WESANA HEALTH HOLDINGS INC. (FORMERLY DEBUT DIAMONDS INC.)

MANAGEMENT DISCUSSION AND ANALYSIS

For the years ended December 31, 2022 and 2021

Dated May 2, 2023

INTRODUCTION

The following management discussion and analysis ("**MD&A**") of Wesana Health Holdings Inc. (formerly Debut Diamonds Inc.) ("**we**", "**our**", "**Wesana**", or the "**Company**") should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the years ended December 31, 2022 and 2021 (the "**2022 Financial Statements**"), which are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

This document is intended to assist the reader in better understanding operations and key financial results as of the date of this MD&A. The consolidated financial statements and this MD&A have been approved by its Board of Directors. This MD&A is dated May 2, 2023.

All dollar amounts referred to in this MD&A are expressed in United States dollars, which is the presentation currency, except where indicated otherwise.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The MD&A includes statements or information which constitute forward-looking information (collectively, "**forward-looking statements**") within the meaning of applicable Canadian securities legislation.

Forward-looking statements include, but are not limited to, statements with respect to activities, events or developments that the Company expect or anticipate will or may occur in the future, including management's assessment of future plans, operations and performance and statements with respect to the business plan of the Company. In certain cases, forward-looking statements can be identified by terminology such as "may", "will", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "forecast", "outlook", "potential", "continue", "should", "likely", or the negative of these terms or other comparable terminology. Forward-looking statements in this MD&A include, among others, the completion and timing of entering into a partnership with MAPS (as defined below) and information concerning the expected benefits thereof; the Company's expansion plans; expectations regarding and the completion of, including the timing of completion of, preclinical and clinical studies; receiving required approval from Health Canada and the United States Food and Drug Administration (the "**FDA**"); statements with respect to the industry in which the Company participates, including its anticipated growth; anticipated growth of the operations of the Company; and the business strategy and objectives of the Company.

Although management believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements because they involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things assumptions about: the ability of the Company to successfully negotiate and enter into definitive documentation in respect of the contemplated partnership with MAPS and satisfy any related conditions precedent; the ability of the Company to raise sufficient capital to advance the business of the Company, including to be able to fund such partnership with MAPS; research and development costs remaining consistent with budgets; favorable operating conditions; political and regulatory stability; obtaining and maintaining all required licenses and permits; receipt of governmental approvals and permits; sustained labor stability; favorable debt and equity markets; the ability of the Company to be successful in its research and development initiatives; and the availability of third party service providers and other inputs for the Company's operations. While the Company considers these assumptions to be reasonable, many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Risks, uncertainties and factors which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements include, without limitation, risks relating to: there being no assurance as to the Company's ability to continue as a going concern; there being no assurance that the net proceeds of the Private Placement (as defined herein) will be used as currently contemplated by the Company, the allocation and use of which is at the discretion of the Company, or that the Company will achieve the results from the use of such proceeds as currently targeted there being no assurance that definitive partnership arrangements with MAPS will be entered into; research and development of drugs targeting the central nervous system being particularly difficult; failure to comply with health and data protection laws and regulations; delays in pre-clinical and clinical testing resulting in delays in commercializing; inability to file investigational new drug applications or clinical trial applications to commence clinical trials in a timely manner; difficulty enrolling patients in clinical trials; competition from other biotechnology and pharmaceutical companies; violations of laws and regulations resulting in repercussions; psychedelic inspired drugs possibly never being approved as medicines; regulatory or political change; maintaining and enhancing reputation and brand recognition; liability and substantial expenses due to environmental compliance or remediation; reliance on third parties to plan, conduct and monitor preclinical studies and clinical trials; requirements of commercial scale and quality manufactured drug supply; negative results from pre-clinical and clinical trials or studies of others; negative operating cash flow and going concern; the detrimental impact of future losses and negative cash flow from operations; requirements for additional capital; lack of product or service revenue; unfavourable publicity or consumer perception; not achieving publicly announced milestones; reliance on the capabilities and experience of key executives and scientists; disruptions due to acquisitions or collaborations; risk of product liability claims; COVID-19; litigation; conflicts of interest; limited operating history; exposure to the fluctuation of foreign exchange rates; enforcement of judgments and effecting service of process on directors and officers; ability to protect intellectual property; changes in patent law; requirements to share intellectual property with service providers; general economic, market and business conditions, other risks factors including those found in this MD&A under the heading "Risk Factors and Uncertainties" as well as those risk factors discussed or referred to in the Company's annual information form dated September 3, 2021.

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors, currently not known to the Company or deemed to be immaterial by the Company, that cause results not to be as anticipated, estimated or intended. Should any factor affect the Company in an unexpected manner, or should assumptions underlying the forward-looking statements prove incorrect, the actual results or events may differ materially from the results or events predicted. There can be no assurance that such forward-looking statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such forward-looking statements. The forward-looking statements contained herein are presented for the purposes of assisting readers in understanding the Company's expected operating and financial performance and the Company's plans and objectives and may not be appropriate for other purposes. Any such forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Forward-looking statements are made as of the date of such statements and the Company does not undertake any obligation to revise or update any forward-looking statements other than as expressly required by applicable law.

OVERVIEW

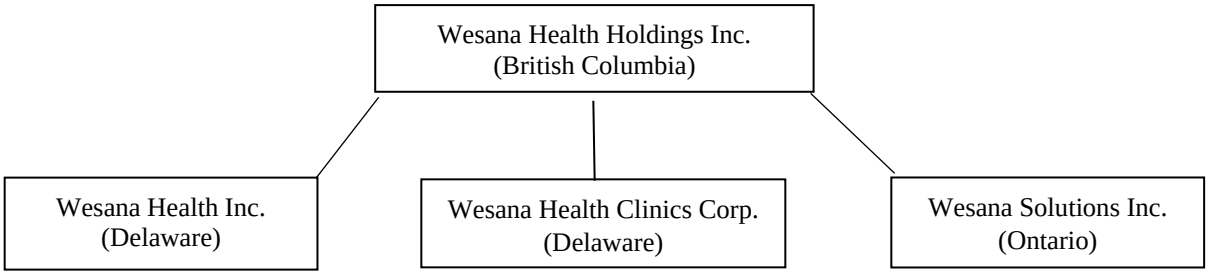
Corporate Structure

Wesana Health Holdings Inc. (formerly Debut Diamonds Inc.) was incorporated under the laws of Ontario on October 17, 2007, and was continued under the *Business Corporations Act* (British Columbia) on May 6, 2021. The head office address is 433 W Van Buren St, Suite 200, Chicago, IL 60607 and the registered office is located 745 Thurlow Street, Suite 2400, Vancouver, BC V6E 0C5.The Subordinate Voting Shares of the Company are traded on the Canadian Stock Exchange ("**CSE**") and on OTCQB® Venture Market ("**OTCQB**") under the trading symbol "WESA" and "WSNAF", respectively.

On May 6, 2021, Debut Diamonds Inc. ("**DDI**" or "**Debut**"), WeSana Health Inc. ("**WHI**" - a Delaware private corporation), and 1288079 B.C. Ltd ("**Finco**" - a BC private corporation associated with WHI), completed a reverse takeover of DDI by WHI and its shareholders (the "**RTO Transaction**"). Overall, as a result of the reverse takeover, DDI, which was renamed Wesana Health Holdings Inc. as a part of the completion of the RTO Transaction, the Company now holds 100% of the WHI common shares. The RTO Transaction has been accounted for as a reverse takeover transaction with WHI being the acquirer and continuing its operations.

On September 8, 2021, the Company completed the PsyTech Acquisition (as defined herein) and the APM Acquisition (as defined herein). See "Business of the Company" below.

Set forth below is the organization chart of the Company after the APM Acquisitions, setting out all material subsidiaries of the Company and their jurisdiction of incorporation, formation or organization. All of the following subsidiaries are directly or indirectly wholly-owned by the Company. On August 31, 2022, Advanced Psychiatric Management LLC was disposed of. See "Sale of Advanced Psychiatric Management LLC" below.



Basis of Consolidation

The basis of presentation of financial results is on a consolidated basis. The 2022 Financial Statements include the accounts of the Company and its subsidiaries including the operation of the clinics in the United States management by Advanced Psychiatric Management LLC up to the date it was disposed of in 2022.

Business of the Company

Care Development Business (Discontinued)

Since the completion of the RTO Transaction, the Company has adopted the business carried on by WHI, being the research and development of drug therapies using high dose psilocybin-assisted psychotherapy and formulations that are psilocybin-based in a low dose, non-hallucinogenic form combined with CBD. The Company announced on May 10, 2022 that following the completion of a successful Pre-IND meeting with the United States Food and Drug Administration ("**FDA**")**,** the Company was expanding its lead indication for SANA-013 to Major Depressive Disorder ("**MDD**") and exploring other complementary orphan indications. Initial regulatory approval from the FDA and Health Canada for such drug therapies is being pursued in respect of MDD as the lead indication, in contrast to the previous lead indication aimed at treating symptoms associated with traumatic brain injury ("**TBI**"), such as depression and anxiety, as well as migraines unrelated to TBI amongst the general population.

While actively seeking regulatory approval for its novel drug formulations and treatment protocols of SANA-013, the Company filed – in November 2021 – Patent Cooperation Treaty ("**PCT**") applications directed to psilocybin-based compositions and methods of treatment for neurological conditions, which PCT applications are linked to the Company's prior provisional patent applications filed in November 2020. Overall, any patent efforts in relation to the foregoing are at the patent-application stage. Patent applications

detail the use of a loading dose of psilocybin and a maintenance dose of psilocybin given concomitantly with a dose of CBD. This novel combination therapy has demonstrated effectiveness through different and potentially complementary pharmacologic pathways.

The Company believes that the further development and regulatory approval of these protocols and formulations will empower patients to overcome neurological, psychological and mental health ailments caused by emotional or physical trauma.

The Company is actively bringing its protocol and formulation through the initial steps of pre-clinical studies and other preparatory work towards seeking FDA and Health Canada approval for completing in-human phase trials for the treatment of MDD as the lead indication, and complementary orphan indications. The Company is undertaking this drug approval process in the United States and Canada, and the Company's intent as at the date of this MD&A is to submit its pre-CTA meeting submission when the Company is able to incorporate FDA feedback identified during the pre-IND process. The Company intends to pursue FDA and Health Canada approval for completing in-human phase trials for its protocol and formulation for treatment of MDD, in the future.

The Company contracted with a global laboratory services provider to undertake two validated functional animal studies which began in June 2021, have been completed and for which final reports have been received. The results of the studies were as anticipated. The two validated functional animal studies investigated the effects of a psilocybin-based regimen on locomotor activity, depression and anxiety. The first study referred to as the "Locomotor Effects Study" was designed to determine whether selected combinations of doses of the Company's test drug have any impact on locomotor activity – being the motion and movement required to get from one place to another – and the extent to which this effect may be. The final report in respect of the Locomotor Effects Study indicated all combination doses were well-tolerated with no evidence of untoward drug-to-drug interactions and confirmed that there were no residual long acting effects from any of the combination doses that would impair animal mobility which was a critical measure to ensure that the results of the second study would not be biased or skewed due to any locomotor effects. The data from the Locomotor Effects Study enabled the Company to commence with and complete a second validated functional animal study in depression and anxiety referred to as the "Anxiety and Depression Effects Study" with an active control earlier than planned. The purpose of the Anxiety and Depression Effects Study was to determine the effects of various loading doses/microdoses of a psilocybin-based regime in a validated animal model of depression and anxiety and the study results were positive in confirming acute anxiolytic effects of the regime.

The Company has entered into agreements with suppliers who have allocated the delivery of psilocybin and CBD to the Company for use in pre-clinical work (including methods, development and validation studies and pharmacological and toxicological studies) which are currently contemplated to be conducted in Canada. The laboratory in Canada to whom the psilocybin and CBD supply is expected to be directly shipped has applied for but not yet received its import permits, which are required in order for the United States supplier to apply for its export permitting. All studies contracted to be conducted by third parties on behalf of the Company will be conducted in coordination with accredited laboratories and research centers and subject to strict compliance with applicable laws and necessary regulatory approvals. Any unexpected delays in obtaining the necessary import/export permits would result in a delay to the commencement of the intended pre-clinical studies.

To be able to advance to clinical in-human trials after the completion of its pre-clinical trials, the Company has entered into service contracts with industry consulting companies who, together with the Company, are currently preparing its regulatory Investigational New Drug ("**IND**") briefing package to be filed with the FDA and its Clinical Trial Application ("**CTA**") briefing package to be filed with Health Canada, each with respect to TBI related depression as the lead indication. These regulatory filings will seek FDA and Health Canada approval and guidance to begin in-human clinical studies. The Company completed its pre-IND meetings in 2022 and was targeting to complete its pre-CTA meeting in 2023 with the objective of filing submissions before the end of 2023.

As stated in the Company's press release dated April 18, 2022, and consistent with the positive feedback

received from the FDA from the pre-IND meeting with the FDA, the Company is exploring the opportunity to expand its lead indication for SANA-013 to MDD and to accelerate the development of SANA-013 by initiating a Phase 1b/2a human study for MDD in 2023.

