



NUMINUS

NUMINUS WELLNESS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended August 31, 2023 and 2022

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(Unaudited and expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") is intended to supplement the audited consolidated financial statements of Numinus Wellness Inc. (the "Company" or "Numinus") for year ended August 31, 2023, and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. All figures are in Canadian dollars, unless otherwise noted. This MD&A has been prepared as of November 29, 2023, and should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2023 (the "Financial Statements").

Additional information related to Numinus, including its annual information form, is available on SEDAR at www.sedar.com and on the Company's website at www.numinus.com.

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COMPANY OVERVIEW

Numinus Wellness Inc. (the "Company" or "Numinus") was incorporated on October 26, 1964 under the Laws of British Columbia. The Company was traded on the TSX Venture Exchange (the "Exchange") and graduated to the Toronto Stock Exchange ("TSX") on December 16, 2021 under the symbol "NUMI". The Company's registered and records office is located at Suite 400 - 725 Granville Street, Pacific Centre, Vancouver, British Columbia, Canada V7Y 1G5.

Numinus develops proprietary, psychedelic-centred, therapeutic products and services through its own laboratory and research & development processes, to be delivered through its network of physical locations, digital solutions and partnerships.

Numinus' wellness clinic network in Canada consists of Numinus Health Corp. ("Numinus Health"), Mindspace Services Inc. ("Mindspace") and the Neurology Centre of Toronto Inc. ("NCT"). Numinus' wellness clinic network in the United States consists of Numinus Wellness UT Inc. ("Numinus Utah") (formerly Cedar Psychiatry Inc.) and Foundations for Change Inc. ("FFC"). Numinus' wellness clinic network provides services including ketamine-assisted psychotherapy ("KAP") for depression, transcranial magnetic stimulation ("TMS"), neurological care and psychotherapy and counselling by registered psychologists. Numinus develops KAP protocols for other clinical indications, psychedelic neurology programming and therapeutic protocols for other psychedelic substances.

Numinus Bioscience Inc. is the Company's Health Canada-licensed laboratory developing intellectual property, advancing research, and providing contract research and innovation services. Key activities include the cultivation, production, and extraction of natural Psilocybe and other psychoactive fungi species, the development of proprietary processes and products, standardizing methods for controlled psychedelics and development of a pipeline for product development, protocol development and safety and efficacy studies.

The Company currently holds the following Health Canada licenses:

- *Controlled Drugs and Substances Dealer's License* enables the Company to possess, produce, assemble, sell, export, test and research & develop psychedelics such as Trimethoxyphenethylamine ("mescaline"), methylenedioxyamphetamine ("MDMA"), Dimethyltryptamine ("DMT"), Psilocybin, Ketamine, LSD, Psilocin, Harmaline and Harmalol.
- *Analytical Testing License* under the Cannabis Act and Cannabis Regulations allowing for the analytical testing of cannabis for quality assurance purposes.

Cedar Clinical Research ("CCR") is the Company's research arm based in various cities in the states of Utah and Arizona in the United States, focused on hosting phase I and phase IV clinical trial and research focused on emerging treatment options in neuropsychiatry on behalf of third-party sponsors. CCR provides select contract research organization services for pharmaceutical companies. CCR also hosts and sponsors investigator-initiated studies to answer research questions unaddressed by clinical trials and to validate psychedelic-assisted psychotherapy treatment protocols.

Numinus Digital Inc. provides robust certification pathways for diverse professionals who are looking to develop core psychedelic-assisted therapy skills through multi-modal teaching methods including interactive evidence and theory reviews, audio-visual design, case-based learning, experiential learning, and in-person shadowing opportunities.

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COMPANY HIGHLIGHTS

Key Developments During and Subsequent to the Quarter

Numinus Wellness Clinic Network

- Wellness clinics generated revenue of \$5.0 million during Q4 2023, a 34.6% increase compared to \$3.7 million during Q4 2022, and consistent to revenues of \$5.0 million during Q3 2023 even amid seasonality effects during the summer months. The increase in clinic network revenues year over year is primarily due to the expansion of clinic services.
- On November 29, 2023, the Company announced that as part of its strategy to focus resources on sustainable and cash flow positive operations, its clinic and research services in its Phoenix locations will be wound down.

