UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K/A

Amendment No. 1

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of **September 2023**.

Commission File Number: **001-40673**

Cybin Inc.

(Exact Name of Registrant as Specified in Charter)

100 King Street West, Suite 5600, Toronto, Ontario, M5X 1C9
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F ☐ Form 40-F ☒

EXPLANATORY NOTE

Cybin Inc. (the "Company") is filing this Amendment No. 1 on Form 6-K/A (the "Amendment") solely to make certain corrections by adding Exhibits 99.7 through 99.16 to the version originally filed with the Securities and Exchange Commission on September 14, 2023.

INCORPORATION BY REFERENCE

Exhibits 99.1 and 99.7 through 99.16 of this Amendment of the Company are hereby incorporated by reference into the Registration Statement on Form F-10 (File No. 333-272706) of the Company, as amended or supplemented.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CYBIN INC.
(Registrant)

Date: November 13, 2023

By: */s/ Doug Drysdale*
Name: Doug Drysdale
Title: Chief Executive Officer

EXHIBIT INDEX

99.1*	Notice of Annual and Special Meeting of Shareholders and Management Information Circular dated September 13, 2023
99.2*	Notice of Annual and Special Meeting of Shareholders dated September 13, 2023
99.3*	Form of Proxy
99.4*	Financial Statement Request Form
99.5*	Abridgement Certificate dated September 14, 2023
99.6*	Notice of Meeting and Record Date
99.7	Annual Information Form of Small Pharma Inc. for the year ended February 28, 2023, dated September 12, 2023
99.8	Audited Consolidated Financial Statements of Small Pharma Inc. for the financial years ended February 28, 2023 and 2022
99.9	Management's Discussion and Analysis of Small Pharma Inc. for the financial year ended February 28, 2023
99.10	Unaudited Interim Condensed Consolidated Financial Statements of Small Pharma Inc. for the three months ended May 31, 2023 and 2022
99.11	Management's Discussion and Analysis of Small Pharma Inc. for the three months ended May 31, 2023 and 2022
99.12	Material Change Report of Small Pharma Inc. dated September 7, 2023
99.13	Material Change Report of Small Pharma Inc. dated January 30, 2023
99.14	Management Information Circular of Small Pharma Inc. dated June 20, 2022
99.15	Consent of Zeifmans LLP
99.16	Consent of MNP LLP

*Previously filed.

SMALL PHARMA INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED FEBRUARY 28, 2023

SEPTEMBER 12, 2023

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GENERAL

In this annual information form (this "**AIF**") unless otherwise noted or the context indicates otherwise, references to the **"Corporation"**, **"we"**, **"us"** and **"our"** refer to Small Pharma Inc. and its affiliates and subsidiaries.

All financial information in this AIF is prepared in Canadian dollars and using International Financial Reporting Standards (**"IFRS"**) as issued by the International Accounting Standards Board. Unless otherwise noted herein, this AIF applies to the business activities and operations of the Corporation for the fiscal year ended February 28, 2023. Unless otherwise indicated, the information in this AIF is given as of September 12, 2023.

All dollar amounts in this AIF are expressed in Canadian dollars, except as otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this AIF, and in certain documents incorporated by reference in this AIF, constitute forward-looking information and forward-looking statements within the meaning of Canadian securities legislation (**"forward-looking statements"**). All statements other than statements of historical fact contained in this AIF and in documents incorporated by reference in this AIF, including, without limitation, those regarding the Corporation's future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Corporation participates or is seeking to participate, and any statements preceded by, followed by or that include the words "consider", "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "budget", "estimate", "forecast", "predict", "project", "seek", "should", "objective", "assumes" or similar expressions or the negative thereof, are forward-looking statements.

These statements are not historical facts but instead represent only the Corporation's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under *"Risk Factors"* and in other documents incorporated by reference in this AIF. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this AIF and in documents incorporated by reference in this AIF are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Corporation. These forward-looking statements are made as of the date of this AIF and the Corporation assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this AIF and in documents incorporated by reference in this AIF are based on numerous assumptions regarding the Corporation's present and future business strategies and the environment in which the Corporation will operate in the future, including assumptions regarding business and operating strategies, and the Corporation's ability to operate on a profitable basis.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include:

Risks related to the Corporation's financial position and need for additional capital:

- limited operating history;
- clinical-stage biotechnology company with history of losses since inception;
- additional capital requirements;
- speculative nature of investment risk;
- costs of operating as a public company;
- use of funds;

Risks pertaining to the Corporation's business and industry:

- early stage of the industry and product development;
- negative operating cash flow and going concern;
- limited product scope;
- limited marketing and sales capabilities;
- research and development ("**R&D**") objectives and milestones;
- no assurance of commercial success;
- no profits or significant revenues;
- risk of partnering or out-licensing products; lack of commercialization experience;
- achieving publicly announced milestones;
- market access and acceptance;
- unfavourable publicity or consumer perception;
- pandemics, epidemics and other health risks;
- social media;
- biotechnology and pharmaceutical market competition;
- decriminalization of psychedelics;
- product liability;
- product and material recalls;
- distribution and supply chain interruption;
- difficulty to forecast;
- product viability;
- success of quality control systems;
- reliance on key inputs;
- enforcing contracts;
- business expansion, growth and business combinations;
- integration risk;
- reliance on key executives and scientists;
- employee misconduct;
- liability arising from fraudulent or illegal activity;
- conflicts of interest;
- operating risk and insurance coverage;
- computer system failures;
- foreign operations;
- dependence on foreign operating subsidiary;
- exchange rate fluctuations;
- estimates or judgments relating to critical accounting policies;
- effects of inflation;
- political and economic conditions
- cybersecurity and privacy risk;
- environmental regulation and risks;

- litigation;
- anti-corruption and anti-bribery laws;

Risks related to regulatory compliance:

- products subject to controlled substance laws and regulations;
- risks pertaining to legislation changes;
- nature of regulatory approvals;
- continued regulatory review and obligations;
- failure to comply with health and data protection laws and regulations;
- failure to comply with pharmaceutical industry standards;

Risks pertaining to clinical development:

- reliance on third parties for clinical development activities;
- risks related to third party relationships;
- reliance on contract manufacturers;
- commercial scale product manufacturing;
- safety and efficacy of products;
- clinical testing and commercialization of product candidates;
- clinical trial publications;
- completion of clinical trials;
- later stage clinical trials failure;
- negative results of external client trials or studies;
- lack of expedited status;

Risks related to intellectual property ("**IP**"):

- reliance on patents and other intellectual property rights;
- patent litigation;
- invalid or unenforceable patents;
- compliance with procedural requirements;
- trade secrets;
- trademark protection;
- intellectual property litigation costs;
- third-party licenses;
- failure to comply with potential future intellectual property or license agreements;
- intellectual property rights may fail to protect competitive advantage;
- employee patent claim liability;
- intellectual property rights of third parties;
- obtaining or maintaining necessary rights for current or future therapeutic candidates through acquisitions and in-licenses;
- patent law reforms;
- difficulties securing jurisdictional intellectual property rights;

Risks related to the common shares in the capital of the Corporation (the "**Common Shares**"):

- substantial number of authorized but unissued Common Shares;
- dilution;
- market for the Common Shares;

- volatile market price for Common Shares;
- significant sales of Common Shares;
- tax issues;
- discretion over the use of proceeds;
- no dividends;
- enforcement of legal rights; and
- principal shareholder risk.