On May 10, 2022, the Company announced that, following the completion of a pre-IND meeting with the FDA, Wesana is expanding its lead indication for SANA-013 to MDD and exploring other complementary orphan indications. Additionally, consistent with the positive feedback received from FDA, Wesana will accelerate the development of SANA-013 by initiating a Phase 1b/2a human study for MDD in H1 2023. In contrast to the prior development pathway for SANA-013 with TBI associated depression as the lead indication, the revised development pathway would allow the Company to bypass the healthy patient population study and research an MDD affected patient population directly as part of a Phase 1b/2a study. Given the clarity provided by FDA in the pre-IND meeting, and the Company's increased focus on drug development, Wesana commenced, and is presently undergoing, a strategic review of the Company's assets with a focus on reviewing Wesana's care delivery division (including a review of strategic alternatives including, but not limited to, a sale of all the assets under the care delivery division). There can be no assurance that any divestitures of any portions of the care delivery assets or any other transaction will be achieved, and the Company does not intend to comment further on the process unless and until its Board of Directors has approved a specific course of action or otherwise determined that further disclosure is appropriate or required by law. Furthermore, there is no assurance that a transaction will occur in a form that will be sufficient to serve the capital requirements of the Company or enable it to gain or keep any competitive advantage that it may have in the drug development business, if at all.On March 21, 2023, the Company announced it had entered into a definitive asset purchase agreement ("Asset Purchase Agreement") with Lucy Scientific Discovery Inc. ("Lucy") for the sale by its subsidiary WHI its SANA-013 intellectual property and related assets for consolidation of 1,000,000 common shares of Lucy ("Share Consideration") and US$570,000 cash ("Cash Consideration"). Pursuant to the Asset Purchase Agreement, US$300,000 cash has been received by WHI on signing, and the remainder of the Cash Consideration and Share Consideration will be received on closing. The Share Consideration shall be subject to a lock-up agreement whereby one-half of the Share Consideration will be released 9 months from the initial trading date of the shares, and one-half released 14 months from the initial trading date of the shares. Among other conditions precedent, the consummation of the transaction is subject to the approval of at least 66.67% of the votes cast by the Company's shareholders voting at a meeting to be called by the Company for the purposes of considering the transaction.

On September 14, 2021, the Company announced its commitment pursuant to a memorandum of understanding to fund an initial US$1.5 million to the Multidisciplinary Association for Psychedelic Studies ("**MAPS**"). In respect of such funds, US$750,000 was delivered to MAPS upon execution of the memorandum of understanding and the remaining US$750,000 was delivered to MAPS in October 2021, with the aggregate amount expected to be used in part by MAPS to finance the evaluation of legal, scientific and operational elements of the proposed commercial relationship. In connection with this, MAPS Public Benefit Corporation ("**MAPS PBC**"), a wholly-owned subsidiary of MAPS, is expected to activate a team to carry out such an assessment. Other uses of such funds are expected to include for working capital and expenses to develop, negotiate and finalize terms of a desired partnership agreement between MAPS and the Company and for other research-related expenses, including establishing ethical guidelines governing the desired agreement.

The partnership between MAPS and the Company is contemplated to accelerate MAPS PBC's research timelines and provide additional support to MAPS for further research, advocacy, education, and equitable access to MDMA-assisted therapy treatments. Under the terms of the partnership, Wesana is contemplated to, among other things: (i) gain expertise and information to design psychedelic-assisted therapy programs for TBI and improve the Company's timeline and path to market for its treatments, (ii) explore obtaining an exclusive commercial license to use MDMA for the treatment of TBI, (iii) evaluate the viability of, and enter into, revenue share agreements between the organizations, (iv) adapt MAPS' equitable access research projects to develop a meaningful patient access program, and (v) fund associated research, administered

by MAPS PBC, with additional capital.

On December 14, 2021, the Company received a commercial viability analysis conducted by the Boston Consulting Group, which validated and will expedite partnership talks with MAPS. The formation of a long-term partnership between the Company and MAPS remains subject to, among other things, negotiation and execution of definitive documentation and satisfaction of the conditions precedent negotiated therein. There is no assurance that any such definitive documentation will be settled and entered into by the parties, that any such conditions precedent will be met, nor as to the availability of any funding to support the objectives of the partnership. Overall, any direct or indirect research and development efforts of the Company related to MAPS and MDMA remain at a preliminary stage. The original term of the memorandum of understanding expired on December 31, 2021, though, the expiry thereof has not had, and is not anticipated to have, a material implication to the Company or its ability to enter into a definitive agreement with MAPS.

Care Delivery Business (Discontinued)

- *Wesana Clinics* – Wesana Clinics is a chain of psychiatrist-led mental health clinics focused on delivering psychiatric care, inclusive of ketamine therapy, while also preparing for the delivery of other psychedelic therapies as they become available. The Wesana clinical network currently includes three clinics located in Illinois (the most recent of which the Company entered into a 10-year lease in Naperville, Illinois, with a rent-free period through August 1, 2022, following by fixed, annual rent escalations throughout its term). All clinics were sold as of August 31, 2022.

- *Wesana Solutions* – Wesana Solutions is a clinical software platform focused on improving mental healthcare through facilitating access to clinical protocols and tracking their efficacy. In concert with electronic medical records and practice management systems, Wesana Solutions is intended to be used in clinics delivering psychedelics and related therapies, targeting the developing international psychiatric clinic and research market, with initial clinical deployment to be focused on the United States. As of the date of this MD&A, due to the strategic review process, Wesana has suspended the further development of Wesana Solutions.

- *PsyTech Connec*t – PsyTech Connect is a community for the clinical use of psychedelics with over 8,000 actively engaged professionals and has become a resource for psychedelic therapy protocols and clinical best practices. PsyTech Connect also features the annual PsyTech Summit, a premier psychedelic conference that averages over 2,200 attendees. Through PsyTech Connect, Wesana will be able to develop relationships with leading edge psychiatric practitioners and provide them with tools for managing, understanding, and personalizing care for their patients. As at the date of this MD&A, due to the strategic review process, Wesana has suspended the operations of PsyTech Connect.

The Company is reviewing strategic alternatives including, but not limited to, a sale of all the above-listed assets under the care delivery business. There can be no assurance that any divestitures of any portions of the care delivery assets or any other transaction will be achieved or that a transaction, if achieved at all, will occur in a form that will be sufficient to serve the capital requirements of the Company.

The Company's business does not involve the use of psychedelic substances except in jurisdictions where such activity is conducted within laboratory and clinical trial settings and conducted within approved regulatory frameworks to identify and develop treatments for medical conditions, and in the case of ketamine, as prescribed by a licensed and registered medical practitioner. The Company does not directly handle controlled or restricted substances under the CSA or CDSA (each as defined below) and does not have any direct or indirect involvement with illegal selling, production or distribution of any substances in jurisdictions in which it operates.

For additional information and applicable updates on the Company and its business segments and projects, see "Business Segments and Project Development."

Recent Financing Activities

On May 2, 2022, the Company completed the initial tranche of the previously announced non-brokered private placement for aggregate gross proceeds of approximately CAD$1,100,000 (US$875,000) (the

"**Private Placement**"). Pursuant to the Private Placement, the Company issued 641,154 Subordinate Voting Share Units (each, an "**SVS Unit**") at a price of CAD$0.73 per unit and 17,158 Proportionate Subordinate Voting Share Units (each, a "**PVS Unit**") at a price of CAD$36.50 per unit. Each SVS Unit consists of one Subordinate Voting Share and one Subordinate Voting Share purchase warrant (an "**SVS Warrant**"). Each SVS Warrant is exercisable by the holder thereof to acquire one additional Subordinate Voting Share for a period of 36 months from the date of issue at an exercise price of CAD$0.90 per Subordinate Voting Share. Each PVS Unit consists of one Proportionate Subordinate Voting Share and one Proportionate Subordinate Voting Share purchase warrant (a "**PVS Warrant**"). Each PVS Warrant is exercisable by the holder thereof to acquire one additional Proportionate Subordinate Voting Share for a period of 36 months from the date of issue at an exercise price of CAD$45.00 per Proportionate Subordinate Voting Share. No subscriptions under the initial tranche of the Private Placement were subject to a finder's fee.

Securities issued under the Private Placement are subject to a four-month hold period under applicable Canadian securities laws.

The Company intends to use the net proceeds from the Private Placement towards evaluating the potential expanding of the indication for SANA-013 to MDD and initiating a Phase 1b/2a human study in H1 2023 as an alternative approach to the current development pathway, research and development activities following such evaluation and general working capital and corporate purposes. There is no assurance that the net proceeds of the Private Placement will be used as currently contemplated by the Company, the allocation and use of which is at the discretion of the Company, or that the Company will achieve the results from the use of such proceeds as currently targeted. See "Risks and Uncertainties".

REGULATORY ENVIRONMENT

Drug Development Operations

The Company is involved in the research and development of drug therapies using high dose psilocybin-assisted psychotherapy and formulations that are psilocybin-based in a low dose, non-hallucinogenic form combined with CBD to treat symptoms associated with TBI, such as depression and anxiety, as well as migraines unrelated to TBI amongst the general population. Initial regulatory approval from the FDA and Health Canada for such drug therapies is being pursued in respect of TBI associated depression as the lead indication.

In order to develop regulated medicines, the Company's process must be conducted in strict compliance with the regulations of the FDA, Health Canada, and other federal, state, provincial, local and regulatory agencies in the United States and Canada. These regulatory authorities regulate, among other things, the research, manufacture, promotion and distribution of drugs and the broad authority of such regulatory authorities create much uncertainty in the ability to successfully commercialize drug therapies. A summary of certain regulatory framework applicable to the Company's drug development operations is set forth below.

Jurisdiction(s)	**Certain Applicable Legislation**	**Summary of Certain Applicable Regulatory Framework**
Canada and United States	*Controlled Drugs and Substances Act*, SC 1996, c 19 (Canada) (the CDSA) Controlled Substances Act (21 U.S.C. § 811)	The Canadian and United States federal governments regulate psychedelic substances under the CDSA in Canada and the CSA in the United States. These laws and applicable regulations are enforced by applicable Canadian law enforcement and Health Canada and the DEA and the FDA respectively.

	(United States) (the CSA) Federal Food, Drug and Cosmetic Act (21 U.S.C. §301 et seq.) (United States) (the "**FFDCA**") *Food and Drugs Act*, RSC 1985, c F-27 (Canada) (the FDAC) *Food and Drugs Regulations*, CRC, c 870 (Canada) (the "**FDRC**") *Cannabis Act*, SC 2018, c 16 (Canada) *Cannabis Regulations* SOR/2018-144 (Canada)	Under the CDSA, psilocybin is listed as a Schedule III substance. Under the CSA, psilocybin is listed as a Schedule I substance. Controlled substances are subject to strict regulations, including procedures for handling, inventory control, record keeping and security to prevent diversion or unauthorized use. Psilocybin is currently not approved for use in Canada or the United States for any indication. In the United States, psilocybin has been approved in limited circumstances by the DEA for limited and directed research and clinical trial programs approved by the FDA at licensed and registered research organizations under the auspices of the agencies and clinical review boards. In Canada, the manufacture, use and possession of CBD or products containing CBD have been legalized and are regulated by the *Cannabis Act* and associated regulations. Health Canada grants licenses that permits the possession, production, processing or manufacture of CBD or products containing CBD.

United States Regulations

In the United States, pharmaceutical products are subject to extensive regulation. The FFDCA and other federal and state statutes and regulations govern, among other things, the research, development, testing, manufacturing, storage, recordkeeping, approval, labeling, promotion and marketing, distribution, post-approval monitoring and reporting, sampling, and import and export of pharmaceutical products. Failure to comply with applicable U.S. requirements may subject a company to a variety of administrative or judicial sanctions, such as FDA refusal to approve pending new drug applications ("**NDAs**"), warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties, and criminal prosecution.

Drugs and other substances that are determined to have a potential for abuse are also regulated under the United States Comprehensive Drug Abuse Prevention and Control Act of 1970, as amended, also known as the Controlled Substances Act (the CSA) and its implementing regulations, as "controlled substances." The CSA establishes a closed chain of distribution for entities handling controlled substances, which include researchers, manufacturers, distributors, pharmacies and physicians, importers and exporters. The CSA and regulations enforced by the DEA impose registration, security, quotas inventory, recordkeeping, reporting, storage, manufacturing, distribution, importation, exportation, and other requirements on entities handling controlled substances. Practitioners such as pharmacies, physicians and nurse practitioners, as

well as other types of entities that handle controlled substances, such as researchers and analytical laboratories, are also subject to DEA registration and other requirements related to controlled substances.

The CSA categorizes controlled substances into one of five schedules – Schedule I, II, III, IV, or V – depending on the potential for abuse and physical or psychological dependence. Schedule I substances by definition have a high potential for abuse, have no currently accepted medical use in treatment in the United States, and lack accepted safety for use under medical supervision. They may not be marketed or sold for dispensing to patients in the United States. Certain "hallucinogens" or psychedelic drugs, including LSD, ibogaine, MDMA, DMT, and psilocybin, are currently regulated as Schedule I controlled substances, as is any substance that includes any of a Schedule I substance's salts, isomers (e.g., optical, position, and geometric isomers), or salts of isomers, whenever the existence of such salts, isomers, and salts of isomers is possible within the specific chemical. Pharmaceutical products having a currently accepted medical use and that are otherwise approved for marketing may be listed as Schedule II, III, IV, or V substances, with Schedule II substances presenting the highest potential for abuse and physical or psychological dependence, and Schedule V substances presenting the lowest relative potential for abuse and dependence.

