Company's business.

If the Company's historical, current or future sales or operations were found to be in violation of such regulations, the Company may be subject to enforcement actions in such jurisdictions including, but not limited to penalties, including criminal and significant civil monetary penalties, damages, fines, imprisonment, exclusion from participation in government programs, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of pre-marketing product approvals, private "*qui tam*" actions brought by individual whistleblowers in the name of the government, or refusal to allow the Company to enter into supply contracts, and the curtailment or restructuring of the Company's operations, any of which could adversely affect the Company's ability to operate its business and its results of operations.

The Company may become subject to additional government regulation and legal uncertainties that could restrict the demand for its services or increase its cost of doing business, thereby adversely affecting its financial results.

The activities of the Company are subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of food and health supplement products including laws and regulations relating to health and safety and the conduct of operations. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

While the impact of the changes is uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on the Company's operations that is materially different than the effect on similar-sized companies in the same business as the Company.

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

Complying with new and existing government regulation, in Canada, the U.S. and abroad, could increase the Company's costs significantly and adversely affect its financial results.

The processing, formulation, manufacturing, packaging, labeling, advertising, distribution and sale of the Company's products are subject to regulation by several Canadian and U.S. federal departments and agencies, including Health Canada, the Natural and Non-Prescription Health Product Directorate, the FDA, the Federal Trade Commission, the Consumer Products Safety Commission, the U.S. Public Health Service, the U.S. Customs and Border Protection, the

Occupational Safety and Health Administration, as well as various state, local and international laws and agencies of the localities in which the Company's products are sold or marketed.

Government regulations may prevent or delay the introduction, or require the reformulation, of the Company's products. Some agencies could require the Company to remove a particular product from the market, delay or prevent the import of raw materials for the manufacture of the Company's products, or otherwise disrupt the Company's marketing efforts. Any such government actions would result in additional costs, including lost revenues from any additional products that the Company might be required to remove from the market, which additional costs could be material. Any such government actions also could lead to liability, substantial costs and reduced growth prospects. Moreover, there can be no assurance that new laws or regulations imposing more stringent regulatory requirements on the dietary supplement industry will not be enacted or issued. In addition, complying with adverse event reporting requirements imposes additional costs on the Company, which costs could become significant in the event more demanding reporting requirements are put into place.

Additional or more stringent regulations of dietary supplements and other products may be considered from time to time. These developments could require reformulation of certain products to meet new standards, recalls or discontinuance of certain products that cannot be reformulated, additional record-keeping requirements, increased documentation of the properties of certain products, additional or different labeling, additional scientific substantiation, adverse event reporting or other new requirements. These developments also could increase the Company's costs significantly.

Should Health Canada and/or the FDA or any provincial and state or local agencies or regulators amend its guidelines or impose more stringent interpretations of current laws or regulations, the Company may not be able to comply with these new guidelines. As the products manufactured by the Company, through CMOs engaged by the Company, will be ingested by consumers, the Company is always subject to the risk that one or more of its products that currently are not subject to regulatory action may become subject to regulatory action. Such regulations could require the reformation of certain products to meet new standards, market withdrawal or discontinuation of certain products not able to be reformulated, imposition of additional record keeping requirements, expanded documentation regarding the properties of certain products, expanded or different labeling and/or additional scientific substantiation. Failure to comply with applicable requirements could result in sanctions being imposed on the Company, its contract manufacturing partners or third-party distributors, including but not limited to fines, injunctions, product recalls, seizures and criminal prosecution. Additionally, Health Canada and/or the FDA may not accept the evidence of safety for any new dietary ingredients that the Company, may decide to use, and Health Canada and/or the FDA's refusal to accept such evidence could result in designation of such dietary ingredients as adulterated, until such time as reasonable expectation of safety for the ingredient can be established to the satisfaction of Health Canada or the FDA.

There can be no assurance that Health Canada and/or the FDA will not consider particular labeling statements used by the Company to be drug claims rather than acceptable statements of nutritional support, necessitating approval of a costly new drug application, or re-labeling to delete such statements. It is also possible that such agencies could allege false statements were submitted to it if structure/function claim notifications were either non-existent or so lacking in scientific support as to be plainly false.

