



NUMINUS

**NUMINUS WELLNESS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Three and Nine Months Ended May 31, 2023 and 2022

**NUMINUS WELLNESS INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

For the three and nine months ended May 31, 2023 and 2022  
(Unaudited and expressed in Canadian Dollars)

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This Management's Discussion and Analysis ("MD&A") is intended to supplement the condensed consolidated financial statements of Numinus Wellness Inc. (the "Company" or "Numinus") for the three and nine months ended May 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 July 17, 2023 and should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2022 (the "Financial Statements").

Additional information related to Numinus, including its annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.numinus.com](http://www.numinus.com).

## NUMINUS WELLNESS INC.

### MANAGEMENT DISCUSSION AND ANALYSIS

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#### COMPANY OVERVIEW

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 Cedar Psychiatry Inc. (“Cedar Psychiatry”) 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 a diversity of professionals a certification pathway 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. The certification pathway developed by the Company has been approved by the following accreditation bodies:

- Canadian Psychological Association (CPA)
- L’ordre des psychologues du Québec (OPQ)
- Canadian Counselling and Psychotherapy Association (CCPA)
- USA National Board for Certified Counsellors (NBCC) as an approved Continuing Education Provider, ACEP No. 7360

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## COMPANY HIGHLIGHTS

### Key Developments During and Subsequent to the Quarter

#### *Numinus Wellness Clinic Network*

- Wellness clinics generated \$5.0 million of revenue during Q3 2023, a 584.2% increase compared to \$0.7 million during the same period last year and a 5.5% sequential growth from \$4.7 million in Q2 2023.
- The Company is in the process of transforming its Practitioner model in Canada, with the aim of attracting a greater number of dedicated full-time practitioners. The Company believes this approach will drive greater engagement and clinic utilization rates but may result in fewer practitioners as each can accept more client appointments.
  - At the end of Q3 2023, Numinus had 130 practitioners (Q2 2023: 133) providing client treatments through its wellness clinics and virtual services, a 2.3% decrease from the end of the previous quarter.
- On April 11, 2023, the Company announced the launch of its new Numinus Network wellness clinic licensing platform – providing independent practitioners with the opportunity to own and operate a Numinus branded full-service clinic. Numinus Network clinic owners will receive training on all Numinus therapy protocols and administrative and marketing support, among other service offerings.
- On April 11, 2023, the Company also announced a new partnership with Healing Commercial Real Estate Inc. ("Healing CREI") – a health care focused real estate investment company with deep market knowledge of the psychedelic sector. Through this agreement, Numinus Network licensees will have the option of leasing a turnkey, fully functioning Numinus Wellness clinic location – complete with leasehold improvements and clinic infrastructure, directly from Healing CREI.
- On May 25, 2023, the Company announced that it had recently completed several cost containment initiatives to refocus operations on revenue producing activities.
- On June 15, 2023, the Company announced a partnership with the Multidisciplinary Association for Psychedelic Studies (MAPS), to support psychedelic experiential opportunities for practitioners as part of a clinical study. If the Clinical Trial Application submitted to Health Canada is approved, the MDMA-assisted therapy experiential opportunity would be available only through the Company.
- On June 22, 2023, the Company announced that it has signed an agreement with HealingMaps – a source for individuals looking for accurate and honest information about psychedelic-assisted therapy, to increase awareness of Numinus' wellness clinics and the Numinus Network licensing model, and to offer practitioner training information and referrals – exclusively to the Company.

#### *Numinus Clinical Research*

- Revenues from CCR during Q3 2023 were \$1.0 million, a 66.7% increase compared to the prior quarter.
- On May 30, 2023, the Company announced that CCR was selected by COMPASS Pathway's to be a clinical research site and had begun studying COMP360 psilocybin therapy – an investigational new therapy for treatment-resistant depression, as part of COMPASS Pathway's phase 3 clinical study of psilocybin therapy.
- On June 5, 2023, Numinus announced that CCR was the top enrolling clinical research site for MindMed's Phase 2b study evaluating MM-120 (lysergide D-tartrate) for General Anxiety Disorder.