Whether a new drug or substance is ultimately controlled or not is a fact specific determination that the DEA makes based on the input of the Department of Health and Human Services ("**HHS**") (including the FDA), which provides scientific and medical findings and recommendations to the DEA. During the FDA approval process, the FDA will generally conduct an abuse potential evaluation of any substance that could have an effect on the CNS. If HHS finds that a new drug or substance may have an abuse potential that would require the drug to be controlled, HHS notifies the DEA and provides information/recommendation to the DEA on its scheduling. The DEA must conduct notice and comment rulemaking to propose scheduling of a new substance. If a drug being approved contains a substance already controlled under the CSA, that drug will generally be controlled in the same schedule absent findings or recommendations that it should be placed in another schedule.

Psilocybin is a Schedule I listed substance under the CSA. Its use in the United States is highly restricted under Federal law, even though there have been a few state and local laws seeking to loosen restrictions. A facility that seeks to manufacture, distribute, import or export any Schedule 1 controlled substance must register with the DEA. The DEA registration is specific to the particular location, activity and controlled substance. A DEA registered facility must maintain records documenting all activities, including the manufacture, receipt and distribution, of controlled substances. The import or export of a Schedule 1 substance requires a permit and may need to comply with international drug control treaties as well as DEA requirements. The Company has or will need to submit necessary application materials to obtain DEA registration and is precluded from undertaking regulated activities until approvals are obtained.

Any Schedule I drug or substance approved by the FDA must be rescheduled (or descheduled) to another schedule before it can be commercially marketed in the United States. Rescheduling or descheduling a Schedule I substance to another schedule is dependent on FDA approval and FDA recommendation as to the appropriate schedule. Any rescheduling or descheduling action requires the DEA to conduct notice and comment rulemaking. Such action will be subject to public comment and requests for hearing which could affect the scheduling of these substances.

The process for pharmaceutical product development in the United States typically involves the following:

- Before testing any compound in human patients in the U.S., a company must generate extensive preclinical data. Preclinical testing generally includes laboratory evaluation of product chemistry and formulation, as well as toxicological and pharmacological studies in several animal species to assess the toxicity and dosing of the product. Certain animal studies must be performed in compliance with the FDA's Good Laboratory Practice ("**GLP**") regulations and the U.S. Department of Agriculture's Animal Welfare Act.

- Submission to the FDA of an investigational new drug application, which must become effective before human clinical trials may begin.

    - The IND submission typically includes the results of nonclinical testing, information about product chemistry, manufacturing and controls, and a proposed clinical trial protocol followed by a 30-day waiting period for the FDA to comment or question the IND.

    - There can be regulatory barriers to obtaining an effective IND based on FDA's review of the investigative drug and its classification as a known Schedule I controlled substance. Even after an approved IND, the FDA may order the temporary or permanent discontinuation of a clinical trial, also called a clinical hold, at any time, or impose other sanctions, if it believes that the clinical trial is not being conducted in accordance with FDA requirements or presents an unacceptable risk to the clinical trial subjects.

    - The protocol and informed consent information for patients in clinical trials must also be submitted to an institutional review board ("**IRB**"), which can require the clinical trial at the site to be halted for failure to comply with the IRB's requirements or may impose other conditions.

- There is a process under which clinical trials may begin and involve the administration of the investigational new drug to healthy volunteers or patients under the supervision of a qualified investigator. Clinical trials must be conducted: (i) in compliance with federal regulations; (ii) in compliance with good clinical practice ("**GCP**"); and (iii) pursuant to clinical trial protocols.

    - Clinical trials to support an NDA for marketing approval are typically conducted in three sequential phases, but the phases may overlap.

    - In Phase 1, the initial introduction of the drug into healthy human subjects or patients, the drug is tested to assess metabolism, pharmacokinetics, pharmacological actions, side effects associated with increasing doses, and, if possible, early evidence of effectiveness. Phase 1b Clinical Trial means a clinical trial of a pharmaceutical product into affected patients with the primary purpose of determining safety, efficacy, metabolism, pharmacokinetic properties and clinical pharmacology of such product.

    - Phase 2 usually involves trials in a limited patient population to determine the effectiveness of the drug for a particular indication, dosage tolerance, and optimum dosage, and to identify common adverse effects and safety risks. Phase 2 is sometimes broken down further into Phase 2a and Phase 2b. During Phase 2a clinical trials, a group of patients is administered the drug in various quantities to investigate dosage and optimal frequency of doses.

    - Phase 3 trials are undertaken to obtain additional information about clinical efficacy and safety in a larger number of patients to permit the FDA to evaluate the overall benefit-risk relationship of the drug and to provide adequate information for the drug's labeling. In most cases, the FDA requires two adequate and well-controlled Phase 3 clinical trials to demonstrate the efficacy of the drug.

- After completing the required clinical testing, an NDA is prepared and submitted to the FDA. The FDA approval is required before the product may be marketed in the United States. The NDA must include the results of all preclinical, clinical, and other testing and a compilation of data relating to the product's pharmacology and chemistry, manufacture and controls. Under the Prescription Drug User Fee Act ("**PDUFA**"), a substantial application user fee is required for most NDAs, and the applicant under an approved NDA is also subject to an annual program fee for each prescription product.

- The FDA generally has 60 days from its receipt of an NDA to determine whether the NDA is sufficiently complete to permit substantive review and filing of the NDA. Once the submission is filed, the FDA begins an in-depth review. Under PDUFA, the FDA has agreed to certain performance goals in the review of NDAs. The FDA may refer an NDA, such as an NDA for a novel drug product, to an outside

expert advisory committee for review, evaluation, and a recommendation as to whether the NDA should be approved. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations.

- Before approving an NDA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP and the facility or the facilities at which the drug is manufactured to assure compliance with current good manufacturing practices.

- After evaluating the NDA, the FDA issues either an approval letter or a complete response letter. A complete response letter generally outlines the deficiencies in the submission. Substantial additional testing or information may be required in order for the FDA to reconsider the application.

- As a condition of NDA approval, the FDA may require a risk evaluation and mitigation strategy ("**REMS**") to help ensure that the benefits of the drug outweigh the potential risks. REMS can include medication guides, communication plans for healthcare professionals, and elements to assure safe use, such as special training or certification for prescribing or dispensing. Moreover, product approval may require substantial post-approval testing and surveillance to monitor the drug's safety or efficacy. Once granted, product approvals may be withdrawn if compliance with regulatory standards is not maintained, or problems are identified following initial marketing.

- Once an NDA is approved, a product will be subject to certain post-approval requirements, including, among other things, requirements related to record-keeping, providing the FDA with updated safety information, product sampling and distribution, and promotion and advertising.

Obtaining regulatory approval often takes a number of years, involves the expenditure of substantial resources, and depends on a number of factors, including the severity of the disease in question, the availability of alternative treatments, and the risks and benefits demonstrated in clinical trials. Additionally, as a condition of approval, the FDA may impose restrictions that could affect the commercial success of a drug or require post-approval commitments, including the completion within a specified time period of additional clinical studies, which often are referred to as "Phase 4" or "post-marketing" studies.

Post-approval modifications to the drug, such as changes in indications, labeling, or manufacturing processes or facilities, may require a sponsor to develop additional data or conduct additional preclinical studies or clinical trials, to be submitted in a new or supplemental NDA, which would require FDA approval.

Post-Approval Regulation

Once approved, drug products are subject to continuing regulation by the FDA. If ongoing regulatory requirements are not met or if safety or manufacturing problems occur after the product reaches the market, the FDA may at any time withdraw product approval or take actions that would limit or suspend marketing. Additionally, the FDA may require post-marketing studies or clinical trials, changes to a product's approved labeling, including the addition of new warnings and contraindications, or the implementation of other risk management measures, including distribution-related restrictions, if there are new safety information developments.

Good Manufacturing Practices

Companies engaged in manufacturing drug products or their components must comply with applicable cGMP requirements and product-specific regulations enforced by the FDA and other regulatory agencies. Compliance with cGMP includes adhering to requirements relating to organization and training of personnel, buildings and facilities, equipment, control of components and drug product containers and closures, production and process controls, quality control and quality assurance, packaging and labeling controls, holding and distribution, laboratory controls, and records and reports. The FDA regulates and inspects equipment, facilities, and processes used in manufacturing pharmaceutical products prior to approval. If, after receiving approval, a company makes a material change in manufacturing equipment, location, or

process (all of which are, to some degree, incorporated in the NDA), additional regulatory review and approval may be required. The FDA also conducts regular, periodic visits to re-inspect equipment, facilities, and processes following the initial approval of a product. Failure to comply with applicable cGMP requirements and conditions of product approval may lead the FDA to take enforcement action or seek sanctions, including fines, issuance of warning letters, civil penalties, injunctions, suspension of manufacturing operations, operating restrictions, withdrawal of FDA approval, seizure or recall of products, and criminal prosecution.

Advertising and Promotion

The FDA and other federal regulatory agencies closely regulate the marketing and promotion of drugs through, among other things, standards and regulations for direct-to-consumer advertising, advertising and promotion to healthcare professionals, communications regarding unapproved uses, industry-sponsored scientific and educational activities, and promotional activities involving the Internet. A product cannot be commercially promoted before it is approved. After approval, product promotion can include only those claims relating to safety and effectiveness that are consistent with the labeling approved by the FDA. Healthcare providers are permitted to prescribe drugs for “off-label” uses — that is, uses not approved by the FDA and not described in the product's labeling — because the FDA does not regulate the practice of medicine. However, FDA regulations impose restrictions on manufacturers' communications regarding off-label uses. Broadly speaking, a manufacturer may not promote a drug for off-label use, but under certain conditions may engage in non-promotional, balanced, scientific communication regarding off-label use. In addition to FDA restrictions on marketing of pharmaceutical products, state and federal fraud and abuse laws have been applied to restrict certain marketing practices in the pharmaceutical industry.

Failure to comply with applicable FDA requirements and restrictions in this area may subject a company to adverse publicity and enforcement action by the FDA, the Department of Justice, or the Office of the Inspector General of the Department of Health and Human Services, as well as state authorities. This could subject a company to a range of penalties that could have a significant commercial impact, including civil and criminal fines and agreements that materially restrict the manner in which a company promotes or distributes a drug.

Other Requirements

NDA holders must comply with other regulatory requirements, including submitting annual reports, reporting information about adverse drug experiences and maintaining certain records.

Canadian Regulations

In Canada, Health Canada regulates, among other things, the research, development, testing, manufacture, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, post-approval monitoring, marketing and import and export of pharmaceutical products. Drug approval laws require licensing of manufacturing facilities, carefully controlled research and testing of products, and government review and approval of experimental results prior to giving approval to sell drug products.

In Canada, substances that are considered to be a risk are identified and listed in one of the schedules (I to V) of the CDSA. Psilocybin is listed as a schedule III substance. The possession, sale or distribution of controlled substances is prohibited unless specifically permitted by the government. Penalties for contravention of the CDSA related to Schedule I substances are the most punitive, with Schedule II being less punitive that Schedule I, Schedule III being less punitive than Schedule I and II and so forth. A party may seek government approval for a Section 56 Exemption to allow for limited use of a controlled substance for clinical studies or scientific purposes.

A party can also apply for Dealer’s License under the FDRC (either Part G or Part J depending on the controlled substance – Psilocybin is listed in Part J). In order to qualify as a licensed dealer, a party must meet all regulatory requirements mandated by the regulations including having compliant facilities, compliant

materials and staff that meet the qualifications under the regulations of a senior person in charge and a qualified person in charge. Assuming compliance with all relevant laws (CDSA, FDRC) and subject to any restrictions placed on the license by Health Canada, an entity with a Dealer's License may produce, assemble, sell, provide, transport, send, deliver, import or export a restricted drug (as listed in either Part G or Part J in the FDRC, as applicable). To import or export a restricted drug, separate permits need to be obtained, pursuant to Part J of the FDRC, from Health Canada for each shipment.

The *Cannabis Act* and related regulations govern and regulate the production and sale of CBD and any product containing CBD in Canada. Drug products that contain CBD must go through the same regulatory review by Health Canada and approval process as any other pharmaceutical product, as further described below. Once approved, only a holder of a Cannabis Drug License issued under the *Cannabis Act* and *Cannabis Regulations* may possess CBD and make drug products containing CBD. To the extent CBD is made or isolated outside of Canada and imported, a party in Canada must obtain an import permit, in addition to the relevant cannabis license, in accordance with the *Cannabis Act* and *Cannabis Regulations* for each shipment of CBD brought into the country. To the extent any manufacturing of CBD is done in Canada a processing license must be obtained in accordance with the *Cannabis Act* and *Cannabis Regulations*.

In Canada, the process required by the applicable regulatory authorities before prescription drug product candidates can be marketed in Canada generally involves the following:

- non-clinical studies are conducted in vitro and in animals to evaluate pharmacokinetics, metabolism and possible toxic effects to provide evidence of the safety of the drug candidate prior to its administration to humans in clinical studies and throughout development. Such studies are required to be conducted in accordance with applicable laws and good laboratory practices;

- submission to Health Canada of a CTA and receipt of a "no objection letter";

- performance of human clinical trials, in accordance with Health Canada regulations, which require compliance with GCPs, the protocol and research ethics board approval. Human clinical trials are typically conducted in three sequential phases, although the phases may sometimes overlap or be combined;

- submission to Health Canada of a new drug submission ("**NDS**");

- satisfactory completion of a Health Canada inspection of the manufacturing facility or facilities where the product is produced (or other evidence acceptable to Health Canada) is required to ensure that the facilities are in compliance with current good manufacturing practices requirements and adequate to assure consistent production of the product within required specifications; and

- Health Canada review and approval of the NDS and issuance of a notice of compliance and drug identification number prior to any commercial marketing, sale or shipment of the drug.