Although the forward-looking statements contained in this AIF are based upon what management currently believes to be reasonable assumptions, the Corporation cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. In particular, the Corporation has made assumptions regarding, among other things:

- substantial fluctuation of losses from quarter to quarter and year to year due to numerous external risk factors, and anticipation that we will continue to incur significant losses in the future;
- uncertainty as to the Corporation's ability to raise additional funding to support operations;
- the Corporation's ability to access additional funding;
- the fluctuation of foreign exchange rates;
- the impact of macro political and economic conditions;
- the risks associated with the development of the Corporation's product candidates which are at early stages of development;
- reliance upon industry publications as the Corporation's primary sources for third-party industry data and forecasts;
- reliance on third parties to plan, conduct and monitor the Corporation's preclinical studies and clinical trials;
- reliance on third party contract manufacturers to deliver quality clinical and preclinical materials;
- the Corporation's product candidates may fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or may not otherwise produce positive results;
- risks related to filing investigational new drug ("**IND**") applications to commence clinical trials and to conduct clinical trials, if approved;
- the risks of delays and inability to complete clinical trials due to difficulties enrolling patients;
- competition from other biotechnology and pharmaceutical companies;
- the Corporation's reliance on the capabilities and experience of the Corporation's key executives and scientists and the resulting loss of any of these individuals;
- the Corporation's ability to fully realize the benefits of potential acquisitions;
- the Corporation's ability to adequately protect the Corporation's intellectual property and trade secrets;
- the risk of patent-related or other litigation; and
- the risk of unforeseen changes to the laws or regulations in the United Kingdom ("**UK**"), the European Union ("**EU**"), the United States ("**US**") and other jurisdictions in which the Corporation operates or plans to operate.

Drug development involves long lead times, is very expensive and involves many variables of uncertainty. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Corporation. Every subject treated in future studies can change those assumptions either positively (to indicate a faster timeline to new drug applications and other approvals) or negatively (to indicate a slower timeline to new drug applications and other approvals). This AIF and the documents incorporated by reference herein contain certain forward-looking statements regarding anticipated or possible drug development timelines. Such statements are informed by, among other things, regulatory guidelines for developing a drug with safety and tolerability studies, proof of concept studies, and pivotal studies for new drug application submission and approval, and assumes the success of implementation and results of such studies on timelines indicated as possible by such guidelines, other industry examples, and the Corporation's development efforts to date.

In addition to the factors set out above and those identified under the heading *"Risk Factors"* in this AIF, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although the Corporation has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

Many of these factors are beyond the Corporation's ability to control or predict. These factors are not intended to represent a complete list of the general or specific factors that may affect the Corporation. The Corporation may note additional factors elsewhere in this AIF and in any documents incorporated by reference into this AIF. All forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to the Corporation, or persons acting on the Corporation's behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, the Corporation undertakes no obligation to update any forward-looking statement.

The forward-looking statements contained in this AIF and the documents incorporated by reference herein are expressly qualified in their entirety by the foregoing cautionary statement. Investors should read this entire AIF and any documents incorporated by reference herein and consult their own professional advisers to ascertain and assess the income tax and legal risks and other aspects associated with holding Securities.

MARKET AND INDUSTRY DATA

Market and industry data contained and incorporated by reference in this AIF concerning economic and industry trends is based upon good faith estimates of our management or derived from information provided by industry sources. The Corporation believes that such market and industry data is accurate and that the sources from which it has been obtained are reliable. However, we cannot guarantee the accuracy of such information and we have not independently verified the assumptions upon which projections of future trends are based. While the Corporation is not aware of any misstatements regarding the industry data presented herein, the Corporation's estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under "*Cautionary Note Regarding Forward-Looking Information*" and "*Risk Factors*" in this AIF. For the avoidance of doubt, nothing stated in this paragraph operates to relieve the Corporation from liability for any misrepresentation contained in this AIF under applicable Canadian securities laws.

REGULATORY

The Corporation sponsors R&D on psychedelic molecules and is focused on developing and commercializing psychedelic-based regulated medicines.

The Corporation does not deal with psychedelic substances except indirectly within laboratory and clinical trial settings conducted within approved regulatory frameworks in order to identify and develop potential treatments for medical conditions and, further, does not have any direct or indirect involvement with illegal selling, production or distribution of any substances in jurisdictions in which it operates.

The Corporation oversees and monitors compliance with applicable laws in each jurisdiction in which it operates. In addition to the Corporation's senior executives and the employees responsible for overseeing compliance, the Corporation has local counsel engaged in every jurisdiction in which it operates. See "*Compliance Program*". Additionally, the Corporation has received legal advice in local jurisdictions where it currently operates regarding (a) compliance with applicable regulatory frameworks; and (b) potential exposure to, and implications arising from, applicable laws in jurisdictions in which the Corporation has operations, and will continue to review the need to seek such legal advice at the appropriate time in jurisdictions it intends to operate.

For these reasons, the Corporation may be (a) subject to heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities, (b) susceptible to regulatory changes or other changes in law, and (c) subject to risks related to drug development, among other things. There are a number of risks associated with the business of the Corporation. See "*Risk Factors*" herein.

No product will be commercialized prior to applicable legal or regulatory approval. The Corporation makes no medical, treatment or health benefit claims about the Corporation's proposed products. The efficacy of such products has not been confirmed by approved research. There is no assurance that the use of psychedelic compounds can diagnose, treat, cure or prevent any disease or condition. Vigorous scientific research and clinical trials are needed. The Corporation has not completed all of the clinical trials necessary for market authorization for the use of its proposed products. Any references to quality, consistency, efficacy and safety of potential products do not imply that the Corporation verified such in clinical trials or that the Corporation will complete such trials. If the Corporation cannot obtain the approvals or research necessary to commercialize its business, it may have a material adverse effect on the Corporation's performance and operations.