As a dietary supplement distributor in the U.S. and a natural health product distributor in Canada, the Company will be required to also follow cGMPs that apply to its specific distribution operations. Failure to comply with applicable cGMP regulations could result in sanctions being imposed on the Company, including fines, injunctions, civil penalties, delays, suspensions or withdrawals of approvals, operating restrictions, interruptions in supply, recalls, withdrawals, issuance of safety alerts, and criminal prosecutions, any of which could have a material adverse impact on the Company's business, financial condition, results of operations, and prospects. The FDA could also make negative cGMP findings public through a Warning Letter or release of an FDA Form 483 Observation report through the Freedom of Information Act request. Such negative publicity would adversely affect the Company's business, financial condition and results of operations.

The Company may become subject to additional laws or regulations or other federal, provincial, state, or foreign regulatory authorities. The laws or regulations which are considered favorable may be repealed, or more stringent interpretations of current laws or regulations may be implemented. Any or all of such requirements could be a burden to the Company and require it to:

- Change the way the Company conducts business.
- Use expanded or different labeling.
- Recall, reformulate or discontinue certain products.
- Keep additional records.
- Increase the available documentation of the properties of its products; and/or
- Increase the scientific proof of product ingredients, safety, and/or usefulness.

Regulatory approvals and permits

The Company and its management may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions in which it operates. There can be no assurance that the Company and its management will be able to obtain and/or maintain the necessary permits, licenses and approvals. Any regulatory authority with jurisdiction could also impose certain restrictions on the Company's ability to operate in the relevant jurisdiction. Any material delay or failure to receive these items, or onerous regulatory restrictions would delay and/or inhibit the Company's ability to conduct its business and would adversely affect the Company's business, financial condition, and results of operations.

Securities Regulatory Authorities and CSE policies regarding business activities

The Canadian Securities Regulatory Authorities has not currently provided specific advice regarding issuers involved in the production and distribution of mushroom-derived products, such as the products that the Company intends to manufacture and distribute. As such, the Company believes that that a disclosure-based approach remains appropriate for issuers a business such as that of the Company. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the U.S. or any other jurisdiction. The CSE has stated that it is supportive of entrepreneurial issuers that operate in a rapidly evolving legal framework provided that the issuers offer appropriate risk disclosure and demonstrate that they are operating in accordance with applicable laws. It is possible that the Company may become subject to increase scrutiny by the securities regulators and/or the CSE as a result of the business, which may have a detrimental effect on the financial results of the Company.

Anti-money laundering laws and regulations

The Company is subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime.

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, or to effect other distributions. Furthermore, while there are no current intentions to declare or pay dividends on the common shares of the Company in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Risks relating to product development and pre-clinical study design and execution

The Company has not begun to market any product or to generate revenues. The Company may be required to spend a significant amount of capital to fund research and development, animal studies and pre-clinical trials. As a result, the Company expects that its operating expenses will increase significantly and, consequently, it will need to generate significant revenues to become profitable. There can be no assurances that the intellectual property of the Company, or the Company's products or technologies it may acquire, will meet applicable regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs, or be successfully marketed. The Company may be undertaking additional laboratory, animal studies, and pre-clinical studies with respect to development of its products, and there can be no assurance that the results from such studies or trials will result in a commercially viable product or will not identify unwanted side effects.

Before obtaining marketing approval from regulatory authorities for the sale of its product candidates, the Company may be required to conduct pre-clinical studies in animals to demonstrate the safety and efficacy of the Company's products. Pre-clinical testing is expensive and difficult to design and implement, can take many years to complete, and has uncertain outcomes. If testing and trials of the Company's products fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, the Company would incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of its products. The Company may be required to demonstrate with substantial evidence through well-controlled clinical trials that its products are safe and effective for use in a diverse population before the Company can seek regulatory approvals for their commercial sale. Negative results from pre-clinical trials may prevent the commercialization of the Company's products.

The outcome of pre-clinical studies may not predict the success of later trials and tests that may be required and interim results of pre-clinical studies do not necessarily predict final results. A number of companies in the industry have suffered significant setbacks due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier tests and trials. Positive results from pre-clinical studies should not be relied upon as an indication of future commercial success. There is no assurance that the pre-clinical studies that it may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market any of its products in any jurisdiction. Products that the Company is developing may fail for safety or efficacy reasons at any stage of the testing process. If the Company cannot demonstrate safety and effectiveness of its products through pre-clinical clinical, it will need to re-evaluate its strategic plans. Furthermore, the quality and robustness of the results and data of any pre-clinical study the Company conducts will depend upon the selection of a patient population for clinical testing. If the selected population is not representative of the intended population, further clinical testing of product candidates or termination of research and development activities related to the selected indication may be required. The Company's ability to commence pre-clinical studies or the choice of product development path could compromise business prospects and prevent the achievement of revenue.