Good Manufacturing Practices

Companies engaged in manufacturing drug products or their components must comply with applicable cGMP requirements and product-specific regulations enforced by Health Canada and other regulatory agencies. Compliance with cGMP includes adhering to requirements relating to organization and training of personnel, buildings and facilities, equipment, control of components and drug product containers and closures, production and process controls, quality control and quality assurance, packaging and labeling controls, holding and distribution, laboratory controls, and records and reports. Health Canada regulates and inspects equipment, facilities, and processes used in manufacturing pharmaceutical products prior to approval. If, after receiving approval, a company makes a material change in manufacturing equipment, location, or process (all of which are, to some degree, incorporated in the NDS), additional regulatory review

and approval may be required. Health Canada also conducts regular, periodic visits to re-inspect equipment, facilities, and processes following the initial approval of a product. Failure to comply with applicable cGMP requirements and conditions of product approval may lead Health Canada to take enforcement action or seek sanctions, including fines, issuance of warning letters, injunctions, suspension of manufacturing operations, operating restrictions, withdrawal of Health Canada approval, seizure or recall of products, and criminal prosecution.

Advertising and Promotion

Health Canada and other federal regulatory agencies closely regulate the marketing and promotion of drugs through, among other things, restrictions and prohibitions under the FDAC and standards and regulations for direct-to-consumer advertising and engaging in false or misleading advertising. A product cannot be commercially promoted before it is approved. After approval, product promotion can include only information in compliance with the FDAC.

Failure to comply with applicable Health Canada and FDAC requirements and restrictions in this area may subject a company to adverse publicity and enforcement action by Health Canada as well as other federal and provincial authorities. This could subject a company to a range of penalties that could have a significant commercial impact, including regulatory and criminal fines and agreements that materially restrict the manner in which a company promotes or distributes a drug.

Clinical Operations

Ketamine

Ketamine is regulated in the United States as a Schedule III controlled substance under the CSA. Under the CSA, a Schedule III controlled substance has an accepted medical use and a lower potential for dependence or abuse than more restricted Schedule I or II substances. Ketamine is also an approved drug by the FDA as an anesthetic under the FFDCA. Under FDA authorities, ketamine can be prescribed for off-label use by a licensed physician under appropriately determined medical conditions. In order to prescribe, dispense and administer a Schedule III controlled substance, a medical provider must be authorized to prescribe controlled substances by the state in which the provider is licensed and also have a DEA registration. These authorizations are held by the provider and apply to a particular location of practice and cannot be transferred or assigned.

The World Health Organization has reported that depression is a leading cause of disability worldwide. While not approved by the FDA to treat depression, and while recreational use remains prohibited, ketamine has been shown in studies to be effective as an antidepressant.

As noted above, the Wesana Clinics may use ketamine when prescribed by the appropriate medical professional in the jurisdiction where the Wesana Clinics operate, such use being governed by applicable federal and state laws and appropriate determinations of medical use for the specific patient under medical supervision.

As additional psychedelic medicines are legalized or approved for use in the United States, the Company will evaluate them for use in its clinics and, where appropriate, develop protocols to incorporate them into the therapeutic offering at its clinics. At this time, ketamine is the only such drug product prescribed at the Wesana Clinics.

The State of Illinois regulates the Wesana Clinics and the conduct of the medical professionals who work and prescribe drug products in the Wesana Clinics. Please refer to the table below for details concerning these regulations.

Medical Professional	Governing Law	Regulatory Bodies
Medical Doctors	Medical Practice Act (225 ILCS 60/2)	Illinois Department of Financial and Professional Regulation ("**IDFPR**")
Psychologists	Clinical Psychologist Licensing Act (225 ILCS 15/)	IDFPR
Professional Counselors and Clinical Professional Counselors	Professional Counselor and Clinical Professional Counselor Licensing and Practice Act (225 ILCS 107/1)	IDFPR
Nurses; Nurse Practitioners	Nurse Practice Act (225 ILCS 65/)	IDFPR
All Prescribers	Illinois Prescription Monitoring Program (Public Act 100-0564)	Illinois Prescription Monitoring Program, Illinoi Department of Human Services
Individual Practitioners; Mid-level Practitioners	Illinois Controlled Substances Act (720 ILCS 570) and regulations (Title 77, Chapter XV, Part 3100)	IDFPR

While the treatments that occur at the Wesana Clinics are considered to be off-label, the prescription of ketamine and the dispensing of ketamine are not novel and are subject to the same restrictions as would apply to any medical professional who prescribes other controlled substances to his or her patients. Aside from federal and state registrations and licensure, there are no special licenses, permits, authorizations or approvals required that are different from any other ordinary course approvals required by applicable governmental authorities for any medical clinic that is prescribing and dispensing controlled substances to patients. As such, licensed medical practitioners may prescribe ketamine legally in the United States where they believe it will be an effective treatment in their professional judgment.

Administration of ketamine as part of the Ketamine Assisted Psychotherapy ("**KAP**") program is performed only following prescription by a licensed physician or by a licensed nurse practitioner or other medical professional, under the supervision of a licensed physician. The Wesana Clinics may utilize, in addition to physicians, licensed mid-level practitioners such as physician assistants and nurse practitioners and mental health practitioners such as psychologists and psychotherapists. The exact make-up of staff for each Wesana Clinics varies by location and additional professionals and/or administrative staff may also be employed.

Under current laws and regulations in the United States, any person who manufactures, distributes, dispenses, imports or exports ketamine or who engages in research or conducts instructional activities or chemical analysis with respect to this substance, or who proposes to engage in such activities, must be registered under the CSA and approved by the DEA as well as having the applicable state controlled substance licenses and approvals to prescribe ketamine. A separate registration is required for each clinic location. The licensed providers must comply with applicable requirements, for storage, inventory management, security measures to guard against theft and diversion, record keeping and prescribing practices for the management, use, and safeguarding of drug products under the CSA and state laws. All prescriptions for ketamine must be issued by an individual practitioner who is authorized to prescribe and registered with the DEA and state equivalent programs and must conform to applicable prescribing requirements.

To the Company's knowledge, the current Wesana Clinics and the required medical professionals hold all required DEA licenses. Furthermore, the current Wesana Clinics have in place security, control,

recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Staff at the current Wesana Clinics, including the medical doctors and/or the nurse practitioner(s), advanced practice registered nurse(s) or other medical professionals who report to them, hold the required DEA licenses and the Company has put in place policies designed to adhere to DEA requirements.

Corporate Practice of Medicine Doctrine

Some states, including the State of Illinois, have legislation or policies relating to the "Corporate Practice of Medicine" doctrine ("**CPOM**") prohibiting specific types of entities from practicing medicine or employing physicians to practice medicine. Moreover, some states prohibit certain entities from engaging in fee-splitting practices which involve sharing in the fees or revenues of a professional practice. These prohibitions may be statutory or regulatory, or may be imposed through judicial or regulatory interpretation and are intended to prevent unlicensed persons from interfering with or inappropriately influencing a physician's professional judgment. The laws, regulations and interpretations in certain states have been subject to limited judicial and regulatory interpretation and are subject to change.

In order to comply with CPOM, the Wesana Clinics are owned solely by State-licensed physicians and are organized as physician practices and the Company provides management services to the Wesana Clinics. Under these management arrangements, the Company will perform only non-medical administrative services, will not represent that it offers medical services and will not exercise influence or control over the practice of medicine by the physicians or the associated physician groups with which it contracts.

In addition to the above management arrangements, the Company has certain contractual rights relating to the orderly transfer of equity interests in its physician practices through succession agreements and other arrangements with their physician equity holders. Specifically, in the event that the physician who owns the Wesana Clinics dies or is disabled or upon certain other triggering events, the Company will maintain the right to direct the transfer of the ownership of the professional organization to another licensed physician through a succession agreement. Such equity interests cannot, however, be transferred to or held by the Company or by any non-professional organization. Accordingly, neither the Company nor any of its subsidiaries will directly own any equity interests in any of the physician practices. In the event that any of the physician owners of these practices fail to comply with the management arrangement, if any management arrangement is terminated and/or the Company is unable to enforce its contractual rights over the orderly transfer of equity interests in any of its physician practices, such events could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

It is possible that a state regulatory agency or a court could determine that the Company's agreements with physician equity holders of its practices and the way the Company carries out these arrangements as described above, either independently or coupled with the management services agreements with such associated physician practices, are in violation of prohibitions on the CPOM. As a result, these arrangements could be deemed invalid, potentially resulting in a loss of revenues and an adverse effect on results of operations derived from such practices. Such a determination could force a restructuring of the Company's management arrangements with the affected practices, which might include revisions of the management services agreements, including a modification of the management fee and/or establishing an alternative structure that would permit the Company to contract with a physician network without violating prohibitions on the CPOM. There can be no assurance that such a restructuring would be feasible, or that it could be accomplished within a reasonable time frame without a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Federal Anti-Kickback Statute and False Claims Act

The U.S. federal Anti-Kickback Statute, 42 U.S.C. Code §13201-7(b) prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration, directly or indirectly, in cash or kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under federal and state healthcare programs such as Medicare and Medicaid.

U.S. federal criminal penalties for the violation of the federal Anti-Kickback Statute include imprisonment, fines and exclusion of the provider from future participation in the federal healthcare programs, including Medicare and Medicaid. Violations of the federal Anti-Kickback Statute are punishable by imprisonment for up to ten years, fines of up to US$100,000 per kickback or both. Larger fines can be imposed upon corporations under the provisions of the U.S. Sentencing Guidelines and the Alternate Fines Statute. Individuals and entities convicted of violating the federal Anti-Kickback Statute are subject to mandatory exclusion from participation in Medicare, Medicaid and other federal healthcare programs for a minimum of five years. Civil penalties for violation of the Anti-Kickback Statute include up to US$100,000 in monetary penalties per violation, repayments of up to three times the total payments between the parties to the arrangement and suspension from future participation in Medicare and Medicaid. Court decisions have held that the statute may be violated even if only one purpose of remuneration is to induce referrals. The United States Patient Protection and Affordable Care Act (the "**ACA**"), amended the federal Anti-Kickback Statute to clarify the intent that is required to prove a violation. Under the statute as amended, the defendant does not need to have actual knowledge of the federal Anti-Kickback Statute or have the specific intent to violate it. In addition, the ACA amended the federal Anti-Kickback Statute to provide that any claims for items or services resulting from a violation of the federal Anti-Kickback Statute are considered false or fraudulent for purposes of the United States Federal False Claims Act (the "**FCA**").

The U.S. federal Anti-Kickback Statute includes statutory exceptions and regulatory safe harbors that protect certain arrangements. These exceptions and safe harbors are voluntary. Business transactions and arrangements that are structured to comply fully with an applicable safe harbor do not violate the federal Anti-Kickback Statute. However, transactions and arrangements that do not satisfy all elements of a relevant safe harbor do not necessarily violate the law. When an arrangement does not satisfy a safe harbor, the arrangement must be evaluated on a case-by-case basis in light of the parties' intent and the arrangement's potential for abuse. Arrangements that do not satisfy a safe harbor may be subject to greater scrutiny by enforcement agencies.

To the best of the Company's knowledge, no persons at the Wesana Clinics receive commissions, incentives or other fees, directly or indirectly, for the purpose of inducing referrals to the Wesana Clinics, or inducing the purchase, order or recommendation of, any good or service, for which payment may be made under federal and state healthcare programs such as Medicare and Medicaid. However, if any of the Company's business transactions or arrangements, including those described above, were found to violate the federal Anti-Kickback Statute, the Company could face, among other things, criminal, civil or administrative sanctions, including possible exclusion from participation in Medicare, Medicaid and other state and federal healthcare programs. Any findings that the Company has violated these laws could have a material adverse impact on its business, results of operations, financial condition, cash flows, reputation and stock price.

The FCA prohibits anyone from knowingly presenting, or causing to be presented, for payment to federal programs (including Medicare and Medicaid) claims for items or services, including drugs, that are false or fraudulent, claims for items or services not provided as claimed, or claims for medically unnecessary items or services. Even if the Company does not submit claims directly to payors, manufacturers can be held liable under these laws if they are deemed to "cause" the submission of false or fraudulent claims by, for example, providing inaccurate billing or coding information to customers or promoting a product off-label. In addition, any activities relating to the reporting of wholesaler or estimated retail prices of drug products, the reporting of prices used to calculate Medicaid rebate information and other information affecting federal, state and third-party reimbursement of products, and the sale and marketing of products, are subject to scrutiny under this law. For example, pharmaceutical companies have been found liable under the FCA in connection with their off- label promotion of drugs. Penalties for a FCA violation include three times the actual damages sustained by the government, plus mandatory civil penalties of between US$10,000 and US$25,000 for each separate false claim, the potential for exclusion from participation in federal healthcare programs, and, although the FCA is a civil statute, conduct that results in a FCA violation may also implicate various federal criminal statutes. In addition, private individuals can bring actions under the FCA and certain states have enacted laws modeled after the FCA. Any findings or allegations that the Company has violated the FCA

could have a material adverse impact on its business, results of operations, financial condition, and cash flows.