### 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 revenue opportunities, the Company may need to raise additional capital to meet its business milestones.

**NUMINUS WELLNESS INC.****MANAGEMENT DISCUSSION AND ANALYSIS**

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(Unaudited and expressed in Canadian Dollars)

**SELECTED INFORMATION - RESULTS OF OPERATIONS****QUARTERLY FINANCIAL HIGHLIGHTS**

The following table summarizes the Company's quarter over quarter financial highlights from Q2 2023 and Q3 2023.

Financial Highlights	For the three months ended	
	May 31, 2023	February 28, 2023
Revenue	\$ 6,027,092	\$ 5,354,541
Cost of revenue	3,946,272	3,247,983
Gross profit (loss)	\$ 2,080,820	\$ 2,106,558
Operating Expenses	\$ 9,360,602	\$ 9,399,502
Loss and comprehensive loss	\$ (7,295,783)	\$ (7,294,652)
Basic and diluted loss per share	\$ (0.03)	\$ (0.03)

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

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	6,027,092	5,354,541	5,668,050	4,177,289	741,064	786,104	789,617	490,899
Net loss and comprehensive loss	(7,295,783)	(7,294,652)	(6,099,473)	(24,617,835)	(7,008,112)	(7,837,602)	(5,354,089)	(7,782,912)
Basic and diluted loss per share <sup>(1)</sup>	(0.03)	(0.03)	(0.02)	(0.11)	(0.03)	(0.06)	(0.03)	(0.04)

<sup>(1)</sup> Fully diluted loss per share amounts are not shown as they would be anti-dilutive.

**Revenue**

The Company's consolidated revenues increased by 12.6% quarter over quarter driven 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 Q3 2023 increased by 5.5% from \$4,739,609 during Q2 2023 to \$5,001,749 because of improved clinic utilization rates. The Company completed more than 21,520 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 Q3 2023 increased 9.3% compared to 19,350 appointments during Q2 2023.

Revenues from CCR during Q3 2023 increased by 66.7% from \$614,932 during Q2 2023 to \$1,025,343 as a result of the ramp up of third-party clinical trials. During Q3 2023, CCR managed 18 clinical trials which included 318 clinical trial patient appointments compared to Q2 2023, where CCR managed 16 clinical trials which included 152 clinical trial patient appointments.

**Loss for the Quarter**

The Company reported a comprehensive loss of \$7,295,783 during Q3 2023 compared to \$7,294,652 for Q2 2023. The Company previously announced several cost containment initiatives to refocus operations on revenue producing activities and to extend the Company's cash runway which has led to certain one-time charges. Staffing reductions in non-revenue producing roles incurred a \$564,012 one-time charge and changes to the accounts receivables process were identified that resulted in \$565,256 of aged accounts receivables associated with the Company's US clinic network determined to be uncollectible and written off. These cost containment initiatives along with a reallocation of resources towards revenue generating activities and the renegotiation of certain vendor contracts will significantly reduce the Company's expenses and improve its liquidity position.

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Financial Highlights	For the three months ended May 31,		For the nine months ended May 31,	
	2023	2022	2023	2022
Revenue	\$ 6,027,092	\$ 741,064	\$ 17,049,683	\$ 2,316,785
Cost of revenue	3,946,272	560,219	10,486,793	1,856,216
Gross profit (loss)	\$ 2,080,820	\$ 180,845	\$ 6,562,890	\$ 460,569
<b>Expenses</b>				
General and administration	\$ 7,744,930	\$ 5,269,941	\$ 22,563,999	\$ 13,732,709
Share-based compensation	345,402	212,321	1,075,171	2,242,779
Sales and marketing	381,216	441,723	1,569,269	1,631,887
Depreciation	432,195	173,219	1,272,333	353,868
Research and development	267,289	506,665	968,109	1,311,805
Transaction costs	-	456,747	13,573	521,669
Other items	189,570	128,341	(29,430)	865,655
Loss from operations before taxes	\$ (7,279,782)	\$ (7,008,112)	\$ (20,870,134)	\$ (20,199,803)
Income tax (expense) recovery	(9,385)	-	(47,927)	-
Net loss	\$ (7,289,167)	\$ (7,008,112)	\$ (20,918,061)	\$ (20,199,803)
Other Comprehensive Income	(6,616)	-	228,153	-
Loss and comprehensive loss	\$ (7,295,783)	\$ (7,008,112)	\$ (20,689,908)	\$ (20,199,803)
Basic and diluted loss per share	\$ (0.03)	\$ (0.03)	\$ (0.08)	\$ (0.10)