The Company may be subject to unanticipated costs or delays that would accelerate its need for additional capital or increase the costs of individual clinical trials. If the Company is unable to raise additional capital when required or on acceptable terms, it may have to significantly delay, scale back or discontinue the development and/or commercialization of one or more of its Amanita Muscaria-derived products.

Furthermore, the exact nature of the studies that various regulatory agencies may require is not known and can be changed at any time by the regulatory agencies, increasing the financing risk and potentially increasing the time to market that the Company faces, which could adversely affect the Company's business, financial condition or results of operations.

Delays in projected development goals

The Company sets goals for, and makes public statements regarding, the expected timing of the accomplishment of objectives material to its success, the commencement and completion of research and development initiatives and the expected costs to develop its products. The actual timing and costs of these events can vary dramatically due to factors within and beyond the Company's control, such as delays or failures in product tests and trials, issues related to the raw materials supply, uncertainties inherent in the regulatory approval process, market conditions and interest by the Company's distribution partners in the Company's products among other things. The Company may not make regulatory submissions or receive regulatory approvals as planned; its product development and testing initiatives may not be completed; or it may not secure partnerships that are critical to establishing commercial sales. Any failure to achieve one or more of these milestones as planned would have a material adverse effect on our business, financial condition, and results of operations.

The Company's management has limited experience in the area of functional mushrooms

While the Company's management team has experience in operating development-stage public companies and working with companies in highly regulated industries such as cannabis, this experience does not guarantee that the Company will be successful in developing products in the functional mushroom space or achieve commercial success selling these products. The Company's management also relies on expertise and advice of its Board, Advisory Board and other industry domain experts who have experience in consumer package foods, government relations, clinical research, cannabis and dietary supplements industries, however, there is no assurance that such expertise will continue to be

available to the Company's management. With no direct experience in the functional mushrooms space and obtaining regulatory approvals for new food supplement products, management may not be fully aware of relevant industry trends, which may impact the ability of the Company to make the most prudent decisions and choices regarding the direction of the business. The Company's business, financial condition or results of operations could be adversely affected if the internal infrastructure is inadequate, including if the Company is not able to secure outside consultants or source the necessary expertise to achieve certain business objectives.

Reliance on management and advisory board

The Company will need to expand and effectively manage its managerial, operational, financial, development and other resources in order to successfully pursue its development and commercialization efforts of its products. The success of the Company is currently dependent on the performance of its management team, which also relies on advice and guidance of certain members of the Board and Advisory Board, not all of whom are or will be bound by formal contractual employment agreements.

The Company's success depends on its continued ability to attract, retain and motivate highly qualified people. The loss of the services of these persons would have a material adverse effect on the Company's business and prospects in the short term and could delay or prevent the commercialization of its products, and the business may be harmed as a result. The Company may not be able to attract or retain qualified management and scientific personnel in the future due to the intense competition for qualified personnel with extensive management experience in such fields as pharmaceutical regulations, finance, manufacturing, marketing, law, and investment. If the Company is not able to attract and retain the necessary personnel to accomplish its business objectives, the achievement of its development objectives, its ability to raise additional capital and its ability to implement its business strategy may be significantly reduced and could have a material adverse effect on the Company and its prospects.

Reliance on third-party suppliers, manufacturers, distributors and contractors

Due to the uncertain regulatory landscape for regulating mushroom-infused products in Canada and the U.S., the Company's third-party suppliers, manufacturers, distributors, and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers, distributors, and contractors may have a material adverse effect on the Company's business and operational results.