Privacy and Security

The federal regulations promulgated under the authority of the United States Health Insurance Portability and Accountability Act of 1996 ("**HIPAA**") require the Wesana Clinics to provide certain protections to patients and their health information. The HIPAA privacy and security regulations extensively regulate the use and disclosure of "protected health information" ("**PHI**") and require covered entities, which include healthcare providers and their business associates, to implement and maintain administrative, physical and technical safeguards to protect the security of such information. Additional security requirements apply to electronic PHI. These regulations also provide patients with substantive rights with respect to their health information.

The HIPAA privacy and security regulations also require the Wesana Clinics to enter into written agreements with certain contractors, known as business associates, to whom the Wesana Clinics disclose PHI. Covered entities may be subject to penalties for, among other activities, failing to enter into a business associate agreement where required by law or as a result of a business associate violating HIPAA, if the business associate is found to be an agent of the covered entity and acting within the scope of the agency. Through the provision of management services to the Wesana Clinics, the Company is a business associate of each Wesana Clinic. Business associates are also directly subject to liability under certain HIPAA privacy and security regulations. In instances where the Company acts as a business associate to a covered entity, there is the potential for additional liability beyond the Company's anticipated status as a covered entity.

Covered entities must notify affected individuals of breaches of unsecured PHI without unreasonable delay but no later than 60 days after discovery of the breach by a covered entity or its agents. Reporting must also be made to the HHS Office for Civil Rights and, for breaches of unsecured PHI involving more than 500 residents of a state or jurisdiction, to the media. All impermissible uses or disclosures of unsecured PHI are presumed to be breaches unless the covered entity or business associate establishes that there is a low probability the PHI has been compromised. Various state laws and regulations may also require the Company to notify affected individuals in the event of a data breach involving personal information without regard to the probability of the information being compromised.

Violations of HIPAA, including, but not limited to, failing to implement appropriate administrative, physical and technical safeguards, have resulted in enforcement actions and in some cases triggered settlement payments or civil monetary penalties. Penalties for impermissible use or disclosure of PHI were increased by the United States Health Information Technology for Economic and Clinical Health Act ("**HITECH**") by imposing tiered penalties of more than US$50,000 per violation and up to US$1.5 million per year for identical violations. In addition, HIPAA provides for criminal penalties of up to US$250,000 and ten years in prison, with the severest penalties for obtaining and disclosing PHI with the intent to sell, transfer or use such information for commercial advantage, personal gain or malicious harm. Further, state attorney generals may bring civil actions seeking either injunction or damages in response to violations of the HIPAA privacy and security regulations that threaten the privacy of state residents. While the Company is not aware of any HIPAA breaches by the Company or the Wesana Clinics, there can be no assurance that the Wesana Clinics will not be the subject of an investigation (arising out of a reportable breach incident, audit or otherwise) alleging non-compliance with HIPAA regulations in their maintenance of PHI.

United States Anti-Money Laundering Laws

The U.S. anti-money laundering laws (18 U.S.C. § 1956 and 1957) provide that whoever, knowing that the property involved in a financial transaction represents the proceeds of some form of unlawful activity, conducts or attempts to conduct such a financial transaction which in fact involves the proceeds of specified unlawful activity can be subject to significant financial and criminal penalties. If the legal manufacture of the drugs in another jurisdiction could be considered a specified unlawful activity within the language of this statute, then there could be a money laundering exposure risk. Section 1956(c)(7)(B) provides one category

of foreign conduct that could be considered a specified unlawful activity: “an offense against a foreign nation…involving the manufacture, importation, sale, or distribution of a controlled substance.” The statute prohibits receipt in the United States of funds from foreign crimes committed wholly abroad. Therefore, a financial transaction that brought the proceeds of a foreign offense into the United States could constitute an offense under the law. The list of “specified unlawful activities” under the money laundering statutes include offenses listed under “racketeering activity” as “felonious manufacture, importation, receiving, concealment, buying, selling, or otherwise dealing in a controlled substance or listed chemical…punishable under any law of the United States.”

Compliance Program

The Company oversees and monitors compliance with applicable laws in each jurisdiction in which it operates. In addition to the Company’s senior executives and the employees responsible for overseeing compliance, the Company has local regulatory/compliance counsel engaged in every jurisdiction in which it operates regarding (a) compliance with applicable regulatory frameworks, and (b) potential exposure and implications arising from applicable laws in jurisdictions where the Company has operations.

The Company works with third parties who require regulatory licensing in order to handle scheduled drugs and conducts its business through contractual relationships with a number of third-party service providers. In connection with the Company’s Care Development business segment, the Company has contractual relationships with a number of consulting firms, laboratories, and contract development and manufacturing organizations to assist with, among other things, regulatory and agency submissions, preclinical and clinical development plans, oversight on chemistry, manufacturing and control, pharmacology, toxicology and animal studies, drug formulation support, consumer use research and provision of psilocybin and CBD for use in various studies. In connection with the Company’s Care Delivery business segment, third-party relationships include, but are not limited to, those with an electronic medical records and management services provider, telemedicine technology service provider, diagnostic laboratories and software support and billing providers. The Wesana Clinics are managed by the Company’s wholly-owned subsidiary APM pursuant to a management services agreement with APS (the operator of the Wesana Clinics). The Company does not consider any individual contractual relationship to be material to its business as a whole, and the Company is not substantially dependent on any one contract when considered on a consolidated basis.

The current Wesana Clinics perform vendor due diligence to mitigate risk, promote regulatory compliance and ensure that security measures required by applicable laws and industry standards are implemented by both the vendor and the Wesana Clinics. The Company continuously updates its compliance programs to maintain regulatory standards set for drug treatment therapy research and development. The principal medical professional at each Wesana Clinic serves as the liaison to state and/or local governmental authorities. The Company has protocols for use in all of its clinics with the goal of ensuring that each of the clinics’ operations and employees strictly comply with applicable laws and regulations and that operations do not endanger the health, safety or welfare of the community.

In conjunction with the Company’s human resources and operations departments, the Company oversees and implements training on the Company’s protocols. The Company will continue to work closely with external counsel and other compliance experts and is evaluating the engagement of one or more independent third-party providers to further develop, enhance and improve its compliance and risk management and mitigation processes and procedures in furtherance of continued compliance with the laws of the jurisdictions in which the Company operates.

The programs currently in place include continued monitoring by executives of the Company to ensure that all operations conform to and comply with required laws, regulations and operating procedures. The Company and to its knowledge, each of its third-party researchers, service providers, medical professionals or clinics has not received any non-compliance citations or notices of violation which may have an impact on the Company’s licenses, business activities or operations. The Company is currently in compliance with

the laws and regulations in all jurisdictions and the related licensing framework applicable to its business activities.

The Company conducts due diligence on third party researchers, service providers, medical professionals, clinics, and others as deemed necessary, with whom it engages. Such due diligence includes but is not limited to the review of necessary licenses and regulatory framework enacted in the jurisdiction of operation. Further the Company generally obtains under its contractual arrangements, representations and warranties from such third parties pertaining to compliance with applicable licensing requirements and the regulatory framework enacted in the jurisdiction of operation.

The Company has received legal advice in each jurisdiction where it currently operates confirming the permissibility of the Company's operations in such jurisdictions and intends to obtain legal advice in any new jurisdictions in which it may propose to operate in the future.

BUSINESS SEGMENTS AND PROJECT DEVELOPMENT

The Company used to have two primary business segments, being (1) Care Development and (2) Care Delivery. The Care Delivery business was disposed of August 31, 2022. And the Care Development business is to be disposed of in 2023. The various sub-components and projects within these business segments are further detailed, with status updates below. The Care Development segment has been updated to reflect the revised milestones. See more details in the Milestone section.

1. Care Development (Discontinued)

(a) Wesana Pharm – Drug Development

Psilocybin

- **Functional Animal Studies.** The Company contracted with a global laboratory services provider to undertake two validated functional animal studies that investigated the effects of a psilocybin-based regimen on locomotor activity, depression and anxiety. Both studies have been completed and final reports have been received. The results of the studies were as anticipated. The purpose of the Locomotor Effects Study was to ensure that there were no residual long acting effects from any of the test products that would impair animal mobility which was a critical measure to ensure that the results of the second study regarding anxiety and depression would not be biased or skewed due to any locomotor effects. The purpose of the Anxiety and Depression Effects Study was to determine the effects of various loading doses/microdoses of a psilocybin-based regime in a validated animal model of depression and anxiety and the study results were positive in confirming acute anxiolytic effects of the regime. The results from both studies will be used to support and justify the Company's patent efforts and briefing packages and submissions to the FDA and Health Canada. During Q4 2021 the Company contracted with the same global laboratory to undertake a more robust study to provide scientific support for the combination of psilocybin and CBD and elucidating a plausible mechanism of action. The Company anticipates future studies to be conducted with the same global laboratory related to locomotor, depression and receptor bindings studies to address FDA questions prior to IND filing. The expenditures as at December 31, 2022 on this project have been approximately US$670,000, and relate to the initial two animal studies conducted. Remaining expenditures of approximately US$370,000 are anticipated and relate to the additional animal studies contemplated with the global laboratory. The studies are expected to be concluded in early 2023.

- **Regulatory.** The Company has filed patent applications towards securing the exclusive rights to protocols, delivery methods and compositions of matter which includes utilizing a high loading dose of psilocybin-assisted therapy, coupled with non-hallucinogenic, low maintenance doses of psilocybin with and without other evidence-based therapies to treat neurological based conditions. Any patent efforts of the Company are at the application stage only.

In addition to regulatory costs pertaining to patents, further regulatory costs will be incurred in relation to the IND process, which includes but is not limited to pre-IND meeting with the FDA, pre-CTA meeting with Health Canada, compiling briefing documents, conducting meetings and answering inquiries from these agencies.

The steps involved in completing the IND process are set out below. The IND process is also being provided initially on its own as the CTA process in general is more streamlined and CTAs contain fewer study documents than INDs, and hence are expected to require less preparation time.

Pre-IND Meeting

- On January 11, 2022, the Company announced that the FDA granted the Company's previously-submitted request for a pre-IND meeting to discuss the novel therapy and proprietary protocol of SANA-013 for the treatment of TBI related MDD.
- On March 14, 2022, the Company announced receipt of a full written response from the FDA on March 11, 2022 regarding the pre-IND meeting with the FDA for SANA-013. The FDA's written response outlines the requirements to open the IND and commence with clinical studies for SANA-013 and also provides important insights pertaining to advancing SANA-013 as a potential treatment for MDD.
- Following receipt of the FDA's written response, the Company has been evaluating, and continues to, critically evaluate, the feedback from the FDA and the implications on the Company's program.

IND/FDA Submission

- Before testing any compound in human patients in the U.S., the Company intends to and must generate extensive preclinical data, including laboratory evaluation of product chemistry and formulation, as well as toxicological and pharmacological studies to assess the toxicity and dosing of the product. Certain animal studies must be performed in compliance with the FDA's GLP regulations and the U.S. Department of Agriculture's Animal Welfare Act.
- The next step is the submission to the FDA of an IND Submission, which must become effective before human clinical trials may begin. The IND submission typically includes the results of nonclinical testing, information about product chemistry, manufacturing and controls, and a proposed clinical trial protocol followed by a 30-day waiting period for the FDA to comment or question the IND.
- Once the IND is submitted, the regulatory project manager at the FDA receives the application and serves as the regulatory contact, obtains the review team assignments, and routes the IND to the review team.
- Upon FDA receipt of the IND submission, the Company must wait 30 calendar days before initiating any clinical trials. During this time, the FDA has an opportunity to review the IND for safety to assure that research subjects will not be subjected to unreasonable risk. The FDA may request additional information or clarification of details contained in the Company's IND application that the Company would aim to resolve in a timely fashion.
- If and when the Company receives notification from the FDA that it is safe to proceed with any planned clinical study (typically received via phone or email and subsequently followed by an official "safe to proceed" letter), the Company's IND would be considered "active".
- The Company remains initially focused on formulation development activities to support pre-clinical evaluations.
- The Company will be required to perform IND-enabling studies, including toxicology studies and safety pharmacology studies, which will help the FDA make a determination of whether to allow clinical studies to proceed.
- As soon as the Company's IND is in "active" status, the Company would be responsible for updating the IND over time to include study data, new protocols, protocol amendments, safety reports, new technical information, new efficacy data, and other relevant information.

The expenditures as at December 31, 2022 on this project have been approximately US$1,140,000. The remaining expenditures of approximately US$260,000 are anticipated and relate to the IND filing and required responses to the FDA.

The remaining work on these projects, and the cost associated with that work, are heavily dependent on the nature and extent of the respective agency feedback following completion of pre-submission meetings with all government agencies. Please refer to the "Regulatory Environment" section above for additional information regarding the steps and processes following any successful IND/CTA filings.

The Company has not yet allocated additional funds for post-submission work in light of the uncertainties regarding the scope of such work to be completed, if any.

- **Pharmacology & Toxicology.** The Company had initiated pharmacology & toxicology tests to assess metabolism, pharmacokinetics, pharmacological actions, side effects associated with increasing doses, and, if possible, early evidence of effectiveness. The expenditures as at December 31, 2022 on this project have been US$340,000. Remaining expenditures of approximately US$100,000 are anticipated and relate to clinical trials of the pharmaceutical product into affected patients with the primary purpose of determining safety, efficacy, metabolism, pharmacokinetic properties and clinical pharmacology of such product.

- **CMC (Chemical, Manufacturing & Controls) – Preclinical.** The Company has secured sourcing and procurement of active pharmaceutical ingredients required for the Additional Animal Studies and Pharmacology & Toxicology work noted above. The expenditures as at December 31, 2022 on these supplies have been US$150,000. Remaining expenditures of approximately US$100,000 are anticipated and relate to the anticipated additional supplies required for the Additional Animal Studies.