Numinus Clinical Research

- Revenues from CCR during Q4 2023 were \$1.2M, a sequential increase of 14.2% from \$1.0M during Q3 2023, and a 138.1% increase compared to Q4 2022.
- On October 3, 2023, the Company introduced a comprehensive psychedelic program for individuals suffering from mental distress associated with serious and chronic illness delivered through its Numinus Utah and Cedar Clinical Research facilities.

Capital and liquidity resources

- The Company has managed to raise investments to fund its near-term business milestones and operations. While the Company will continue to look for additional cash flow generation opportunities, the Company may need to raise additional capital to meet its business milestones.

SELECTED INFORMATION - RESULTS OF OPERATIONS

QUARTERLY FINANCIAL HIGHLIGHTS

The following table summarizes the Company's quarter over quarter financial highlights from Q3 2023 and Q4 2023.

Financial Highlights	For the three months ended	
	August 31, 2023	May 31, 2023
Revenue	\$ 6,130,816	\$ 6,027,092
Cost of revenue	4,322,316	3,946,272
Gross profit (loss)	\$ 1,808,500	\$ 2,080,820
Operating Expenses	\$ 11,194,744	\$ 9,360,602
Loss and comprehensive loss	\$ (9,256,317)	\$ (7,295,783)
Basic and diluted loss per share	\$ (0.04)	\$ (0.03)

The following table summarizes the Company's selected financial information for each of the past eight quarters ending August 31, 2023:

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	6,130,816	6,027,092	5,354,541	5,668,050	4,177,289	741,064	786,104	789,617
Net loss and comprehensive loss	(9,256,317)	(7,295,783)	(7,294,652)	(6,099,473)	(24,617,835)	(7,008,112)	(7,837,602)	(5,354,089)
Basic and diluted loss per share ⁽¹⁾	(0.04)	(0.03)	(0.03)	(0.02)	(0.11)	(0.03)	(0.06)	(0.03)

¹⁾ Fully diluted loss per share amounts are not shown as they would be anti-dilutive.

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Revenue

The Company's consolidated revenues increased by 1.7% quarter over quarter driven compared to Q3 2023 by the ramp up of services in the United States and Canada in addition to an increased number of higher revenue-generating third-party clinical trials.

Revenues in the Company's wellness clinic network during Q4 2023 decreased by 0.8% from \$5,001,749 during Q3 2023 to \$4,959,680 because of reduced clinic utilization rates. The Company completed more than 21,068 client appointments including individual and group therapy sessions, neurology appointments, paid group programs, ketamine-assisted psychotherapy, transcranial magnetic stimulation, and ketamine/Spravato appointments. The number of clinic appointments during Q4 2023 decreased 2.1% compared to 21,520 appointments during Q3 2023. The decrease is driven by a reduction of appointments in the Company's Canadian clinic network where neurology services were scaled down as the Company focused on higher margin service lines. The Company's US clinic network saw an increase in appointments from 17,069 in Q3 2023 to 17,276 in Q4 2023, as expansion of services continues.

Revenues from CCR during Q4 2023 increased by 14.2% from \$1,025,343 during Q3 2023 to \$1,171,136 as a result of the ramp up of third-party clinical trials. During Q4 2023, CCR managed 21 clinical trials which included 386 clinical trial patient appointments compared to Q3 2023, where CCR managed 18 clinical trials which included 318 clinical trial patient appointments.

Loss for the Quarter

The Company reported a comprehensive loss of \$9,256,317 during Q4 2023 compared to \$7,295,783 during Q3 2023. During Q3 2023, the Company announced several cost containment initiatives to refocus operations on revenue producing activities and to extend the Company's cash runway which led to certain one-time charges.

Financial Highlights	For the year ended Aug 31,		
	2023	2022	2021
Revenue	\$ 23,180,499	\$ 6,494,074	\$ 1,513,670
Cost of revenue	14,809,109	4,717,304	1,595,208
Gross profit (loss)	\$ 8,371,390	\$ 1,776,770	\$ (81,538)
Expenses			
General and administration	\$ 28,664,535	\$ 21,712,729	\$ 9,868,079
Share-based compensation	1,865,198	3,454,867	1,821,508
Sales and marketing	1,991,885	2,192,325	2,223,676
Depreciation	1,640,513	982,341	445,186
Research and development	1,168,390	1,885,037	1,401,194
Transaction costs	13,573	2,515,935	265,618
Impairment of goodwill and intangible assets	2,550,527	13,275,005	1,581,210
Other items	733,147	674,417	1,085,936
Loss from operations before taxes	\$ (30,256,378)	\$ (44,915,886)	\$ (18,773,945)
Income tax (expense) recovery	-	34,000	-
Net loss	\$ (30,256,378)	\$ (44,881,886)	\$ (18,773,945)
Other Comprehensive Income	310,153	64,248	-
Loss and comprehensive loss	\$ (29,946,225)	\$ (44,817,638)	\$ (18,773,945)
Basic and diluted loss per share	\$ (0.11)	\$ (0.21)	\$ (0.11)