CORPORATE STRUCTURE

Name, Address and Incorporation

Unilock Capital Corp. (**"Unilock"**) was incorporated under the *Business Corporations Act* (British Columbia) (the **"BCBCA"**) on January 23, 2018. On April 29, 2021, the Corporation changed its name to Small Pharma Inc. in connection with the completion of the Qualifying Transaction (defined below).

The Corporation's head office is 50 Featherstone Street, 1st Floor, London, UK, EC1Y 8RT and its registered office is 25th Floor, 700 West Georgia Street, P.O. Box 10026, Pacific Center, Vancouver, BC V7Y 1B3.

The Common Shares of Unilock were listed for trading on the TSX Venture Exchange (the **"TSXV"**) under the symbol **"UUU.P"** on November 16, 2018. Pursuant to the TSXV's CPC policy (**"TSXV Policy 2.4"**), the Corporation did not carry on any business or operations other than identifying and evaluating business opportunities for the purpose of completing the Qualifying Transaction. The Qualifying Transaction constituted the Corporation's **"qualifying transaction"** as such term is defined in TSXV Policy 2.4.

On November 30, 2020, Unilock, Small Pharma Ltd. (**"SPL"**) and certain shareholders of Unilock entered into an agreement, as amended on February 23, 2021 (the **"Definitive Agreement"**) pursuant to which Unilock agreed to acquire all of the issued and outstanding ordinary shares of SPL (the **"Qualifying Transaction"**).

The Common Shares commenced trading on the TSXV on May 6, 2021, under the symbol "DMT". Following completion of the Qualifying Transaction, and as of the date of this AIF, the Corporation carries on the business of SPL.

On October 20, 2021, the Corporation was upgraded from the OTC Pink to the OTCQB® Venture Market (the "**OTCQB**"). The Common Shares are trading on the OTCQB under the symbol "DMTTF".

For additional information in respect of the Qualifying Transaction and related matters, see "*General Development of the Business - Three Year History - The Qualifying Transaction*".

Intercorporate Relationships

As at the date of this AIF, the Corporation's corporate structure includes the following wholly-owned subsidiaries:

GENERAL DEVELOPMENT OF THE BUSINESS[1]

Summary of the Business

Small Pharma is a clinical-stage biotechnology company focused on developing short-duration psychedelic-assisted therapies for the treatment of mental health conditions. The Corporation has initiated programs across its "first-generation" and "second-generation" psychedelics portfolio. First-generation psychedelics refer to the well-known classic psychedelics such as psilocybin, N, N-dimethyltryptamine ("**DMT**") and Lysergic acid diethylamide (LSD). Second-generation psychedelics refer to those that have been chemically modified with the aim to optimize their therapeutic benefit. The Corporation is focused on the development of its pharmaceutical psychedelic assets with the inclusion of support therapy, anticipating this treatment paradigm to be important for optimizing beneficial patient outcomes.

[1] All quarter references in this section are based on calendar year-end.

The Corporation has pursued and anticipates continuing to pursue the early-stage clinical development of its programs in the UK. The Corporation anticipates its later stage clinical trials of its clinical programs to expand into the US and EU and potentially other jurisdictions.

Three Year History

Pre Qualifying Transaction

History of Small Pharma Ltd

SPL was incorporated on February 4, 2015 pursuant to the provisions of the UK Companies Act 2006.

On incorporation, SPL's focus was to identify profitable drug development opportunities based on known active ingredients via systematic IP-led candidate assessment in therapeutic areas of significant unmet need. Over the course of its history, SPL initiated a drug development program primarily focused on developing novel treatments for depression investigating psychedelic and non-psychedelic therapeutic candidates.

In 2019, SPL targeted its R&D focus to explore the drug development opportunities in psychedelic based therapies. Through a systematic analysis of the clinical and commercial potential of a range of tryptamine-based compounds, SPL selected DMT as its target therapeutic candidate. By completion of the Qualifying Transaction, SPL had developed a high-purity synthetic formulation of DMT fumarate, SPL026, and completed the necessary preclinical studies to advance into human clinical trials. In December 2020, SPL received approval from both the UK Medicines and Healthcare Products Regulatory Agency (the "**MHRA**") and the ethics committee to progress with its first clinical study. In February 2021, SPL, in collaboration with Imperial College London, initiated dosing in its Phase I/IIa clinical trial at a leading UK contract research organisation ("**CRO**"), Hammersmith Medicines Research Unit ("**HMR**"). SPL had also identified in-house a deuterium-enriching technology to modify the pharmacokinetics of DMT, and other tryptamine-based psychedelics. This technology enables SPL to develop a pipeline of DMT analogues with novel compositions of matter that are expected to offer additional clinical advantages and robust commercial IP protection. Up to the completion of the Qualifying Transaction, SPL had initiated preclinical progression of novel candidates developed from this technology.

Across its psychedelic-focused development programs, SPL had 17 patents pending at the time of completion of the Qualifying Transaction with expectations to continue to expand its portfolio.

On April 29, 2021, the Corporation completed the Qualifying Transaction, see "*General Development of the Business - Three Year History - The Qualifying Transaction*".

History of Unilock Capital Corp.

Unilock was incorporated under the BCBCA on January 23, 2018. The Common Shares were listed for trading on the TSXV under the symbol "UUU.P" on November 16, 2018. Pursuant to TSXV Policy 2.4, the Corporation was a capital pool corporation created pursuant to the policies of the TSXV and did not conduct any active business operations other than identifying and evaluating business opportunities for the purpose of completing a qualifying transaction until completion of the Qualifying Transaction. Unilock, at the completion of the Qualifying Transaction, did not own any assets, other than cash or cash equivalents.

On November 30, 2020, Unilock, SPL and certain shareholders of Unilock entered into the Definitive Agreement, as amended on February 23, 2021 pursuant to which Unilock agreed to acquire all of the issued and outstanding ordinary shares of SPL. On April 29, 2021, the Corporation changed its name to "Small Pharma Inc." in connection with the completion of the Qualifying Transaction.

On April 29, 2021, the Corporation completed the Qualifying Transaction with Unilock, see "*General Development of the Business - History of Small Pharma Ltd", and "The Qualifying Transaction*".

The Qualifying Transaction

Small Pharma Financing Inc. (**"Finco"**) and 1292589 B.C. Ltd., a wholly-owned subsidiary of Unilock (**"Subco"**), were incorporated for the purposes of effecting the Amalgamation (as defined below).