- **External Staffing.** In respect of the above projects that are associated with the Company's psilocybin-based drug development, there are additional expenses to acquire and compensate scientific personnel and executives to manage such projects that are not separately allocated above for each project. The expenditures as at December 31, 2022 on such talent recruitment and compensation have been in aggregate approximately US$1,370,000 and there are no remaining expenditures expected. See "Milestones".

MDMA

- **Multidisciplinary Association for Psychedelic Studies (MAPS).** The Company entered into a MOU with MAPS pursuant to which the Company agreed to, and did, fund an initial US$1.5 million to explore the viability of collaborating with MAPS to accelerate research into MDMA-assisted therapy for TBI. The MOU contemplates MAPS will use the initial funding, in part, to finance the evaluation of legal, scientific and operational elements of the proposed commercial relationship. Any partnership that is ultimately formed is expected to assist the Company to, among other things, (i) gain expertise and information to design psychedelic-assisted therapy programs for TBI and improve the Company's timeline and path to market for its treatments, (ii) explore obtaining an exclusive commercial license to use MDMA for the treatment of TBI, (iii) evaluate the viability of, and enter into, revenue share agreements between the organizations, (iv) adapt MAPS' equitable access research projects to develop a meaningful patient access program, and (v) fund associated research, administered by MAPS PBC (a wholly-owned subsidiary of MAPS), with additional capital. The Company funded the full initial contribution of US$1.5 million to MAPS as at December 31, 2021. Under the terms of the MOU, MAPS has agreed to use the funds to engage a global leading consulting firm to study the feasibility and economics of commercialization of MDMA-assisted therapy to treat TBI, engage reputable law firms for IP and regulatory work, and recruit talents for the next phase of execution. Forming the definitive partnership to begin this project would require significant capital, above and beyond the existing working capital of the Company and MAPS. A definitive partnership will be formed and finalized only if and after the feasibility study continues to support the collaboration. There is no guarantee that the results of the feasibility study will support the continuance of the project. Irrespective of the results of the feasibility study, there is no assurance as to whether a definitive agreement will ultimately be reached or the nature of the objectives of any such partnership, or the availability of any funding to support such objectives on terms favorable to the Company, or at all, all which may be subject to market conditions from time to

time. Pending the results and outcome of all the foregoing, the Company does not currently have any further plans to disclose with respect to this project and no further expenditures are required by the Company towards this project until a definitive agreement is ultimately entered. Due to uncertainties surrounding the feasibility study and market conditions for raising additional capital, the Company cannot reasonably anticipate the timeline for entering into a definitive partnership agreement, if ever. Overall, any direct or indirect research and development efforts of the Company related to MAPS and MDMA remain at a preliminary stage. The original term of the MOU had an expiration of December 31, 2021; however, as of December 14, 2021 the Company received a commercial viability analysis conducted by the Boston Consulting Group, which validated and will expedite partnership talks with MAPS. Although no formal extension to the MOU has been reached, the expiry of the MOU has not and is not anticipated to have a material implication to the Company or its ability to enter into a definitive agreement with MAPS.

On March 21, 2023, the Company announced it had entered into a definitive asset purchase agreement ("Asset Purchase Agreement") with Lucy Scientific Discovery Inc. ("Lucy") for the sale by its subsidiary WHI its SANA-013 intellectual property and related assets for consolidation of 1,000,000 common shares of Lucy ("Share Consideration") and US$570,000 cash ("Cash Consideration").

2. Care Delivery (Discontinued)

(a) Wesana Clinics – Drug Delivery

- **Wesana Clinics.** Wesana Clinics is a chain of psychiatrist-led mental health clinics focused on delivering psychiatric care, inclusive of ketamine therapy, while also preparing for the delivery of other psychedelic therapies as they become available. The Wesana clinical network currently includes three clinics located in Illinois. Apart from acquisition or buildouts, the Company may look at various strategic partnership arrangements, including but not limited to franchise arrangements and fractional ownership models to reduce the overall cost of build out and accelerate the launch of additional clinics. In evaluating acquisition targets, the Company will evaluate the historical financials, services, equipment, location, competition, existing management team in addition to opportunities for growth and operational cost savings and synergies. As part of the strategic review process, the Company has suspended such activities.

Costs related to buildouts and/or acquisition, such as renovation, occupancy, start-up, marketing and transaction costs, are highly dependent on for example potential clinic location, size and transaction form (buildout or acquisition). Based on the Company's current estimates, such costs could range from US$1 million to US$2 million per clinic which will depend on, among other things, whether the individual clinic is an acquisition target i.e. producing revenue (and what amount) or a buildout target, in addition to the size, location and services provided or intended to be provided at the clinic. For acquisition targets, such estimated cost range would be based on the Company's internal metrics for determining acceptable purchase prices, such as acceptable EBITDA multiples for the purchase prices based on the targets' historical and estimated forward-looking EBITDA. For buildout targets, such estimated cost range would be based on estimated working capital expenditures (US$600,000 to US$1,000,000) related to funding the operations through to breakeven, estimated equipment costs (US$200,000 to US$300,000) and estimated construction and leasehold improvement costs (US$200,000 to US$700,000). The two APS clinics were acquired for an aggregate fair value of approximately US$1,609,449 consisting of US$400,000 in cash on closing, up to US$450,000 in earn-out payments that the Company expects to pay in full based on current utilization metrics, and 6,746 Proportionate Subordinate Voting Shares. Additional related acquisition expenses were professional fees of approximately US$219,000 related to legal work. The Company notes that the APS clinics were acquired at a discount to the prevailing market on a per-clinic basis due to the total physical footprint of the two existing clinics being smaller than the average clinic size likely to be considered for future potential acquisitions, limiting the EBITDA profile at maximum utilization relative to future potentially larger targets.

The build out of the third clinic, as currently designed, is estimated to cost approximately US$650,000 consisting of approximately US $150,000 in leasehold improvements, US $100,000 in equipment and US $400,000 in working capital, including approximately US $53,000 in annual lease payments based on a footprint of approximately 3,000 square feet including approximately 1,500 square feet of revenue

generating space. The Company notes the option to further expand revenue generating space in the clinic should there be sufficient demand for the services in the local market. Should the Company decided to expand the revenue generating space in the clinic, the Company expects the expansion to cost approximately US $400,000 consisting of US $100,000 in leasehold improvements, US $50,000 in equipment and US $250,000 in working capital. The expenditures as at August 31, 2022 related to the build out of the third clinic have been US$610,000. No further expenditures of approximately are anticipated following the sale of APM as at August 31, 2022.

(b) Protocol Delivery

- **Wesana Solutions**. Wesana Solutions is a clinical software platform focused on improving mental healthcare through facilitating access to clinical protocols and tracking their efficacy. In concert with electronic medical records and practice management systems, Wesana Solutions is intended to be used in clinics delivering psychedelics and related therapies, targeting the developing international psychiatric clinic and research market, with the initial clinical deployment to be focused on the United States. As of the date of this MD&A, due to the strategic review process, Wesana has suspended the further development of Wesana Solutions. The expenditures incurred as at December 31, 2022 related to the project totaled US$530,000, and while further development has been suspended, the remaining cost to maintain the platform and complete the existing BETA testing is expected to be US$10,000**.**

- **PsyTech Connect**. PsyTech Connect is a community for the clinical use of psychedelics with over 8,000 actively engaged professionals and has become a resource for psychedelic therapy protocols and clinical best practices. PsyTech Connect also features the annual PsyTech Summit, a premier psychedelic conference that averages over 2,200 attendees. Through PsyTech Connect, Wesana will be able to develop relationships with leading edge psychiatric practitioners and provide them with tools for managing, understanding, and personalizing care for their patients. The platform is fully functional and does not require further capital expenditures for development. As of the date of this MD&A, due to the strategic review process, Wesana has suspended the operations of PsyTech Connect.

MILESTONES

Prior to the completion of the RTO Transaction, the Company raised proceeds in an aggregate amount of approximately US$16,480,000 (the "**Private Placement Proceeds**") pursuant to the approximately US$12.3 million Pre-RTO Financing and the approximately US$4.2 million private placement offering of convertible notes completed by WHI in February 2021, after assuming Debut's cash on hand at the time of completion of the RTO Transaction, less applicable agent fees and other financing costs. The listing statement of the Company dated as of May 6, 2021 (the "**Listing Statement**"), which is available on SEDAR at www.sedar.com, identified certain significant events or milestones of the Company as contemplated at such time which included the Company's intent to broadly allocate the Private Placement Proceeds as follows:

- US$3,600,000 towards certain specific milestones (which are reproduced and updated in the table below); and

- US$5,710,000 towards future general corporate expenses, including salaries, consulting fees, insurance, accounting, legal and other general and administrative costs, but excluding expenses for services contracts already accounted for in the other milestones.

The Company had also allocated or spent approximately US$2,680,000 for general corporate expenses incurred prior to the completion of the RTO Transaction, including legal, accounting, team expansion, insurance, and investor relations expenses and activities. As a result, at the time of completion of the RTO Transaction, an amount of approximately US$4,490,000 from the Private Placement Proceeds was unallocated, with the intent that such amounts would be allocated as operations progressed to fund the expansion of research and development activities and other business initiatives of the Company that it had not yet committed itself to or for such activities and initiatives that arose in the course of the Company's operations.

Following the completion of the RTO Transaction and as a result of business operations and initiatives

continuing to be refined, the estimated costs and timelines of previously disclosed milestones have been revised and new additional milestones to be achieved with previously unallocated funds or funds within the general corporate purposes bucket have been identifiedAn additional amount of US$2,470,000 was allocated towards the revised estimated amounts for the previously disclosed milestones, an amount of US$1,500,000 was allocated to fund MAPS, and amount of US$770,000 was allocated for completion of development of Wesana Solutions.

During 2021, pursuant to the PsyTech and APM acquisitions, the Company has assumed cash of approximately US$2,000,000, which is allocated to General Corporate Expenses in the table below.

On May 2, 2022, the Company completed the initial tranche of the previously announced non-brokered private placement for aggregate gross proceeds of approximately US$875,000, which is allocated to General Corporate Expenses in the table below.

On May 18, 2022, the Company entered into a Facility Agreement with PNC bank for a principal amount of US$250,000, which was allocated to General Corporate Expenses in the table below.

On August 31, 2022, the Company sold the shares of APM for cash consideration of US$750,000 and a promissory note receivable of $1.2M, which as allocated to General Corporate Expenses in the table below.

Any variances in the estimated costs for the events and milestones set out in this table are not expected to negatively impact the Company's ability to achieve such events or milestones. The following are "forward-looking statements" and as such, there is no guarantee that such events and milestones will be achieved in accordance with the cost estimates or on the timelines indicated below, or at all. Forward-looking statements are based on management's current expectations and are subject to a number of risks, uncertainties and assumptions. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors and Uncertainties".

MILESTONE ALLOCATION AND EXPENDITURES

Use of Private Placement Proceeds	**Original Target Date**	**Estimated Costs or Allocation as at December 31, 2022**	**Expenses Incurred to December 31, 2022**	**Remaining Estimated Costs or Allocation as of December 31, 2022**
Revised Milestones: Care Development – Wesana Pharm (Drug Development)				
Functional Animal Studies	Q1 2023	US$1,040,000	US$670,000	US$370,000
Regulatory	Q2 2023	US$1,400,000	US$1,140,000	US$260,000
CMC – Preclinical	Q2 2023	US$250,000	US$150,000	US$100,000
Pharmacology & Toxicology	Q2 2023	US$440,000	US$340,000	US$100,000
External Staffing (Consultants)	Ongoing [(1)]	US$1,370,000	US$1,370,000	$Nil
MAPS Payments under Memorandum of Understanding and Resolv	Completed	US$1,530,000	US$1,530,000	$Nil
Care Delivery – Protocol Delivery				
Wesana Solutions Development	On Hold	US$540,000	US$530,000	US$10,000
Clinic Expansion	Q3 2022	US$610,000	US$610,000	$Nil
General Corporate Expenses [(2)]	Ongoing	US$14,375,000	US$12,760,000	US$1,615,000

Use of Private Placement Proceeds	Original Target Date	Estimated Costs or Allocation as at December 31, 2022	Expenses Incurred to December 31, 2022	Remaining Estimated Costs or Allocation as of December 31, 2022
TOTAL:		**US$21,555,000**	**US$19,100,000**	**US$2,455,000**

Notes:

(1) Ongoing expense to support the completion of milestones related to psilocybin-based drug development set out in this table.

(2) Includes salaries, individual consulting fees (not accounted for within the other line items), professional and other external service provider fees (including accounting and legal), office expenses and other G&A costs.

(3) The above operations are discontinued in the year 2022.

Care Development - Revised Milestones (Discontinued)

Functional Animal Studies

The Functional Animal Studies involves contracted work with a global laboratory services provider to undertake validated functional animal studies to support patent applications and the Company's psilocybin-based drug development and filing of the IND and CTA submissions.

The timeline for the Functional Animal Studies milestone is early 2023 to reflect the completion date of the ongoing animal studies.

Regulatory

The Regulatory milestone involves all legal and regulatory costs related to preliminary stages of research and development. These costs include but are not limited to pre-IND meeting with the FDA, pre-CTA meeting with Health, compiling briefing documents, conduct meetings and answering inquiries from these agencies and patent applications and filings.