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Revenue

Revenues increased 256.9% for the year ended August 31, 2023, compared to August 31, 2022. This increase in revenue was a result of the consolidated revenues arising from the acquisitions of Mindspace, NCT, and Novamind. The following table summarizes the revenues generated by the Company's US Clinic Network, Canadian Clinic Network, and Clinical Research Operations:

	For the year ended August 31,	
	2023	2022
US Clinic Network	\$ 16,433,833	\$ 3,041,472
Canadian Clinic Network	\$ 3,252,701	\$ 2,703,121
Clinical Research Operations	\$ 3,493,965	\$ 749,481

Given Numinus Bioscience's focus on proprietary research activities, the Company's revenue generating activities from Clinical Research Operations arise from its activities in the United States.

Loss for the period

The Company reported comprehensive loss of \$29,946,225 compared to \$44,817,638 for the years ended August 31, 2023, and August 31, 2022, respectively. The decrease in net loss is due to cost containment initiatives and less impairment of goodwill and intangible assets recorded in the year ended August 31, 2023.

The Company reported general and administration expenses of \$28,664,535 compared to \$21,712,729 for the years ended August 31, 2023, and August 31, 2022, respectively. The below items are included in the Company's general and administration costs and contributed to the increase.

- Salaries and wages incurred were \$15,609,178 compared to \$9,499,745 for the years ended August 31, 2023, and August 31, 2022, respectively. This increase was a result of key leadership and staff hires from the acquisition of Mindspace, NCT, and Novamind, in addition to growth in the Company's clinic operations, protocol development, marketing, finance and technology teams.
- Professional and consulting fees incurred were \$6,163,806 compared to \$5,859,391 for the years ended August 31, 2023, and August 31, 2022, respectively. The increase is due to the strategic initiatives and product development.
- Office and miscellaneous expenses incurred were \$ 6,891,551 compared to \$6,353,593 for the years ended August 31, 2023, and August 31, 2022, respectively. The increase is a result of the consolidated operations of Mindspace, NCT, and Novamind. The increase is also due to one-time charges of \$1,129,268 related to the Company's cost containment initiatives and refocus towards revenue generating activities. This included a one-time charge of \$564,012 related to staff reductions in non-revenue producing roles and identified changes in accounts receivables processes that resulted in \$565,256 in accounts receivable write-offs in the Company's US clinic network as they were determined to be uncollectible.

The Company incurred research and development costs of \$1,168,390 compared to \$1,885,037 for the years ended August 31, 2023, and August 31, 2022, respectively. The decreases in research and development expenditures are a result of many of the Company's investments in the below areas coming to fruition and no longer require further investments:

- Online group therapy programming and educational training programs
- Research and development of *Psilocybe* natural extracts to be used in its Phase 1 clinical trial
- Ketamine Assisted Psychotherapy protocols to be implemented its clinics
- MAPS MDMA-assisted psychotherapy for PTSD single-arm, open label trial

The Company completed its annual impairment test on goodwill and intangible assets as at August 31, 2023 and recognized an impairment loss of \$2,550,527 for the period ending August 31, 2023 (2022 – \$13,275,005). The Company made acquisitions during prior years as part of its strategy to build the infrastructure for certain psychedelic assisted therapies that the Company expects to be regulated in the future. The reason for the impairment was primarily related to the exclusion of future revenues derived from these therapies as the timing of regulatory changes are uncertain.

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PROPOSED TRANSACTIONS

The Company does not currently have any proposed transactions subsequent to August 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

The Company did not generate any cash flow from operations for the year ended August 31, 2023. The Company's financial success is reliant on management's ability to identify and evaluate suitable growth and acquisition opportunities including the recent acquisition of Novamind. Future cash flows from operations will be dependent on maximizing the potential of these opportunities.