**Revenue**

Revenues increased by 713.3% and 635.9%, respectively for the three and nine months ended May 31, 2023, compared to the same periods for the prior year. 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 three months ended May 31,		For the nine months ended May 31,	
	2023	2022	2023	2022
US Clinic Network	\$ 4,102,222	\$ -	\$ 12,301,154	\$ -
Canadian Clinic Network	\$ 899,527	\$ 731,064	\$ 2,425,700	\$ 2,059,117
Clinical Research Operations	\$ 1,025,343	\$ 10,000	\$ 2,322,829	\$ 257,668

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 a comprehensive loss of \$7,295,783 and \$20,689,908 compared to \$7,008,112 and \$20,199,803 for the three and nine months ended May 31, 2023, and May 31, 2022, respectively.

The Company reported general and administration expenses of \$7,744,930 and \$22,563,999 compared to \$5,269,941 and \$13,732,709 for the three and nine months ended May 31, 2023, and May 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 \$12,433,244 compared to \$5,658,639 for the nine months ended May 31, 2023, and May 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 \$4,888,711 compared to \$4,532,341 for the nine months ended May 31, 2023, and May 31, 2022, respectively. The increase is due to the strategic initiatives and product development.

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- Office and miscellaneous expenses incurred were \$5,242,044 compared to \$3,541,729 for the nine months ended May 31, 2023, and May 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 \$267,289 and \$968,109 compared to \$506,665 and \$1,311,805 for the three and nine months ended May 31, 2023, and May 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
- Compassionate access trial of psilocybin-assisted psychotherapy for substance use disorder

### PROPOSED TRANSACTIONS

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

### LIQUIDITY AND CAPITAL RESOURCES

The Company did not generate any cash flow from operations for the nine months ended May 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 May 31, 2023, the Company had cash and cash equivalents of \$12,955,933. Management estimates that the Company has sufficient 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.

The Company had working capital of \$12,905,761 as at May 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 general maintenance agreement amounts based on usage.

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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	\$2,164,800	\$3,459,760	\$2,409,192	\$1,432,288	-	\$9,466,040

*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 accordingly. No provision has been made by the Company with regards to the Notice of Claim and the claim is ongoing.

*Cash and Financial Conditions*

The Company had a cash balance of \$12,955,933 as at May 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 \$19,118,811.

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 \$368,932 for the nine months ended May 31, 2023, compared to cash outflows of \$1,311,907 for the comparative period. The net cash outflow from investing activities for the nine months ended May 31, 2023, is due to the purchase of property and equipment.

*Financing Activities*

During the nine months ended May 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 nine months ended May 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*

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

During the nine months ended May 31, 2023, the Company issued 1,116,653 common shares with a fair value of \$437,960 as part of the Mindspace acquisition consideration valued at the closing price of the Company's shares on February 8, 2021.

During the nine months ended May 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 nine months ended May 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 nine months ended May 31, 2023, the Company issued 4,128,411 common shares of the Company valued at \$1,058,087 relating to the exchange of vested restricted share units.

During the nine months ended May 31, 2023, the Company issued 1,500,000 common shares with a fair value of \$344,998 to the Company's former Chief Medical Officer who now serves as an advisor to the Company.

As at May 31, 2023, the Company had 265,681,722 common shares issued and outstanding.

On the date of this MD&A, the Company had 266,181,722 common shares issued and outstanding.

*Options*

During the nine months ended May 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.