The timeline for the Regulatory milestone is Q2 2023 to coincide with the Functional Animal Studies and Pharmacology & Toxicology milestone timelines and the expected regulatory support required to complete these milestones.

CMC – Preclinical

The CMC – Preclinical milestone relates to the expected costs attributable to sourcing and procuring active pharmaceutical ingredients as well as chemistry, manufacturing, and controls ("**CMC**") work.

The timeline for the CMC – Preclinical milestone is Q2 2023 to coincide with the Functional Animal Studies and Pharmacology & Toxicology milestone timelines and the expected need for pharmaceutical ingredients for use within these testing milestones.

Pharmacology & Toxicology

The Pharmacology & Toxicology milestone relates to a pharmacology and toxicology program to support the Company's psilocybin-based drug development and filing of the IND and CTA submissions.

The Pharmacology & Toxicology milestone is set to be completed by Q2 2023.

External Staffing (Consultants)

Capital for External Staffing represents the expenses to acquire and compensate external scientific personnel and executives to manage the deliverables for each of the milestones related to psilocybin-based drug development set forth in the table above.

The capital requirements for the External Staffing milestone were increased to US$1,370,000 from US$1,260,000 due to slightly more work required than anticipated following management's initial decision

to alter research and development spending to focus solely on achieving mandatory milestones.

On March 21, 2023, the Company entered into a definite agreement to dispose of the Care Development business.

MAPS & Resolv

The MAPS & Resolv initiative was not a part of the initial milestones set forth in the Listing Statement and is a newly added subcomponent of the Company's Drug Development segment. An amount of US$1,500,000 was allocated to fund MAPS (which amount has now been fully paid by the Company), while an amount of US$30,000 was allocated to the Resolv labs.

The funds allocated to MAPS were to be used in part by MAPS to finance the evaluation of legal, scientific and operational elements of the proposed commercial relationship. The MAPS initiative is still in a preliminary phase and will require a formal partnership and definitive agreements to be entered into. The funds allocated to Resolv were to build the laboratory to serve as a hub for neurological improvement research, formulations, protocols, technology and product development.

See the "Business Segments and Project Development – Care Development – Wesana Pharm – Drug Development" section of this MD&A for further details

Care Delivery (Discontinued)

Wesana Solutions

Wesana Solutions (a clinical software platform) was not a part of the initial milestones set forth in the Listing Statement and is a newly added component of the Company's Protocol Delivery segment, following the PsyTech Acquisition. An amount of US$540,000 has been allocated to complete the development of this software platform which is currently in the beta testing phase. The project is currently discontinued as the result of the strategic review process. See the "Business Segments and Project Development – Care Delivery – Protocol Delivery" section of this MD&A for further details.

SUMMARY OF QUARTERLY RESULTS – CONTINUED OPERATIONS

All dollar amounts in this section are to United States dollars.

The following selected financial information is derived from the condensed interim combined and consolidated financial statements of the Company:

	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21
Continuing Operations								
Total revenues	-	-	-	-	-	-	-	-
Net income (losses)	(344,886)	219,589	(1,031,056)	(2,010,041)	(1,837,125)	(1,589,645)	(2,573,307)	(372,929)
Average shares outstanding*	34,957,972	34,943,619	33,898,028	33,370,889	33,300,889	14,394,323	11,731,800	-
Per share: Basic & diluted income/ (loss)	(0.010)	0.006	(0.030)	(0.060)	(0.055)	(0.110)	(0.219)	(0.032)

For the year ended December 31, 2022 (and all prior quarters), the Company did not generate revenues from continuing operations.

Net losses from continuing operation of the Company decreased significantly since 2021 due to the change of its business activities, decreased expenditures in research and development based on management's decision to focus only on mandatory milestones as a result of cash constraints. The net loss in Q4 2021 included the write-off of Goodwill associated to the PsyTech acquisition, ramp up in research and development spending, payment to MAPS and increased overhead expenses due to additions of entities. In the last two quarters of 2022 the Company reported net income due to the gain on the sale of APM.

The Company does not expect net income from continuing operations in the short-term going forward as the income in the last two quarters of 2022 is a solely a result of accounting gains associated to the sale of APM. Further, there remains significant expenditures earmarked for the Drug Development business segments, in addition to general corporate expenses and working capital requirements. In early 2023 due

to the sale of the SANA-013 intellectual property and related assets it could report a one time recovery of research and development expenses or a gain.

YEARLY HIGHLIGHTS

	2022	**2021**	Change
General and administration	**$ 689,782**	$ 1,184,810	$ (495,028)
Professional fees	**1,182,462**	1,139,702	42,760
Listing, filing and transfer agent fees	**213,109**	1,539,230	(1,326,121)
Finance and other expenses	**75,170**	19,026	56,144
Sales and marketing	**65,903**	38,767	27,136
Share based payments	**1,126,124**	2,312,754	(1,186,630)
Foreign exchange gain	**-**	47,018	(47,018)
Interest revenue	**(56,674)**	-	(56,674)
Gain on settlement of contingent consideration	**(135,782)**	-	(135,782)
Fair value losses on remeasurement	**6,300**	61,132	(54,832)
Net loss from continuing operations	**(3,166,394)**	(6,342,440)	3,176,046
Loss from discontinued operations	**(5,432,877)**	(27,996,676)	22,563,799
Net income loss	**(8,599,271)**	(34,339,116)	25,739,845
Comprehensive income (loss)	**(8,724,226)**	(34,353,856)	25,629,630
Net loss per share – Basic & fully diluted	**(0.250)**	(1.483)	

During the year ended December 31, 2022, the Company generated $Nil in other revenues from continuing operations (2021 - $Nil). The Company has negative operating cash flow and relies on external financings to generate capital. As a result, the Company has continued to incur annual losses since its inception. It reported net income in the last two quarters of 2022 due to sale of discontinued operations.

Total Expenses – Continuing Operations

During the year ended December 31, 2022, the Company's total expense decreased by $3,176,046 which was mainly attributable to the following:

- Increase of $42,760 in professional fees, from $1,139,702 in 2021. The expenses are related to the legal, accounting, management and advisory services related to intellectual property and general corporate matters.
- Decrease of $495,028 in general and administrative expenses, from $1,184,810 in 2021. The total decrease was principally related to the decrease in insurance costs over the period.
-
- Increase of $27,136 in sales and marketing, from $38,767 in 2021. The total increase was principally due to additional expenses incurred in general marketing activities such as content production and online commercials in support of public/investor relations needs.
- Increase of $56,144 in finance and other expenses from $19,026 in 2021.
- Decrease of $47,018 loss on foreign exchange transactions from $47,018 loss in 2021.

- Decrease of $1,326,121 in listing, filing and transfer agent fees, from $1,539,230 in 2021. The decrease was related to the reverse takeover transaction that occurred on May 6, 2021.

- Decrease of $1,186,630 in share-based payments, from $2,312,754 in 2021. The decrease was related to cancellation of stock options and related to initial issuances during 2022. The share-based payments expense was recorded based on the fair value of the options and RSUs issued over the vesting period, using the Black Scholes Model.

Net and Comprehensive Losses – from Continuing Operations

During the year ended December 31, 2022, the Company incurred net loss of $3,166,394 (2021 - $6,342,440) and a comprehensive loss of $3,291,349 (2021 - $6,296,048). The decrease in net loss and comprehensive loss was mainly attributable to the net effect of above expense items.

Selected Balance Sheet Highlights

Select line items from the Company's assets and liabilities, as at December 31, 2022 and the year-over-year change versus December 31, 2021, are noted below.

Assets	**31-Dec-22**	**31-Dec-21**
Cash and cash equivalents	$446,386	$6,576,088
Trade and other receivables	37,113	268,626
Promissory note receivable	1,236,839	-
Investments	4,200	10,500
Prepaid expenses	156,812	564,083
Assets held for sale	52,829	-
Lease deposit	-	27,111
Property and equipment	-	72,536
Right-of-use assets	-	444,025
Intangible assets	-	283,178
Goodwill	-	1,495,455
Total Assets	**$1,934,179**	**$9,741,602**

Liabilities	**31-Dec-22**	**31-Dec-21**
Accounts payable and accrued liabilities	$480,773	$1,052,498
Short-term debt	295,129	157,302
Other liability	193,163	-
Liabilities directly associated with the assets held for sale	0	-
Lease liability - current and long-term	-	487,833
Contingent consideration - current and noncurrent	-	329,384
Total Liabilities	**$969,065**	**$2,027,017**

Summary of Cash Flows – Continuing Operations

The Company's cash and cash equivalent position was $446,386 as at December 31, 2022. Selected line items from the Company's cash flows from continuing operations for the years ended December 31, 2022 and 2021 are noted in the following table.

		2022		2021
Cash (used in) from operating activities	**$**	**(1,796,034)**	$	15,572,267
Cash from investing activities		**726,269**		2,442,174
Cash from financing activities		**685,193**		14,941,813
Increasein Cash		**(384,572)**		32,956,254

The Company has a history of operating losses and of negative cash flow from operations. The Company will remain reliant on capital markets for future funding to meet its ongoing obligations.

The Company's ability to continue operations is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and there can be no assurance it will be able to secure additional financing required for its operations.

Working Capital

As at December 31, 2022, the Company had working capital of $965,114 (2021 – $5,987,473), consisting of cash in the amount of $446,386 (2021 - $6,576,088), trade and other receivables $37,113 (2021 - $268,626), promissory note receivable of $1,236,839 (2021 - $Nil), investments of $4,200 (2021 - $10,500), prepaid expenses of $156,812 (2021 - $564,083) and assets held for sale of $52,829 (2021 - $Nil), net of accounts payable and accrued liabilities of $480,773 (2021 - $1,052,498), short term debt of $295,129 (2021 - $157,302), other liability of $193,163 (2021 - $Nil), lease liability of $nil (2021 - $45,842), and contingent consideration liability of $nil (2021 - $176,182). The decrease in working capital is principally related to the cash and prepaid expenses decrease explained above.

Discontinued Operations and Assets Held for Sale

Advanced Psychiatric Management

In June 2022, the Company decided to focus its efforts and resources on the drug development segment of the operations and initiated a plan to exit the drug delivery segment and sell the shares of APM.

A transaction was consummated on September 1, 2022; thus, the assets and associated liabilities have been derecognized as at that date, and the operations of APM has been reported as discontinued operations (Note 18).

Wesana Solutions Inc.

As of December 31, 2022, the Company is no longer pursuing further development in the Protocol Delivery segment of operations. The associated assets and liabilities of the segment have thus been deemed to be abandoned and the operation results been reported as discontinued operations.

Certain Assets and Liabilities within WHI

During the year ended December 31, 2022, the Company began a process to assess potential opportunities to sell certain assets and liabilities within WHI. In March 2023, the Company had signed an agreement to dispose the SANA-013 intellectual property owned by WHI (See Note 24). The operation results of WHI for the years ended December 31, 2022 and 2021 are reported as discontinued operations.

In accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the assets held for sale were assessed for impairment based on fair value less costs to sell. The fair value was measured using the price at which the Company expects to receive for the disposal group less estimates for the costs of disposal. The fair value less costs to sell was higher than the carrying value of the Disposal Group resulting in the recognition of the resulting group at its carrying value.

Assets held for sale as at December 31, 2022 consisted of the following:

		As at December 31, 2022
Assets held for sale		
Trade and other receivables		**10,473**
Prepaid expenses		**40,000**
Property and equipment, net		**2,356**
Total assets held for sale	**$**	**52,829**

A detailed disclosure of revenue, expenses, pre-tax profit and applicable income taxes of the current and comparative period are presented below:

For the:		**Year ended December 31 2022**		Year ended December 31 2021
Revenue				
Patient services	**$**	**667,332**	$	250,674
Other revenue		**2,065**		16,531
Total Revenue		**669,397**		267,206
Cost of sales		**311,270**		183,976
Gross profit		**358,126**		83,229
Administrative expenses				
General and administration		**3,068,534**		2,279,090
Professional fees		**519,348**		2,860,028
Research and development		**1,233,987**		3,005,463
Finance and other expenses		**72,407**		378,614
Foreign exchange (gain) loss		**3,303**		34,664
Sales and marketing		**940,834**		808,323
Depreciation and amortization		**161,362**		53,330
Total administrative expenses		**5,999,774**		9,419,510
Other items				
Fair value (gain) loss on remeasurement		**-**		1,545,286
Gain on sale of subsidiaries		**(188,802)**		-
(Gain)/ Loss on financial instruments		**(19,969)**		-
Goodwill impairment		**-**		17,115,109
Net loss	**$**	**(5,432,877)**	$	(27,996,676)

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary need for liquidity is to fund the development of its business segments and the various objectives related thereto. The Company has a history of operating losses and of negative cash flow from operations. The primary source of liquidity for the Company has been from private placement financings to date and the Company will continue to remain reliant on capital markets for future funding of its non-core business development initiatives, as described below. The ability to execute the Company's development, growth and acquisition strategy depends primarily on the continued ability to access capital, which is subject to prevailing economic and market conditions which are beyond the Company's control.

The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund its operations and development plans. The Company is still in the research, development, and growth stage, has not commercialized any products or become cash flow positive and will continue to be reliant on the ability to finance its activities until profitability is achieved. The various amounts, nature and purpose of the Company's capital expenditure commitments, including potential expenditures not yet committed but required to fund development activities and meet planned growth strategies have been detailed above in relation to each of the Company's business segments. It is expected that the source of funds to meet these commitments will include cash on hand, revenues and future financings, provided however, that there is no assurance that such future financings will be available on terms favourable to the Company, or at all. See "Risk Factors and Uncertainties".