In connection with the Qualifying Transaction, on March 9, 2021, Finco issued 60,416,667 subscription receipts (the **"Subscription Receipts"**) at a price of $0.96 per Subscription Receipt for gross proceeds of $58,000,000 (the **"Brokered Offering"**). Upon satisfaction of certain escrow release conditions, including all conditions precedent to the Qualifying Transaction, the Subscription Receipts were converted into common shares of Finco (the **"Finco Shares"**) immediately prior to the completion of the Qualifying Transaction on the basis of one Finco Share for each Subscription Receipt. In connection with the Brokered Offering, certain agents were issued an aggregate cash fee of $3,789,645 and 3,947,547 compensation warrants (**"Compensation Warrants"**). Each Compensation Warrant was exercisable into one Common Share at the Offering Price for a period of two years, and have since expired without exercise on April 29, 2023.

Concurrently upon completion of the Qualifying Transaction, the Corporation, Finco and Subco completed a three-cornered amalgamation under the laws of the Province of British Columbia, pursuant to which all Finco shareholders (including former holders of the Subscription Receipts) exchanged all the Finco Shares held for Common Shares on a one-for-one basis and Finco and Subco amalgamated (the **"Amalgamation"**), with the resulting entity (**"Amalco"**) continuing as a wholly-owned subsidiary of the Corporation pursuant to the amalgamation agreement entered into among the Corporation, Subco and Finco dated March 9, 2021. As noted above, the Definitive Agreement was amended on February 23, 2021 to reflect the issuance of the Subscription Receipts by Finco and the Amalgamation. On October 7, 2021, Amalco was wound-up and dissolved, pursuant to which all of the assets of Amalco were distributed to the Corporation.

Pursuant to the terms of the Qualifying Transaction, on March 25, 2021 the Corporation made an offer (the **"Offer"**) to the security holders of SPL to purchase all of their ordinary shares of SPL (the **"Small Pharma Shares"**) currently held or to be held prior to the closing of the Qualifying Transaction. The consideration paid by the Corporation for each Small Pharma Share held was one (1) Common Share, being equal to the quotient which results when (i) the Subscription Receipt Price is divided by (ii) $0.21, being the deemed price per share of the Common Shares as agreed by the parties in the Definitive Agreement and then adjusted for the Consolidation (as defined below) (the **"Exchange Ratio"**). The Exchange Ratio was determined pursuant to arm's length negotiations between the management of each of the Corporation and SPL.

Prior to the completion of the Qualifying Transaction, the Corporation changed its name to "Small Pharma Inc." on April 29, 2021, the outstanding Common Shares were consolidated on the basis of 4.6 old Common Shares into one (1) new Common Share new Common Share (the **"Consolidation"**) and the outstanding Small Pharma Shares were split on the basis of 100 Small Pharma Shares for each one (1) Small Pharma Share (the **"Split"**). The Exchange Ratio was one (1) Common Share after the Consolidation for each one (1) Small Pharma Share after the Split.

Upon the completion of the Qualifying Transaction, the Corporation issued an aggregate of 315,496,144 Common Shares at a deemed issuance price of $0.96 per Common Share and 22,548,947 options and warrants to purchase Common Shares.

In connection with the Qualifying Transaction, Ms. Lyne Fortin and Mr. Michael Wolfe were appointed as independent directors of the Corporation.

Upon completion of the Qualifying Transaction, the board of directors of the Corporation adopted a written insider trading policy which sets forth basic guidelines for trading in the Corporation's securities (including, without limitation, its Common Shares) to avoid any situation that might have the potential to damage the Corporation's reputation or which could constitute a violation of federal or provincial securities law by the Corporation, its officers, directors, employees, consultants, affiliates and certain family members of such individuals (**"Insiders"**). Under the policy, Insiders are prohibited from trading in Common Shares and other securities on the basis of material, non-public information relating to the Corporation until after the information has been disclosed to the public or during a blackout period.

Following completion of the Qualifying Transaction, and as of the date of this AIF, the Corporation carries on the business of SPL.

The Common Shares commenced trading on the TSXV on May 6, 2021 under the symbol "DMT".

Material Developments of the Corporation Subsequent to the Qualifying Transaction

In June 2021, the Corporation secured an additional clinical trial site with MAC Clinical Research (**"MAC"**) at Prescott, Liverpool in the UK, increasing the recruitment rate for its Phase IIa clinical trial.

In July 2021, the Corporation launched its DMT with support therapy therapist training program to educate and train therapists on the protocols required to support treatment delivery in the Corporation's clinical trials. The initial training program was successfully completed at the University of Oxford.

In July 2021, the Corporation's UK patent number GB2585978 was granted for its UK patent application GB2008303.6, which provides protections relating to certain deuterated homologues of DMT, including the Corporation's preclinical candidate SPL028.

On August 26, 2021, Ms. Lyne Fortin was appointed as non-executive independent chair of the board of directors of the Corporation. Ms. Fortin had served as a director of the Corporation since April 29, 2021, and continues to serve in her roles as Chair of the Corporate Governance and Nominating Committee and as a member of the Audit Committee and the Compensation Committee.

In September 2021, the Corporation completed the Phase I part of its randomised, placebo-controlled, blinded Phase I/IIa clinical trial evaluating IV doses of SPL026 in healthy volunteers. The Phase IIa portion was initiated shortly thereafter, with the first patient dosed in October 2021.

In October 2021, the MHRA granted an Innovation Passport Designation (an **"IPD"**) for SPL026. This designation provides access to the Innovative Licensing and Access Pathway (the **"ILAP"**), which accelerates time to market and facilitates patient access to emerging and novel treatments in the UK.

On October 20, 2021, the Corporation announced that its Common Shares had commenced trading on the OTCQB under the symbol "DMTTF".

On November 18, 2021, Mr. Paul Maier was appointed as a non-executive independent director of the board of directors of the Corporation. Mr. Maier was also appointed as Chair of the Compensation Committee and as a member of the Audit Committee and Corporate Governance and Nominating Committee.

On February 22, 2022, the Corporation announced the analysis of the Phase I data from the combined Phase I/IIa clinical trial of SPL026 with therapy for the treatment of MDD. The full dataset highlighted that IV administration of SPL026 offers a short-lived, well tolerated psychedelic experience of ~20 minutes, enabling a dosing session to last only ~30 minutes.

In March 2022, the Corporation announced it had completed preclinical profiling to select its final SPL028 candidate, allowing its SPL028 program to move into a Phase I clinical trial in H2 2022.