In order to finance the acquisition of growth opportunities and to fund corporate overhead required to oversee these opportunities, the Company is dependent on investor sentiment remaining positive towards the psychedelics sector, and towards the Company in particular, so that funds can be raised through the sale of its securities. Many factors have an influence on investor sentiment including a positive climate from investors to support new companies in the psychedelics sector, past financial performance of a company and the experience and caliber of a company's management. There is no certainty that equity funding will be available at the times and in the amounts required to fund the Company's activities. As at August 31, 2023, the Company had cash and cash equivalents of \$8,579,535. Management estimates that the Company has insufficient working capital to continue operations for the next twelve months.

The Company has, in the past, financed its activities through equity financings. It is anticipated that, as general sentiment towards investment in companies in the psychedelic sector turns positive, the Company can continue to raise the necessary capital to secure and finance additional investments that are accretive to shareholder value. Subsequent to August 31, 2023, the Company established an at-the-market equity offering program that allows the Company to issue and sell up to \$10,000,000 of common shares in the capital of the Company from time to time, at the Company's discretion and subject to regulatory requirements.

The Company had working capital of \$7,413,120 as at August 31, 2023, compared to \$31,538,866 as at August 31, 2022.

The Company has no commitments for capital expenditures.

Lease obligations

- a) The Company is committed under lease agreements, to various offices and warehouse premises located in Canada and the United States
- b) The Company has short-term and low-value leases on various office printers and lab equipment with annual renewal periods in June, September and November with a general maintenance agreement amounts based on usage.

The following table presents the projected amounts due under the agreements in future years:

	Years					
	0- 1	2-3	4-5	6-10	>10	Total
Lease Payments	\$2,125,484	\$3,214,725	\$2,318,588	\$1,185,607	-	\$8,844,404

Retention Shares

In connection with the acquisition of Mindspace, the Company has an obligation to issue \$100,000 in common shares per year, at the market price of the common shares at the time of issuance, on each of the first three anniversaries of the closing date, February 8, 2021. The first-year anniversary shares were issued on February 8, 2022. The second-year anniversary shares were issued on February 8, 2023.

Notice of Claims

The Company was served with a Notice of Claim dated December 23, 2019, which has been filed in the Supreme Court of British Columbia naming the Company as the defendant. The Notice of Claim alleges the wrongful termination of the former CEO/CFO and unpaid termination benefits of \$360,000. The Company believes the lawsuit is without merit and has filed a response

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accordingly. No provision has been made by the Company with regards to the Notice of Claim and the claim is ongoing. The Company is subject to several other claims and lawsuits, which either immaterial or which management believes are without merit. The Company intends to negotiate settlements and/or defend such claims in due course.

Cash and Financial Conditions

The company had a cash balance of \$8,579,535 as at August 31, 2023, compared to a cash balance of \$33,044,045 as at August 31, 2022. The decrease in cash is primarily a result of cash flows used in operating activities of \$22,760,068.

The Company does not have any unused lines of credit or other arrangements in place to borrow funds and has no off-balance sheet arrangements. The Company does not use hedges or other financial derivatives.

Investing Activities

The Company recognized a net cash outflow of \$369,569 for the year ended August 31, 2023, compared to cash inflow of \$123,191 for the comparative period. The net cash outflow from investing activities for the year ended August 31, 2023, is mainly due to the purchase of property and equipment.

Financing Activities

During the year ended August 31, 2023, the Company issued an aggregate of 2,411,774 common shares on the exercise of warrants for gross proceeds of \$844,120. The Company also reclassified \$96,351 from reserves to share capital on the exercise of these warrants.

During the year ended August 31, 2023, the Company issued an aggregate of 287,504 common shares on the exercise of options for gross proceeds of \$71,877. The Company also reclassified \$37,493 from reserves to share capital on the exercise of these options.

SHARE CAPITAL AND RESERVES

Common Shares

The Company has unlimited authorized common shares with no par value.

As at August 31, 2023, nil shares (August 31, 2022 – nil shares) were held in escrow.

During the year ended August 31, 2023, the Company issued 1,116,653 common shares with a value of \$437,960 as part of the Mindspace acquisition as follows:

- 110,294 common shares issued in connection with the quarterly anniversary payment.
- 370,825 common shares issued relating to retention shares.
- 100,064 common shares issued relating to certain operational milestones having been met.
- 535,470 common shares issued relating to certain revenue milestones, prorated in accordance with the original acquisition agreement.

During the year ended August 31, 2023, the Company issued an aggregate of 2,411,774 common shares on the exercise of warrants for gross proceeds of \$844,120. The Company also reclassified \$96,351 from reserves to share capital on the exercise of these warrants.