Available Working Capital, Trends, and Uncertainties

As of December 31, 2022, on a consolidated basis, the Company held cash in the amount of US$446,386 and had working capital of US$965,114. The Company's cash burn from continuing operations was US$1,998,663 for the year ended December 31, 2022 The Company expects the cash burn to decrease in 2023 subject to the resource integration and cost savings after disposing the discontinued operations.

Working Capital Requirements and Priorities

The Company does not expect to be able to fund its operations with current cash on hand and expected revenue for at least the next 12 months (commencing as at January 1, 2023). The Company will periodically have to raise additional funds to continue operations and intends to continue to actively search for financing. In the meantime, the Company intends to prioritize expenditures related to its Drug Development business segment. Financings could be completed through the issuance of new equity or debt in public or privately negotiated offerings. Other capital raising initiatives may also be considered. While the Company has been successful in raising funds for operations in the past, there can be no assurance that it will be able to do so in the future. This casts significant doubt on the Company's ability to continue as a going concern. See "Risks and Uncertainties" below.

OUTSTANDING SECURITIES DATA

The Company is authorized to issue an unlimited number of Preferred Shares, Super Voting Shares, Multiple Voting Shares (the "**Proportionate Subordinate Voting Shares**") and Subordinate Voting Shares. The Company's outstanding convertible, exercisable and exchangeable securities (other than the Super Voting Shares and Proportionate Subordinate Voting Shares) consist of Options, Compensation Options, Warrants and RSUs. As of May 2, 2023, the following securities of the Company are outstanding:

	May 2, 2023
Issued and outstanding shares	20,920,256
Breakdown of shares by class:	
Subordinate Voting Shares	20,633,772
Proportionate Subordinate Voting Shares	152,066
Super Voting Shares	134,418

Convertible, exercisable, exchangeable securities by class:	
Options	2,381,682
Compensation Options	386,424
Warrants	4,112,729
Proportionate Subordinate Voting Shares	17,158
RSUs	338,636

FINANCIAL AND OTHER INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, trade and other receivables, investments, promissory note receivable, accounts payable and accrued liabilities, other liability and short-term debt.

As at December 31, 2022, the carrying value of cash and cash equivalents and investments are carried at fair value. Trade and other receivables, accounts payable and accrued liabilities and promissory note receivable approximate their fair value due to their short-term nature.

Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the cash flows of the Company. As all the Company's financial debt are on fixed interest rates, the impact of a change in interest rates will not impact the Company's income or cash flows during the contract term.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The financial instruments that are exposed to such risk include cash and cash equivalents, accounts receivable, other receivables.

Management has mitigated the risk by using tier 1 financial institutions for managing its cash, selling products on cash/credit card basis, and establishing communication channels with the counterparties of the receivables for ongoing monitoring of their financial performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with its financial liabilities. The Company manages liquidity risk through the management of its capital structure.

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Foreign exchange risk

The interim condensed combined and consolidated financial statements are presented in United States dollars; however, the Company's functional currency is Canadian dollars. Each entity within the consolidated group determines its own functional currency.

The Company is exposed to certain currency risks in that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. Management has mitigated the risk by negotiating all of its contracts based on each entity's functional currency.

COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

There is no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed interim consolidated financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the statement of financial position date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained and are subject to change. The Company's accounting policies and estimates used in the preparation of the interim condensed combined and consolidated financial statements are considered appropriate in the circumstances but are subject to judgments and uncertainties inherent in the financial reporting process. In preparing these MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

RELATED PARTY TRANSACTIONS

The Company's related parties include certain investors and shareholders, key management personnel, and entities owned by key management personnel.

Key management and director compensation

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors and executive officers. Compensation of key management personnel may include short-term and long-term benefits as applicable, including salaries, bonuses, stock options or post-employment benefits.

		For the year ended, December 31, 2022		For the year ended, December 31, 2021
Short-term benefits:	$	1,617,020	$	2,273,000
Long-term benefits:		965,373		899,880
Total Benefits	**$**	**2,582,393**	**$**	**3,172,880**

Other related party transactions and balances

During the year ended December 31, 2021, the Company recorded a receivable amount of $24,000 from Daniel Carcillo CEO and Director of the Company that was impaired to $Nil in the year ended December 31, 2022 and settled against his employment income.

APSI, the purchaser of APM, was controlled by Dr. Abid Nazeer, the former CMO of the Company. Therefore, the APM sale transaction (Note 18) was considered a related party transaction.

SALE OF ADVANCED PSYCHIATRIC MANAGEMENT LLC

The Company entered into a definitive agreement for the sale of the shares of APM in exchange for total consideration of $1,973,989. The transaction was consummated on September 1, 2022 with total consideration paid as follows:

i) $750,000 cash and;
ii) $1,223,989 promissory note receivable.

As a result of the sale of APM a loss on sale of the shares was recorded.

Consideration Received	**$**	**1,973,989**
Cash and cash equivalents	$	67,031
Prepaid expenses		6,054
Lease deposit		27,111
Property and equipment, net		252,934
Right-of-use assets, net		954,135
Intangible assets, net		240,683
Goodwill		1,495,455
Accounts payable and accrued liabilities		(81,058)
Short-term debt		(115,663)
Lease liability - current		(128,670)
Lease Liability - non-current		(932,825)
Net liabilities disposed		**1,785,187**
Gain from disposal		**188,802**

In connection with the sale of APM, the Company entered into an agreement with its former CMO Dr. Nazeer for the settlement of his compensation and the contingent consideration resulted from the purchase of APM in 2021. The Company agreed to provide Dr. Nazeer with a total payment of $280,000 as a settlement and buyout of the earnout opportunity. The payment is to be made as follows:

i) An initial payment of $80,000 and;
ii) The remaining $200,000, which represents the entire “other liability” balance, will be repaid on a pro-rata basis of $0.1634 for every dollar of principal repaid under the promissory note issued by APSI (Note 6).

As a result of the buyout, a gain on settlement of contingent consideration of $135,782 was recorded.

RISKS AND UNCERTAINTIES

The Company currently has insufficient cash to fund its operations for the next twelve months. Whether and when the Company can attain profitability and positive cash flow is uncertain. These material uncertainties cast a significant doubt upon the Company’s ability to continue as a going concern.

In assessing whether the going concern assessment was appropriate, management took into account all relevant information available about the future, which was at least, but not limited to, the twelve-month period following December 31, 2022. To address its financing requirements, the Company may seek financing through debt and equity financings and rights offerings to existing shareholders. The Company will also seek to improve its cash flows by prioritizing certain projects with a greater expected return and reducing operating costs by streamlining its operations and support functions. While the Company has been successful in obtaining financing to date, and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, the Company’s ability to raise capital may be adversely impacted by market conditions that have resulted in a lack of normally available financing in the psychedelic industry, increased competition across the industry, and overall negative investor sentiment in light of the ongoing COVID-19 pandemic. Accordingly, there can be no assurance that the Company can achieve profitability**,** or secure financing on terms favourable to the Company or at all.

Should the Company by unable to generate sufficient cash flow from financing and operating activities, the carrying value of the Company’s assets could be subject to material adjustments and other adjustments may be necessary to these financial statements should such events impair the Company’s ability to continue as a going concern.

The Company is subject to various risks and uncertainties that could have a material impact on its operational and financial performance, financial condition, and future outlook. Many factors could cause the Company’s actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking information contained herein including, without limitation, the following factors, certain of which are disclosed in greater detail in the Company’s annual information form dated September 3, 2021, which is available at www.sedar.com under the Company’s profile:

- The Company will require additional capital to finance its operations, which may not be available to the Company on acceptable terms, or at all. As a result, the Company may not complete the development and commercialization of its product candidates or develop new product candidates or otherwise sustain its operations and continue as a going concern
- To date, the Company has generated negative operating cash flow and it is anticipated that it will continue to do so for the foreseeable future
- The Company expects to incur future losses and may never become profitable
- The Company currently has no product revenue and will not be able to maintain its operations and research and development without additional funding
- Founder voting control
- Unpredictability caused by the Company's capital structure
- The market prices for securities of biopharmaceutical companies similar to the Company have historically been volatile
- There is no assurance of an active or liquid market for the Company's securities
- Public markets and share prices have recently been and may continue to be subject to increased volatility, including as a result of current or future political, economic or social conditions
- The Company has never paid dividends and does not expect to do so in the foreseeable future
- Future sales or issuances of securities and the conversion or exercise of outstanding securities into or for shares of the Company could decrease the value of the Company's shares, dilute investors' voting power and otherwise have a dilutive effect
- Any failure to maintain an effective system of internal controls may result in material misstatements of the Company's financial statements or cause the Company to fail to meet its reporting obligations or fail to prevent fraud; and in that case, the Company shareholders could lose confidence in its financial reporting, which would harm its business and could negatively impact the price of the Subordinate Voting Shares
- A significant number of securities of the Company are owned by a limited number of existing shareholders
- There is no assurance that the Company will maintain foreign private issuer status under applicable U.S. securities laws
- Any loss of foreign private issuer status under applicable U.S. securities laws may subject the Company to increased regulatory and compliance costs
- Treatment of the Company as a U.S. domestic corporation for U.S. federal income tax purposes
- The Company relies and will continue to rely on third parties to plan, conduct and monitor its preclinical studies and clinical trials whose failure to perform as required could cause substantial harm to its business
- The Company requires commercial scale and quality manufactured drug supply to be available for clinical trials. If the Company does not have commercial grade drug supply when needed, it may face delays in initiating or completing trials and its business operations could suffer significant harm
- Research and development of drugs targeting the CNS is particularly difficult, which makes it difficult to predict and understand why such drugs have a positive effect on some patients but not others
- Failure to comply with health and data protection laws and regulations could lead to federal, state or provincial government enforcement actions, including civil or criminal penalties, private litigation, and adverse publicity and could negatively affect the Company's operating results and business
- If the Company experiences delays in clinical testing, it will be delayed in commercializing its product candidates and its business may be substantially harmed
- The Company may not be able to file investigational new drug applications to commence additional clinical trials on the timelines it expects, and even if the Company is able to, the FDA, Health Canada, or similar regulatory authorities may not permit the Company to proceed in a timely manner, or at all
- If the Company has difficulty enrolling patients in clinical trials, the completion of the trials may be delayed or cancelled
- The Company faces competition from other biotechnology and pharmaceutical companies and its financial condition, operations and prospects will suffer if it fails to effectively compete
- Violations of laws and regulations could result in repercussions, and psychedelic inspired drugs may never be approved as medicines
- Violation of health care fraud and abuse laws or regulations may harm the Company's business
- Violation of or changes to applicable corporate practice of medicine laws or regulations could materially affect the Company's business
- U.S. anti-money laundering laws could materially affect the Company's business

- Regulatory or political change
- The Company's employees may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could materially affect the Company's business
- If the Company is unable to adequately protect and enforce its intellectual property, the Company's competitors may take advantage of its development efforts or acquired technology and compromise its prospects of marketing and selling its key products
- Changes in patent law and its interpretation could diminish the value of patents in general, thereby impairing the Company's ability to protect its product candidates
- The Company's reliance on third parties requires the Company to share its trade secrets, which increases the possibility that a competitor will discover them
- If we are not able to maintain and enhance our reputation and brand recognition, our business, financial condition and results of operations will be harmed
- Because we are subject to environmental, health and safety laws and regulations, we may become exposed to liability and substantial expenses in connection with environmental compliance or remediation activities which may adversely affect our business and financial condition
- From time to time, we may become subject to litigation, which may adversely affect our business and financial condition
- Negative results from clinical trials or studies of others and adverse safety events involving the targets of the Company's products may have an adverse impact on the Company's future commercialization efforts
- Unfavorable publicity or consumer perception
- Government restrictions on pricing and reimbursement, as well as other healthcare payor cost-containment initiatives, may negatively impact the Company's ability to generate revenues
- The Company may not achieve its publicly announced milestones according to schedule, or at all
- The Company heavily relies on the capabilities and experience of its key executives and scientists and the loss of any of them could affect the Company's ability to develop its products
- The Company may expand its business through the acquisition of companies or businesses or by entering into collaborations, each of which could disrupt the Company's business and harm its financial condition
- The Company faces the risk of product liability claims, which could exceed its insurance coverage, and product recalls, each of which could deplete the Company's cash resources and otherwise materially harm its business, financial condition and prospects
- Forward-looking information may prove to be inaccurate
- COVID-19
- Conflicts of interest
- Limited operating history
- The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates and the degrees of volatility of those rates
- Difficulty in enforcing judgments and effecting service of process on directors and officers

The risks and uncertainties described in the annual information form and above should be reviewed in detail by all readers and are not the only ones that the Company faces or may face in the future. Additional risks and uncertainties not presently known to us or that we believe to be immaterial may also adversely affect our business. We operate in a highly competitive environment that involves significant risks and uncertainties, many of which are outside of our control. An investment in the shares of the Company must be regarded as highly speculative due to the nature of the Company's business and its present stage of operations. We have no history of earnings, limited cash reserves, limited operating history, have not paid dividends, and are unlikely to pay dividends in the immediate or near future. Although management of the Company has demonstrated its ability to raise funds in the past, with the current financial market conditions and global political and economic uncertainty, there can be no assurance they will be able to do so in the future.