The Company relies on CMOs over whom it may have limited control

The Company has limited manufacturing experience and will rely on CMOs to manufacture its products. The Company will rely on CMOs for manufacturing, filling, packaging, storing, and shipping of product in compliance with the Health Canada's and the FDA's cGMP regulations applicable to the Company's products. Health Canada and the FDA ensure the quality of products by carefully monitoring manufacturers' compliance with cGMP regulations. The cGMP regulations contain minimum requirements for the methods, facilities and controls used in manufacturing, processing, and packing of the product. While the Company is collaborating with the Initial CMO that it expects to engage once the product formulation process is completed, there can be no assurances that the Initial CMO will be able to meet the Company's timetable and requirements or that the Company will be able to enter into a definitive agreement with the Initial CMO. If the Company is unable enter into definitive agreement with the Initial CMO or to arrange for alternative third-party manufacturing sources on commercially reasonable terms or in a timely manner, the Company may be delayed in rolling out its products. Further, CMOs must operate in compliance with cGMP and failure to do so could result in, among other things, the disruption of product supplies. The Company's dependence upon third parties for the manufacturing of its products may adversely affect the Company's profit margins and its ability to develop and deliver products on a timely and competitive basis.

No assurance of commercial success

The successful commercialization of the Company's products will depend on many factors, including, the Company's ability to establish and maintain working partnerships with industry participants in order to market its products, the Company's ability to supply a sufficient amount of its products to meet market demand, and the number of competitors within each jurisdiction within which the Company may from time to time be engaged. There can be no assurance that the Company or its industry partners will be successful in their respective efforts to develop and implement, or assist in developing and implementing, a commercialization strategy for the Company's products.

Risks associated with increasing competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Company.

Mushroom-derived products industry may become highly competitive in the future. The Company may increasingly compete with numerous other businesses in the industry, many of which may come to possess greater financial and marketing resources and other resources than the Company. Such business is often affected by changes in consumer tastes and discretionary spending patterns, national and regional economic conditions, demographic trends, consumer confidence in the economy, traffic patterns, local competitive factors, cost and availability of raw material and labour, and governmental regulations. Any change in these factors could materially and adversely affect the Company's operations.

Due to the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number consumers of such products in the target jurisdictions increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations the Company.

The success of new and existing products and services is uncertain

The Company expects to commit significant resources and capital to develop and market existing and new products, services and enhancements. These products and services are relatively untested, and the Company cannot provide any assurance that it will achieve market acceptance for these products and services, or other new products and services that it may offer in the future. Moreover, these and other new products and services may face significant competition with new and existing competitors. In addition, new products, services and enhancements may pose a variety of technical challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products, services or enhancements could seriously harm the Company's business, financial condition and results of operations. Moreover, if the Company fails to accurately project demand for our new or existing products, it may encounter problems of overproduction or underproduction which would materially and adversely affect its business, financial condition and results of operations, as well as damage our reputation and brand.

Negative publicity or consumer perception may affect the success of our business

The success of the psychedelic industry may be significantly influenced by the public's perception of mushroom-infused products, which could be controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion, and public opinion relating to psychedelics will be favorable. The psychedelic industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for mushroom-infused products is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of mushroom-infused products, whether in Canada, the U.S. or elsewhere, may have a material adverse effect on our operational results, consumer base and financial results. Among other things, such a shift in public opinion could cause jurisdictions to abandon initiatives the psychedelic industry, thereby limiting the number of new jurisdictions into which the Company could identify potential acquisition opportunities.

Liability for activity of employees, contractors and consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject certain risks, including that employees, contractors and consultants may

inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

Factors which may prevent realization of growth targets

The Company is currently in the early development stage. There is a risk that the additional resources will be needed, and milestones will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following as it relates to the Company:

- Delays in obtaining, or conditions imposed by, regulatory approvals.
- Facility design errors.
- Environmental pollution.
- Non-performance by third party contractors.
- Increases in materials or labour costs.
- Construction performance falling below expected levels of output or efficiency.
- Breakdown, aging or failure of equipment or processes.
- Contractor or operator errors.
- Labour disputes, disruptions or declines in productivity.
- Inability to attract sufficient numbers of qualified workers.
- Disruption in the supply of energy and utilities; and
- Major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

Management of growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of interest

Certain directors and officers of the Company are also directors, officers, or shareholders of other companies, which may give rise to conflicts of interest from time-to-time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest that they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict is required under the applicable corporate laws to disclose his interest and to abstain from voting on such matter.

Constraints on marketing products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in Canada, the U.S. or other jurisdictions may limit the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's revenues and operating results could be adversely affected.