On March 29, 2022, the Corporation filed a base shelf prospectus (the "**Base Shelf Prospectus**") in each of the provinces and territories of Canada. The Base Shelf Prospectus qualifies for distribution, from time to time during the 25-month period from the date of the Base Shelf Prospectus, of up to $125,000,000 in the aggregate of Common Shares, warrants, units, debt securities and subscription receipts of the Corporation.

On May 18, 2022, the Corporation was granted European patent no.3826632 providing Composition of Matter protection of certain deuterated analogs of DMT, including the active ingredient in SPL028. This patent sits alongside the Corporation's UK patent for SPL028, strengthening its protection in European markets.

On May 25, 2022, the Corporation provided a clinical trial update on its active SPL026 Phase I/IIa clinical trial. The Corporation reported ongoing progress in the Phase IIa patient study with no safety concerns reported to date. The Corporation provided a revised study timeline with dosing expected to complete in the coming months. The revised study timeline was due in part to slower than anticipated patient recruitment following COVID-19 government restrictions in the UK.

On May 25, 2022, the Corporation appointed Dr. Alastair Riddell as Chief Operating Officer of the Corporation. In connection with Dr. Riddell's appointment, Ms. Marie Layzell, the former COO and Head of CMC, assumed the role of Chief Manufacturing and Development Officer. During July 2023, the Corporation announced that Dr. Riddell will be leaving his role as Chief Operating Officer and Ms. Layzell will assume the responsibilities of the Chief Operating Officer. See "*General Development of the Business - Three Year History - Developments of the Corporation Subsequent to Period End*" for additional information.

Effective as of July 20, 2022, Mr. George Tziras was appointed to succeed Mr. Peter Rands as the Chief Executive Officer of the Corporation. Mr. Rands was appointed as Chief Innovation & Intellectual Property Officer of the Corporation ("**CIIPO**"). As part of the planned succession and his relocation to the United States, the focus of Mr. Rands' new role was to better position the business for the later stages of clinical development and further establish the Corporation's footprint in the United States. Mr. Rands continued to serve on the Board following the transition.

On August 3, 2022, the Corporation announced that as of July 19, 2022, it had been granted patent no. 3104072 by the Canadian Intellectual Property Office (the "**CIPO**"). The Canadian patent protects Composition of Matter of certain deuterated analogues of DMT, including the active ingredient in SPL028.

On August 9, 2022, the Corporation was granted US patent no.11,406,619 from the United States Patent and Trademark Office ("**USPTO**")**.** This was the Corporation's first US patent grant within its psychedelic portfolio, providing protection for novel injectable formulations of DMT-based compounds, including the active ingredient in SPL026 and SPL028.

On August 15, 2022, the Corporation announced it had received approval from the MHRA and the Research Ethics Committee ("**REC**") to initiate a Phase Ib drug interaction clinical trial in the U.K. assessing the interaction between selective serotonin reuptake inhibitor ("**SSRI**") antidepressants and SPL026 in patients with MDD. The trial was initiated in Q3 2022. Dosing of the study completed in July 2023, with topline data expected in Q3 2023.

On September 14, 2022, the Corporation was granted European patent no. 3902541 which protects the use of a small group of deuterated compounds of DMT in therapy, effectively covering all therapeutic uses of the specified compounds. The patent provides expanded protection for the Corporation's pipeline of deuterated compounds.

On September 19, 2022, the Corporation completed enrollment in the Phase IIa clinical trial of its IV formulation of SPL026 with support therapy for the treatment of MDD.

On October 12, 2022, the Corporation received clinical trial application ("**CTA**") approval from the MHRA and REC for its SPL026 Phase I comparative pharmacokinetic clinical trial. This study assessed the comparative safety, tolerability, pharmacokinetics ("**PK**") and pharmacodynamics ("**PD**") (psychedelic experience) of an IM and an IV dose of SPL026.

On October 19, 2022, the Corporation was granted patent no. 11,471,417 by the USPTO, protecting a therapeutic composition of a small group of deuterated compounds of DMT, effectively covering all pharmaceutical formulations of the specified compounds**.**

On October 31, 2022, the Corporation announced it had received approval from the MHRA and REC to initiate a randomized, placebo-controlled, blinded, dose-escalating Phase I study of SPL028, with support therapy in healthy volunteers. The study, which initiated in February 2023, aims to evaluate the safety, tolerability, pharmacodynamics and pharmacokinetics of IM and IV administration of escalating doses of SPL028.

On December 14, 2022, the Corporation announced it will provide SPL026, an IV formulation of DMT, to support a University College London study investigating induced brain changes and neuroplasticity following IV DMT.

On December 15, 2022, the Corporation announced that the first patient had been dosed in the Corporation's Phase Ib SSRI-SPL026 drug interaction study.

On December 21, 2022, the Corporation was granted patent no. 3 873 883 by the European Patent Office. The European patent protects a novel manufacturing process for the preparation of synthetic DMT, DMT-related compounds and deuterated DMT analogs. The patent covers the preparation of SPL026 and SPL028.

On December 22, 2022, the Corporation announced the last patient had completed its final visit in the Corporation's Phase IIa clinical trial of SPL026, IV DMT, with support therapy, for the treatment of MDD.

On January 9, 2023, the Corporation announced that the first patient had been dosed in the Corporation's Phase I study comparing the profiles of IM and IV SPL026. The study aims to compare the safety, tolerability, pharmacokinetics and pharmacodynamics of SPL026 delivered via IM versus IV administration, in up to 14 healthy volunteers.

On January 25, 2023, the Corporation announced positive topline results of the Phase IIa trial, which demonstrated the study met its primary endpoint with a statistically significant reduction (-7.4) point difference between SPL026 (21.5mg) and placebo at two-weeks post-dose, as measured by the Montgomery-Asberg Depression Rating Scale ("**MADRS**") change from baseline (p=0.02). Antidepressant effect of SPL026 with support therapy demonstrated a rapid onset at one-week post-dose with a statistically significant difference in MADRS of -10.8 versus placebo (p=0.002). A durable antidepressant effect was demonstrated with a remission rate of 57% at 12-weeks following a single SPL026 dose with support therapy. No apparent differences were identified in antidepressant effect between a one and two dose regimen of SPL026. SPL026 also demonstrated a favourable safety and tolerability profile with no drug-related serious adverse events reported. All adverse events related to treatment were considered mild or moderate.

On February 1, 2023, the Corporation announced the receipt of a Notice of Allowance from the USPTO for US patent application no. 17/680,411. The application will provide Composition of Matter protection for a group of deuterated compounds of DMT, as well as protection for therapeutic compositions and uses of the specified compounds.