As at May 31, 2023, the Company had 6,518,682 stock options outstanding.

On the date of this MD&A, the Company had 14,443,682 stock options outstanding.

*Warrants*

During the nine months ended May 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.

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

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**OUTLOOK**

The Company's ability to continue in the normal course of operations is dependent on management's ability to identify and evaluate suitable investment 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 16, *Related Party Transactions* in the Company's consolidated financial statements. There have been no other transactions with related parties.

**SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES****Going Concern**

The Company's financial statements have been prepared on a going concern basis, which assumes that the Company will continue as a going concern, and which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. In the preparation of the financial statements, management is required to identify when events or conditions indicate that substantial doubt may exist about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern would exist when conditions and events, considered in aggregate, indicate that the Company will be able to meet its obligations as they become due for a period of at least, but not limited to, 12 months from the most recent balance sheet date. Based on management's assessment, the Company has sufficient working capital to operate beyond the next 12 months.

**Critical Estimates**

The preparation of financial statements requires the use of assumptions, judgements and/or estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These assumption, judgements and 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 financial statements. The significant judgements and estimates applied in the preparation of the unaudited condensed consolidated interim financial statements as at and for the three and nine months ended May 31, 2023, are consistent with those applied and disclosed in Note 2 to our audited consolidated financial statements for the year ended August 31, 2022.

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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 May 31, 2023, the Company's financial liabilities consist of accounts payable and accrued liabilities 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 May 31, 2023, the Company has cash and cash equivalents of \$12,955,933 to meet its obligations as they become due.

**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 \$710,000 to the Company's comprehensive loss for nine months ended May 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. It is management's opinion that the Company is not exposed to significant interest rate risk.

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**Price Risk**

Price risk is the risk of the variability in fair value due to movements in equity or market prices. The Company's investments are susceptible to price risk arising from future uncertainties, future values and the impact of market conditions. The fair value of investments is based on various valuation techniques and is dependent on the type and terms of the investments. Refer to Note 9 of the condensed consolidated interim financial statements for details of the Company's investments.

**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 nine months ended May 31, 2023. The Company is not subject to externally imposed capital requirements.

**RISKS RELATED TO THE PSYCHEDELICS & WELLNESS INDUSTRY**

The Company operates in a highly competitive and highly regulated environment that involves significant risks and uncertainties, some of which are outside of the Company's control. The Company's Annual Information Form dated December 12, 2022 (the "AIF") sets forth material risks and uncertainties that may affect our business, including future financing and operating results, and could cause actual results to differ materially from those contained in forward-looking statements made in this MD&A. The risks and uncertainties described 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 or should the Company's competitors fail to meet market expectations (including through failure or bankruptcy) or should the Company's market segment or the market generally experience a downturn, the market price of our common shares could decline (see "Risk Factors" in the AIF for details).

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**FORWARD-LOOKING STATEMENTS**

Certain information set forth in this document includes 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: general economic and business conditions related to the psychedelics industry; cash flow projections; currency fluctuations; risks relating to the Company's ability to obtain adequate financing for future activities; the nature of the Company's future activities; and other general market and industry conditions.

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, 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.

**SUBSEQUENT EVENTS**

Subsequent to the nine months ended May 31, 2023, the Company granted 7,195,000 options to directors, officers, employees, and consultants of the Company at a price of \$0.20 per option. 4,695,000 options are exercisable for a period of ten years and 2,500,000 options are exercisable for a period of five years.

Subsequent to the nine months ended May 31, 2023, the Company issued 1,000,000 stock options to the incoming Chief Financial Officer. These options are exercisable for a period of ten years at a price of \$0.22 per option.

Subsequent to the nine months ended May 31, 2023, the Company granted 30,000 options to an employee of the Company at a price of \$0.23 per option. The options are exercisable for a period of five years.

Subsequent to the nine months ended May 31, 2023, the Company filed a short form prospectus where the Company may offer and issue securities including common shares, warrants, and/or subscription receipts with an aggregate initial offering price not to exceed \$150,000,000 during the 25-month period that the prospectus remains effective.