During the year ended August 31, 2023, the Company issued an aggregate of 287,504 common shares on the exercise of options for gross proceeds of \$71,877. The Company also reclassified \$37,493 from reserves to share capital on the exercise of these options.

During the year ended August 31, 2023, the Company issued 4,401,789 common shares of the Company valued at \$1,124,665 relating to the exchange of vested restricted share units.

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During the year ended August 31, 2023, the Company issued 2,000,000 common shares with a fair value of \$454,996 to the Company's former Chief Medical Officer who now serves as an advisor to the Company.

As at August 31, 2022, nil shares (August 31, 2021 – 8,967,640) were held in escrow.

On September 22, 2021, the Company issued 206,228 common shares with a fair value of \$171,169 as part of the NCT acquisition consideration.

On January 4, 2022, the Company issued 2,000,000 common shares with a fair value of \$1,220,000 as share-based compensation related to the departure of Numinus' former Chief Strategy Officer.

On February 8, 2022, the Company issued 151,515 common shares with a fair value of \$100,000 as part of the retention shares on the first anniversary of the acquisition of Mindspace.

On March 18, 2022, the Company issued 408,712 common shares with a fair value of \$183,920 as part of year 1 revenue milestone shares related to Mindspace.

On June 10, 2022, the Company issued 43,474,659 common shares with a fair value of \$15,868,251 as part of consideration for acquisition of Novamind.

On July 11, 2022, the Company issued 444,444 common shares with a fair value of \$108,889 for advisory fee.

During the year ended August 31, 2022, the Company issued 220,588 common shares with a fair value of \$333,088 as part of the time-based pay-out of 441,176 common shares over the course of 24 months from the acquisition date of Mindspace on February 8, 2021.

During the year ended August 31, 2022, the Company issued 1,902,000 common shares of the Company on the exercise of options for gross proceeds of \$340,445. The Company also reclassified \$306,805 from reserves to share capital on the exercise of these options.

During the year ended August 31, 2022, the Company issued an aggregate of 4,352,160 common shares on the exercise of warrants for gross proceeds of \$351,382. The Company also reclassified \$1,346,937 from reserves to share capital on the exercise of these warrants.

As at August 31, 2023, the Company had 266,455,100 Common Shares issued and outstanding.

On the date of this MD&A, the Company had 267,083,600 Common Shares issued and outstanding.

Options

During the year ended August 31, 2023, the Company issued 287,504 common shares of the Company on the exercise of options for gross proceeds of \$71,877. The Company also reclassified \$37,493 from reserves to share capital on the exercise of these options.

During the year ended August 31, 2022, the Company issued 1,902,000 common shares of the Company on the exercise of options for gross proceeds of \$340,445. The Company also reclassified \$306,805 from reserves to share capital on the exercise of these options.

As at August 31, 2023, and on the date of the MD&A, the Company had 14,553,682 stock options outstanding.

Warrants

During the year ended August 31, 2023, the Company issued an aggregate of 2,411,774 common shares on the exercise of warrants for gross proceeds of \$844,120. The Company also reclassified \$96,351 from reserves to share capital on the exercise of these warrants.

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During the year ended August 31, 2023, 30,645,331 warrants were expired and unexercised.

During the year ended August 31, 2022, the Company issued an aggregate of 4,352,160 common shares on the exercise of warrants for gross proceeds of \$351,382. The Company also reclassified \$1,346,937 from reserves to share capital on the exercise of these warrants.

During the year ended August 31, 2022, 8,049,987 warrants were expired and unexercised.

As at August 31, 2023, and on the date of the MD&A, the Company had 11,340,000 warrants outstanding.

OUTLOOK

The Company's ability to continue in the normal course of operations is dependent on management's ability to identify and evaluate suitable investments opportunities. In addition, the Company will actively seek out additional revenue opportunities by leveraging its key assets including the laboratory facilities, Health Canada licenses and clinic network.

The Company is largely dependent upon external financings to fund activities. Management and the board of directors of the Company continuously review and examine business proposals for the Company and conduct their due diligence in respect of the same. The Company will continue to seek new investments if it feels there are sufficient opportunities to increase shareholder value and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and will adjust its approach to changing business and economic conditions.