On February 14, 2023, the Corporation was granted patent no.11578039 by the USPTO. This patent provides Composition of Matter protection for certain deuterated homologues of certain tryptamine compounds, including the active ingredients currently being investigated in the SPL029 oral tryptamine series.

On February 15, 2023, the Corporation announced that the first subject had been dosed in the Corporation's Phase I study evaluating SPL028, which is the first-in-human trial investigating the profile of SPL028, the Corporation's proprietary molecule with Composition of Matter protection. The Phase I study is a randomized, blinded, placebo-controlled, dose-escalating study designed to evaluate the safety, tolerability, pharmacodynamics and pharmacokinetics of both IV and IM administration of SPL028 with support therapy in healthy volunteers. Topline data is expected in Q4 2023.

Material Developments of the Corporation Subsequent to Period End

On March 7, 2023, the Corporation announced further positive data from additional secondary and exploratory endpoints of the SPL026 Phase IIa clinical trial. Further analyses demonstrated that patient-reported depression scores corroborate the MADRS assessments conducted by independent clinical raters. Further, patients receiving at least a single dose of IV SPL026 with support therapy experienced clinically relevant improvements in wellbeing and anxiety across all study timepoints, further supporting previously announced topline efficacy results.

On April 4, 2023, the Corporation announced positive six month data from the SPL026 Phase IIa clinical trial, which showed that, among the patients who achieved remission within three months of treatment with SPL026, 64% sustained remission to six months.

On May 9, 2023, the Corporation was granted patent no.11643390 by the USPTO. This patent protects a novel manufacturing process for the preparation of synthetic DMT, DMT-related compounds and deuterated DMT analogs, including the preparation of SPL026 and SPL028.

On May 30, 2023, the Corporation was granted patent no.11660289 by the USPTO. This patent provides Composition of Matter protection for a group of deuterated compounds from the SPL028 program, as well as protection for therapeutic compositions and uses of the specified compounds.

On June 6, 2023, the Corporation was granted two UK patents nos.2586940 and.2592822. These patents provide further protection for certain deuterated analogues of DMT, including the active ingredient in SPL028.

On June 28, 2023, the Corporation announced completion of the Phase I SPL026 IM and IV clinical trial. The Corporation reported the IM route was well tolerated, with no safety concerns reported, a mean pharmacokinetic half life of approximately 40 minutes, and a mean psychedelic experience of approximately 45 minutes. The Corporation also announced preliminary findings from the first two cohorts of the SPL028 Phase I program in which IV administration elicited a mean psychedelic experience of < 1 hour.

Effective as of July 1, 2023, Mr. Peter Rands, co-founder, Chief Innovation & Intellectual Property Officer and former Chief Executive Officer of the Corporation, left his positions as an executive officer and Board director of the Corporation and its subsidiaries.

On July 3, 2023, it was determined that Dr. Alastair Riddell will leave his role as Chief Operating Officer and Ms. Marie Layzell will assume those responsibilities in addition to her current role as Chief Manufacturing and Development Officer.

On July 5, 2023, the Corporation announced an R&D strategy update regarding SPL028, its second-generation DMT program. The update included preliminary findings from the SPL028 Phase I trial indicating its potential to deliver a unique therapeutic profile. Further, the Corporation indicated the potential for an expedited route to an international, multi-site Phase II study with SPL028 in 2024.[2]

On July 5, 2023, the Corporation announced the implementation of operational efficiencies in an effort to focus on achieving key value-based milestones, which included a reduction in headcount of approximately one-third. The operational efficiencies are expected to generate material cost savings, a reduction in its historical annual cash burn, and provide anticipated cash runway extension from current resources to Q4 2024 (calendar year-end).[3]

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[2] Within the next 12 months, the Corporation anticipates initiating a multi-site, international Phase II clinical trial of at least one of its candidate programs. The Corporation anticipates seeking regulatory approval in the UK, US and the EU for this trial, and may also seek regulatory approval in other jurisdictions. There is no assurance that the aforementioned timeline will be met or that any program will advance into a Phase II clinical trial. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Company. Material assumptions underlying this forward-looking statement include, but are not limited to: (i) receipt of all regulatory authorization in the jurisdictions selected to conduct the clinical trial(s); (ii) the receipt by the selected clinical trial sites of the necessary licences to initiate the trial. Progression into an international Phase II study will also depend upon additional factors, including but not limited to, (i) data readout of its Phase I exploratory studies in SPL026 and SPL028; (ii) completion of the required preparatory steps in advance of formally applying for regulatory authorizations in the UK, US, the EU and other jurisdictions, if selected; in the case of the SPL028 program, this may include the completion of a Phase Ib patient study and completion of an IND-enabling non clinical package; (iii) the Company's ability to raise capital under future financing arrangements; and (iv) strategic discussions with Cybin (as defined herein) upon completion of the Arrangement (as defined herein), if completed. However, there can be no assurance that the Arrangement will be completed on the proposed terms of the Arrangement Agreement, or at all. Anticipated timelines may be impacted by a number of factors, including but not limited to: (i) obtaining required permits and applicable regulatory approvals; (ii) any significant changes in personnel and third-party providers; (iii) the outcome of active studies that the Corporation determines is necessary or advantageous for the advancement the clinical program; (iv) the Corporation having sufficient funds to initiate the trial; and (v) import/export delays or restrictions.

[3] The anticipated cash runway extension assumes the completion of current active clinical trials and conducting ongoing operational activities consistent with the implemented operational efficiencies and revised Corporation budget. The revised timeline for the Corporation's cash runway may be impacted by a number of factors, including but not limited to: (i) increased expected costs of the active clinical trials due to delays to completion or modifications to the clinical trial design; (ii) decisions to initiate additional R&D activities including additional IND-enabling studies or other IND-related preparation; (iii) other business-related activities outside the Corporation's normal course of business; (iv) expenses, costs and fees associated with the Arrangement, whether completed or not; and (iv) other factors not currently known by the Corporation and outside of the Corporation's control.

On August 10, 2023, the Corporation received a Notice of Allowance from the USPTO for US patent application no. 16/890664. The patent provides Composition of Matter protection for certain deuterated analogues of DMT that pertain to the SPL028 programme.

On August 29, 2023, the Corporation was granted patent no. 3160337 by the CIPO. This patent protects a novel manufacturing process for the preparation of synthetic DMT, DMT-related compounds and deuterated DMT analogs, including the preparation of SPL026 and SPL028.