Operating risk and insurance coverage

The Company's insurance coverage is intended to address all material risks to which it is exposed and is adequate and customary in its current state of operations. However, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Uninsurable risks

The psychedelic business is subject to several risks that could result in damage to or destruction of properties or facilities or cause personal injury or death, environmental damage, delays in production and monetary losses and possible legal liability. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not currently have any insurance policies covering its properties or the operation of its business and any liabilities that may arise as a result any of the above noted risks may cause a material adverse effect on the financial condition of the Company.

Enforcement of proprietary rights

The Company may be unable to adequately protect or enforce its proprietary rights. Its continuing success will likely depend, in part, on its ability to protect internally developed or acquired, intellectual property and maintain the proprietary nature of its technology through a combination of licenses and other intellectual property arrangements, without infringing the proprietary rights of third parties. The Company cannot prove assurance that its intellectual property owned by the Company will be held valid at the foreign government level if challenged, or that other parties will not claim rights in or ownership of its proprietary rights.

Ability to introduce and market new products

The Company is heavily reliant on the production and distribution of mushroom-derived products and believes that the anticipated market for its potential products will continue to exist and expand. If the Company's products do not achieve sufficient market acceptance, it will be difficult for the Company to achieve profitability. The Company expects that its products will account for substantially all of its revenue for the foreseeable future. If the mushroom or functional foods market declines or the Company's products fail to achieve greater market acceptance once the products are introduced, the Company will not be able to increase its revenues in order to achieve consistent profitability.

Even when product development is successful and regulatory approval has been obtained, the Company's ability to generate significant revenue depends on the acceptance of its products by consumers. The Company cannot be sure that its mushroom-derived products will achieve the expected market acceptance and revenue if and when they obtain the requisite regulatory approvals. The market acceptance of any product depends on a number of factors, including the indication statement and warnings approved by regulatory authorities on the product label, continued demonstration of efficacy and safety in commercial use, the price of the product, the nature of any post-approval risk management plans mandated by regulatory authorities, competition, and marketing and distribution support. Any factors preventing or limiting the market acceptance of the Company's products could have a material adverse effect on our business, results of operations, and financial condition.

Because the mushroom-derived products industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

New, well-capitalized entrants may develop large-scale operations

Currently, the psychedelic industry is generally comprised of small to medium-sized entities. However, the risk exists that large conglomerates and companies could purchase or assume control of a larger number of psychedelic ventures. These potential competitors may have longer operating histories, significantly greater financial, technological, engineering, manufacturing, marketing, and distribution resources, and be larger and better capitalized. Larger competitors could establish price setting and cost controls which would effectively eliminate many of the small to medium-sized entities who currently make up the bulk of the participants in psychedelic industry. While the approach of most state laws and regulations might deter this trend, the industry remains nascent and as indicated above this trend is being observed, so the future competitive landscape in the industry remains largely unknown.

The Company's business and strategic plans are subject to all business risks associated with new business enterprises, including the absence of any significant operating history upon which to evaluate an investment. The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the formation of a new business, the development of new strategy and the competitive environment in which the Company operates. It is possible that the Company will incur losses in the future. There is no guarantee that the Company will be profitable.

Difficult to forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change, market acceptance or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and materially adversely affect the trading price of the Company's common shares.

Dividends

The Company has no earnings or dividend record and does not anticipate paying any dividends on the Company's shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Disruption of business

Conditions or events including, but not limited to, those listed below could disrupt the Company's operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Public Health Crises, including COVID-19"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Public health crises

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time.

Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Company remains highly uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to non-venture issuers, this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Cautionary Note Regarding Forward Looking Statements

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, the timing of completion of each milestone described in the "Outlook and Strategy" section of the MD&A, the expectations for timing and budgets estimates for the sourcing, development, obtaining regulatory approval and production of the products that the Company expects to develop and sell; the timeline for developing and launching sales of the Company's products; the allocation of available funds on hand; the regulatory position that the government authorities may take with respect to the Company's products; the classification of Amanita Muscaria and muscimol as non-controlled substances; the ability to secure and retain critical suppliers and partners, including, but not limited to: CROs, CMOs, distributors, and others. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this report. The Company's unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the Q1 2021 Financials in all material aspects.

The Audit Committee has reviewed the Q1 2021 Financials and this MD&A with management. The Board of the Company has approved the Q1 2021 Financials and this MD&A on the recommendation of the Audit Committee.

July 22, 2021

Jeffrey Stevens
Chief Executive Officer