OFF-BALANCE SHEET ARRANGEMENTS

At the date of this report, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, and Chief Strategy Officer. A summary of the remuneration attributed to key management personnel is disclosed in Note 18, *Related Party Transactions* in the Company's consolidated financial statements. There have been no other transactions with related parties.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Under the direction and supervision of the Company's Chief Executive Officer and Chief Financial Officer, management is responsible for establishing and maintaining internal controls and procedures. These internal controls and procedures are designed and intended to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is communicated to management in a timely manner such that information required to be disclosed by the Company under securities legislation is reported within the required time periods. Under the direction and supervision of the Company's Chief Executive Officer and Chief Financial Officer, management is also responsible for establishing and maintaining internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

Due to inherent limitations, ICFR can only provide reasonable assurance and may not prevent or detect misstatements. The effectiveness of ICFR in future periods are subject to the risk that controls may become inadequate due to changes in conditions and/or the level of compliance with existing policies or procedures may deteriorate.

During the year ended August 31, 2023, management identified control deficiencies relating to its operating activities. Management is in the process of testing and mitigating these control deficiencies. Notwithstanding these deficiencies, management believes the consolidated financial statements fairly present, in all material respects, the Company's financial condition, results of operations and cash flows for the periods presented.

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SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES

Going Concern

These consolidated financial statements for the year ended August 31, 2023, have been prepared on the assumption that the Company is a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. The Company has incurred an accumulated deficit of \$116,866,444 at August 31, 2023, and a net loss of \$30,256,378 for the year ended. The Company's continuation as a going concern is dependent on its ability to attain profitable operations and generate funds therefrom and/or raise funds sufficient to meet current and future obligations. There can be no assurances that management's future plans for the Company will be successful. The Company will require additional financing in order to fund working capital requirements. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of assets and liabilities that might be necessary, should the Company be unable to continue as a going concern.

Critical Accounting Estimates

In preparing the Company's consolidated financial statements, the Company makes judgements in applying accounting policies. The judgements that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are outlined below. In addition, the preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. The information about significant areas of estimation uncertainty and judgement considered by management in preparing these consolidated financial statements is as follows:

a) Estimated useful lives and depreciation of property and equipment

Depreciation and amortization of property and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

b) Share-based payments

Management measures share-based payments expense and compensatory warrants using the Black-Scholes pricing model that incorporates key estimates such as the rate of forfeiture of options and warrants granted/issued, the expected life of the option and warrants, the volatility of the value of the Company's common shares and the risk-free interest rate are used. Judgement may be required in determining whether the recipient of a share-based award is treated as an employee or not.

c) Business combinations

In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Estimates are made as to the fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date, as well as the fair value of consideration paid and contingent consideration payable. In certain circumstances, such as the valuation of property, plant and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuers. The determination of these fair values involves a variety of assumptions, include revenue growth rates, expected operating income, discount rates, and earnings multiples.

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d) Impairment of goodwill and long-lived assets

After initial recognition, goodwill and long-lived assets is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, management must make critical estimates and use assumptions to project the value of each cash-generating unit. Assumptions include future revenue, profit margin, and an appropriate discount rate. These assumptions will impact the valuation and impairment of goodwill and long-lived assets.

e) Right of use lease assets and liabilities

The right of use assets and liabilities are measured at the present value of future lease payments discounted using the rate implicit in the lease or incremental borrowing rate for the Company if the rate implicit in the lease is not readily determined. These assumptions will impact the valuation of right of use assets and liabilities and finance cost.

f) Going concern

Management assesses the Company's ability to continue as a going concern at each reporting date, using quantitative and qualitative information available. This assessment by its nature, relies on estimates of future cash flows, and other future events, whose subsequent changes would materially impact the validity of such an assessment.

g) Deferred income tax assets and liabilities

The measurement of deferred income tax provision is subject to the uncertainty associated with the timing of future events and changes in legislation, tax rates, and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to the expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

h) Determination of CGU's

Management is required to use judgement in determining which assets or group of assets make up appropriate CGUs for the level at which goodwill and intangible assets with indefinite lives are tested for impairment. A CGU is defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

i) Valuation of financial instruments

The Company makes estimates and assumptions relating to the fair value measurement and disclosure of its investments and, contingent consideration payable. The fair values are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

Changes in Accounting Standards

New and amended IFRS standards not yet effective

The Company has evaluated new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company.