Arrangement Transaction with Cybin

On August 28, 2023, the Corporation entered into a definitive arrangement agreement (the "**Arrangement Agreement**") with Cybin Inc. ("**Cybin**") pursuant to which Cybin agreed to acquire all of the issued and outstanding Common Shares in an all-share transaction (the "**Arrangement**"). The Arrangement is expected to be effected by a court-approved plan of arrangement under the BCBCA. Cybin is a clinical-stage biopharmaceutical company committed to revolutionizing mental healthcare by developing new and innovative psychedelic-based treatment options.

Pursuant to the terms of the Arrangement Agreement, if the Arrangement becomes effective, holders of Common Shares (other than dissenting holders of Common Shares) will receive 0.2409 of a common share in the capital of Cybin (each whole share, a "**Cybin Share**") for each Common Share held. The exchange ratio implies consideration of approximately $0.10 per Common Share based on the closing price of the Cybin Shares on the Cboe Canada exchange ("**Cboe Canada**") on August 25, 2023, representing a 43.64% premium based on the 30-day volume weighted average prices of the Cybin Shares on the Cboe Canada and the Common Shares on the TSXV for the period ended on August 25, 2023. As of the date of this AIF, it is currently expected that existing Cybin shareholders and the Corporation's securityholders will own approximately 74.3% and 25.7% of Cybin, respectively.

Completion of the Arrangement is subject to the approvals of the shareholders of both the Corporation and Cybin. The Arrangement requires the approval of at least $66^{2}/_{3}$% of the votes cast by the shareholders of the Corporation voting in person**,** virtually or by proxy at an annual and special shareholders' meeting to consider, in addition to certain annual business, the Arrangement (the "**Corporation Meeting**"). The issuance of Cybin Shares pursuant to the Arrangement will also require approval by a simple majority of the votes cast by the shareholders of Cybin voting virtually or by proxy at an annual and special meeting of Cybin shareholders, in accordance with the polices of the Cboe Canada. The shareholders' meetings are expected to occur on or about October 12, 2023.

In addition to shareholder approvals, the Arrangement is subject to approval by the Supreme Court of British Columbia, receipt of applicable stock exchange and regulatory approvals, including the approval of the TSXV, and the satisfaction of certain other closing conditions customary in transactions of this nature. It is currently expected that the Arrangement will close in late October 2023. Upon completion of the Arrangement, it is expected that the Common Shares will be delisted from the TSXV and removed from the OTCQB, and the Corporation will cease to be a reporting issuer in each of the provinces and territories in Canada.

Further details with respect to the Arrangement are included in the Arrangement Agreement, a copy of which can be found under the Corporation's profile on SEDAR+ at www.sedarplus.ca. Additional information regarding the Arrangement will also be included in the Corporation's management information circular, which will be mailed to shareholders in connection with the Corporation Meeting.

Significant Acquisitions

The Corporation has not completed any significant acquisitions or dispositions over the most recently completed financial year.

For a summary of the material terms of the Qualifying Transaction, see "*General Development of the Business - Three Year History - The Qualifying Transaction*".

On August 28, 2023, the Corporation entered into the Arrangement Agreement to complete the Arrangement. For additional information, see *"General Development of the Business - Three-Year History - Arrangement Transaction with Cybin*".

DESCRIPTION OF THE BUSINESS[4]

General

The Corporation is a biotechnology company progressing short-duration psychedelic-assisted therapies for the treatment of mental health conditions. The Corporation has initiated programs across its "first-generation" and "second-generation" psychedelics portfolio. It is focused on the development of pharmaceutical psychedelic assets with the inclusion of support therapy, anticipating this treatment paradigm to be important for optimizing beneficial patient outcomes.

The Corporation is focused on the R&D of pharmaceutical drugs, with an intention to further advance its current portfolio into and through clinical trials towards commercialization. This progression may also extend to the sales and marketing of any of its assets that receive marketing authorization. In addition, the Corporation may expand its R&D pipeline by initiating additional development programs.

As of the date of this AIF, the Corporation has initiated and progressed its R&D efforts on four therapeutic candidates across its psychedelic and non-psychedelic compounds, discussed in detail below. In line with its business model, the Corporation has ensured an IP strategy is embedded in the development of all its therapeutic candidates. Across its lead psychedelic-focused development programs, SPL026 and SPL028, the Corporation has 17 patents granted and 77 patent applications pending and is actively continuing to expand its portfolio. The Corporation also has additional patents granted and applications pending across its preclinical pipeline, SPL029 and SPL801B programs, as further described below.

. The Corporation's R&D strategy is targeted around the following core target value proposition:

- **Rapid and durable efficacy:** A treatment course that has the potential to result in rapid symptom relief, with improvements in patient health outcomes that extend for at least a few months.
- **Strong commercial proposition:** Short (~less than<~2.5hr) in-clinic treatments (includes dosing and support therapy) provided on an episodic "as required" basis in order to maximize convenience for both patients and physicians, as well as provide economic benefits for payers.
- **Robust IP protection:** Progressing a multi-layered IP strategy for each asset, including targeting Composition of Matter protection within the second-generation portfolio, in multiple jurisdictions.

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[4] All quarter references in this section are based on calendar year-end.

SPL026: First-Generation DMT Asset

Small Pharma has advanced its first-generation short-duration psychedelic clinical program, SPL026, with the positive completion of a proof-of-concept study for an IV formulation of SPL026, as well as exploratory studies to evaluate additional formulations and treatment populations.

The Corporation's IV SPL026 Phase I/IIa study completed in Q1 2023 with positive results demonstrated the safety, tolerability and efficacy of DMT with support therapy for the treatment of MDD. To further inform the patient recruitment of future trials and ultimately facilitate broadening the treatable MDD populations, in H2 2022, the Corporation initiated a Phase I drug interaction study in the UK to investigate the potential interactions between SSRI antidepressants and IV SPL026 therapy in patients with MDD. The study completed dosing in July 2023 with data anticipated in Q3 2023. See "*Description of the Business - Business Objectives and Milestones of the Corporation*".

Further, the Corporation is investigating additional routes of administration that may offer improved treatment convenience to patients. The Corporation initiated a Phase I IM/IV SPL026 study in Q4 2022 to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics profiles of IM compared to IV SPL026 administration. The study completed in Q2 2023 and demonstrated that IM SPL026 meets the target treatment length, demonstrating the potential for IM administration as a convenient route for patients and physicians.

SPL028: Proprietary Second-Generation Deuterated DMT Asset

SPL028 is the Corporation's novel deuterated second-generation DMT compound targeting an extended DMT psychedelic experience. It offers a unique short-duration DMT drug profile that could provide optimized dose formulations for different administration routes and distinct therapeutic benefits for patients. The Corporation initiated a Phase I IV and IM healthy volunteer study in Q1 2023 to evaluate the safety, tolerability, pharmacodynamics and pharmacokinetics of both administration routes. Data is anticipated in Q4 2023. See "*Description of the Business - Business Objectives and Milestones of the Corporation*".