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FINANCIAL INSTRUMENT RISK MANAGEMENT

The Company's exposures and the impact on its financial instruments are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, trade receivables and other receivables. The carrying amount of these financial assets represent the maximum credit exposure. Cash and cash equivalents are deposited with major Canadian and US financial institutions, and management believes the exposure to credit risk with respect to these institutions is not significant. The Company is exposed to credit risk inherent in its trade and other receivables which include credit exposures to customers and their outstanding trade receivables and other receivables balances. The maximum credit risk associated with cash and cash equivalents and trade and other receivables is equal to the carrying amount.

Liquidity risk

As at August 31, 2023, the Company's financial liabilities consist of accounts payable and accrued liabilities, long-term debt, and current contingent consideration payable which have contractual maturities within one year. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis. As at August 31, 2023, the Company has cash and cash equivalents of \$8,579,535 to meet its obligations as they become due. Our auditor has expressed substantial doubt about our ability to continue as a going concern and we cannot assure you that we will raise capital or achieve or maintain profitability. See Risk Factors – Going Concern Risk below for details.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company is exposed to foreign currency risk through its financial assets and liabilities denominated in US dollars. A 10% appreciation (depreciation) of the US dollar against the Canadian dollar, with all other variables held constant, would result in an approximate change of \$224,000 to the Company's comprehensive loss for year ended August 31, 2023.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds cash in accounts with variable interest rates, and currently does not carry variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its financial institutions. As at August 31, 2023, the Company's interest rate risk mainly relates to cash balances and was considered to be minimal.

Capital management

The Company manages its capital structure and adjusts it based on the funds available to the Company, to support any business transaction and to safeguard its ability to continue as a going concern. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is largely dependent upon external financings to fund its operations. To carry out any planned business transaction and to continue to support the general administrative activities, the Company will spend its existing working capital and raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management for the year ended August 31, 2023. The Company is not subject to externally imposed capital requirements. Our auditor has expressed substantial doubt about our ability to continue as a going concern and we cannot assure you that we will raise capital or achieve or maintain profitability. See *Risk Factors – Going Concern Risk* below for details.

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RISK FACTORS

Going Concern Risk

Our auditors have issued a going concern opinion. This means that there is substantial doubt that we have the requisite capital to continue our business as a going concern. We will need to raise additional working capital and generate and sustain higher revenue levels in future periods in order to continue our normal and planned operations. There is no assurance that we will be able to obtain the necessary financing and/or generate profitable operations in the future which may affect the Company's ability to meet its obligations and pay liabilities arising from normal business operations when they come due. As a result, there is increased risk that you could lose the entire amount of your investment in our Company. Our financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should we be unable to continue as a going concern.

Risks associated with the Company's At-the-Market Offering ("ATM") program

The Company announced an ATM on September 25, 2023.

The nature of ATM offerings creates uncertainty around the amount, if any, that the Company can raise and the share price at which the funds are raised. The price per common share sold in the ATM will vary across purchasers and may exceed the net tangible book value per share. Sales of a substantial number of common shares in the public markets, or the perception that such sales could occur, could depress the market price of our common shares and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect, if any, of the ATM on liquidity, share price or the ability of the Company to raise capital.

Further, management has discretion in how to use the proceeds of the ATM and may spend a portion or all of the net proceeds from in ways that our shareholders might not desire, that might not yield a favorable return and that might not increase the value of a purchaser's investment. The failure by our management to apply these funds effectively could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Inadequate Internal Controls

In connection with its financials for the year ended August 31, 2022, Numinus' auditors identified two material weaknesses in internal controls and, in connection with its financials for the year ended August 31, 2023 management identified a systems-related deficiency requiring manual adjustment, in each case these are more fully-described in the management's discussion and analysis for the relevant periods available on SEDAR+. If Numinus fails to maintain an effective system of internal controls, Numinus might not be able to report its financial results accurately or prevent misstatement; and in that case, Numinus' shareholders could lose confidence in its financial reporting, which would harm its business and could negatively impact the value of its shares. While Numinus believes that it has sufficient personnel and review procedures to allow it to maintain an effective system of internal controls, there can be no assurance that Numinus will always successfully detect misstatements or implement necessary improvements in a timely fashion.

Other Material Risks

The Company's annual information form dated November 29, 2023 ("AIF") sets forth material risks and uncertainties that may affect our business, including our future financing and operating results and could cause our actual results to differ materially from those contained in forward-looking statements we have made in this MD&A. The risks and uncertainties indicated in the AIF, which are incorporated in this MD&A by reference, are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company believes to be immaterial may also adversely affect the Company's business. Further, if the Company fails to meet the future expectations of the public market in any given period, the market price of our common shares could decline. The Company operates in a highly competitive environment that involves significant risks and uncertainties, some of which are outside of the Company's control. (See "Risk Factors" in the AIF for details).

FORWARD-LOOKING STATEMENTS

Certain information set forth in this document and the documents incorporated by reference include forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including but not limited to: Many factors could cause the Company's actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors below, which are discussed in greater detail in the "Risk Factors" section of this Prospectus. The realization of the Company's forward-looking statements depends on the Company's business performance which, in turn, is subject to many risks. Factors that could cause actual results to differ materially from expectations include, but are not limited to: **industry risks** – related to applicable legislation within the psychedelics industry not allowing for growth opportunities for the Company; the pursuit and operation of its business as intended and the marketability of any of the Company's products; the Company's compliance with regulatory requirements; changes in laws, regulations and guidelines related to psychedelics; the fragmented nature of clinical psychedelics; previous high profile failures and exits by other companies from the psychedelic clinical industry; the impact of unfavorable publicity or consumer perception of the Company or the psychedelics industry; significant opposition from the established pharmaceutical industry; increased risks of litigation, complaints and enforcement actions; the psychedelics industry being a relatively new industry and market; the application of financial services risk management programs; **business risks** – related to the nature of the clinic industry; compliance with general healthcare regulation requirements; uncertainty surrounding drug development success and approvals; the Company's ability to obtain and sustain required regulatory certification and licencing; medical regulatory bodies disciplining the Company's physicians for excessive psychedelic prescriptions; compliance with provincial, state and federal health care plan payment requirements; the Company's violations of laws and regulations; the Company's ability to attract and retain patients and research subjects; effectiveness and efficiency of the Company's marketing program; publication of negative results of studies or clinical trials related to psychedelics; the ability and willingness of physicians to provide services at the Company's facilities; the Company's compliance with privacy and data protection laws; cyber-attacks; the Company's ability to compete successfully; failure to obtain or register intellectual property rights; ongoing global economic and political instability, including recent bank failures; the Company's ability to appropriately manage growth; retention and acquisition of skilled personnel, including key personnel; exposure to legal and regulatory proceedings and product liability; maintenance of appropriate insurance coverage; distributor and supply chain interruptions; product recalls; foreign operations; conflict of interests by the Company's directors and officers; the Company's employees, independent contractors and consultants engaging in illegal activities; difficulty in quantifying psychedelics and integrative mental health industries for purposes of comparison with the Company's performance; the impacts of COVID-19, including its impact on the global economy and its impact on the Company's business, financial condition or results; the Company's limited operating history in its industry; the Company's acquisitions of, or collaborations with, other companies or businesses; **financial and accounting risks** – related to the Company's ability to continue as a going concern; the Company's ability to achieve its stated goals or execute its strategies; the Company's ability to obtain financing and access to capital; the accuracy of the Company's estimates and assumptions relating to its critical accounting policies; the adequacy of the Company's internal controls, including over recently completed acquisitions; the Company's ability to comply with reporting issuer requirements under applicable securities laws and stock exchange policies; increasing regulatory and compliance costs; and negative publications by analysts regarding the Company and the Common Shares.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. The Company's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive from them. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and as such, undue reliance should not be placed on forward-looking statements.

The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and as such forward looking statements contained into this report should not be relied upon. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to assumptions about general business and economic conditions,

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the availability of financing for the Company, and the ability to identify and secure a quality asset or a business with a view of completing a transaction subject to receipt of shareholder approval and acceptance by regulatory authorities.

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SUBSEQUENT EVENTS

Numinus Bioscience

On September 18, 2023, the Company announced that it would be ceasing operating activities at Numinus Bioscience, its non-revenue generating research lab.

Arizona Wellness Clinics and Research

On September 18, 2023, the Company announced that it would be consolidating operations from its Peoria in Phoenix, AZ, with another clinic in Dunlap. On November 29, 2023, the Company announced that as part of its strategy to focus resources on sustainable and cash flow positive operations, its clinic and research services in its Phoenix locations will be wound down.

At-the-Market Financing

As at August 31, 2023, the Company had not issued at common shares under its At-the-Market ("ATM") offering. Subsequent to the year end, the Company issued 628,500 common shares at an average price of \$0.12 for gross proceeds of \$76,305 and net proceeds of \$74,779 after commissions of \$1,526 were paid to Stifel Canada.