Future R&D Strategy

The Corporation anticipates that upcoming data from its active SPL026 and SPL028 trials will be informative to the progress of these clinical programs. As such, the development path of both assets will be determined upon the completion of the active Phase I trials. Over the next 12 months from the date hereof, the Corporation anticipates the potential expansion of at least one of these development programs into an international Phase II clinical trial, however such studies will be subject to a strategic review of all available clinical data of the SPL026 and SPL028 programs following the completion of the active clinical trials.[5] The Corporation's plans over the next 12 months are also subject to strategic discussions with Cybin upon completion of the Arrangement, if completed. However, there can be no assurance that the Arrangement will be completed on the proposed terms of the Arrangement Agreement, or at all. See "*Description of the Business - Business Objectives and Milestones of the Corporation*".

Psychedelic-Based Medicines

The Corporation is developing psychedelic-based medicines with support therapy for the treatment of mental health disorders. The treatment potential of these therapies has been acknowledged internationally by regulatory drug agencies, including the FDA[6] and the MHRA.[7] Most recently, on June 26, 2023, the FDA further demonstrated its recognition for the therapeutic potential of psychedelic drugs and willingness to work with groups developing such drugs with the issuance on June 26, 2023, of its first draft guidance entitled Psychedelic Drugs: Considerations for Clinical Investigations Guidance for Industry (Guidance).[8] The guidance highlights considerations for sponsors developing psychedelic drugs for the treatment of medical conditions and for clinical trials that will be conducted under an investigational new drug application (IND). The FDA recognises that additional considerations are required due to the unique characteristics of these drugs, and have outlined foundational constructs that sponsors should consider in areas including trial conduct, data collection and subject safety.

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[5] Refer to footnote 2.

[6] To date, the FDA has awarded breakthrough designation status to a number of psychedelic programs.

[7] The MHRA has awarded an IPD to a number of companies, including the Corporation in October 2021, advancing psychedelic drug development programs. See *"General Development of the Business - Three Year History*" for additional information.

There has been a resurgence in scientific research highlighting the therapeutic opportunity of psychedelic compounds for treating mental health conditions through an alternative method of action to current available treatment options. Neuroimaging and behavioural research suggests that psychedelic compounds modulate certain neural circuits implicated in mood disorders, resulting in an acute psychedelic state and neuroplastic adaptations in certain brain networks. It is hypothesized that when such adaptations are supported by the integration of the psychedelic experience through support therapy, it may lead to long-term positive changes in an individual's emotional, cognitive and behavioural state.[9]

The Corporation is focused on the tryptamine family of psychedelic compounds, which includes DMT and psilocybin, which, at the time of initial exploration, portrayed promising data to suggest their therapeutic potential. The available literature exploring the mechanistic and therapeutic potential of these compounds has continued to expand and strengthen the evidence for their therapeutic use.DMT has been found through academic work to be endogenous in various plant species as well as in certain mammals.[10] It was identified by the Corporation to possess a number of benefits relative to other tryptamine compounds on account of its rapid drug clearance within humans and the short, powerful psychedelic experience that it manifests.[11] The pharmacokinetic profile appears well-adapted to clinical application in providing a short dosing session (including the drug administration and resolution of psychoactive effects) with the duration of IV DMT less than 30 minutes compared to oral psilocybin whose treatment duration typically lasts six hours[12] and oral LSD that lasts 10 hours.[13]

"First-generation" and "Second-generation" Psychedelic Programs

The Corporation's drug development pipeline currently includes a number of programs across its investigational candidates that offer the potential for differentiated target treatment profiles.

The Corporation's first-generation DMT program, SPL026, is evaluating two target treatment profiles that have the potential to maximize the clinical scalability of psychedelic therapies: (1) an IV formulation that targets a short <30-minute psychedelic experience and (2) an IM formulation that targets approximately 45-minute subject-distinct psychedelic experience and offers improved convenience for patients.

The second-generation psychedelic programs incorporate a pipeline of chemically-modified DMT analogues that target an extended psychedelic experience. These candidates aim to offer a unique short-duration DMT drug profile that could provide optimized dose formulations for different administration routes and distinct therapeutic benefits for patients.

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8 https://www.fda.gov/regulatory-information/search-fda-guidance-documents/psychedelic-drugs-considerations-clinical-investigations

9 Vollenweider, F.X., Preller, K.H. Psychedelic drugs: neurobiology and potential for treatment of psychiatric disorders. Nat Rev Neurosci 21, 611-624 (2020). https://doi.org/10.1038/s41583-020-0367-2

10 Carbonaro, T. M., & Gatch, M. B. (2016). Neuropharmacology of N,N- dimethyltryptamine. Brain Research Bulletin, 126, 74-88. https://doi. org/10.1016/j.brainresbull.2016.04.01

11 Ibid.

12 Lowe H, Toyang N, Steele B, Valentine H, Grant J, Ali A, Ngwa W, Gordon L. The Therapeutic Potential of Psilocybin. Molecules. 2021 May 15;26(10):2948. doi: 10.3390/molecules26102948. PMID: 34063505; PMCID: PMC8156539.

13 Fuentes JJ, Fonseca F, Elices M, Farré M, Torrens M. Therapeutic Use of LSD in Psychiatry: A Systematic Review of Randomized-Controlled Clinical Trials. Front Psychiatry. 2020 Jan 21;10:943. doi: 10.3389/fpsyt.2019.00943. PMID: 32038315; PMCID: PMC6985449.

"First-Generation" Short Duration Psychedelic Programs

SPL026: IM and IV DMT

The Corporation has developed a proprietary medicine, SPL026, based on the fumarate salt form of DMT to be administered with support therapy in the treatment of MDD.

*Chemistry, Manufacturing and Controls ("**CMC**")*

The Corporation has optimized the synthesis of the Active Pharmaceutical Ingredient ("**API**") in SPL026. The proprietary synthesis developed has 99.9% purity by High Performance Liquid Chromatography (HPLC) and approximately 60% yield, representing a high yield to purity syntheses of DMT.

The Corporation has evaluated a number of potential delivery mechanisms and developed drug product formulations for IV and IM administration of SPL026.

Using third party providers, the Corporation has contracted the manufacture of good manufacturing practice ("**GMP**") compliant batches of drug product, together with a matching placebo, for use in clinical trials.

Intellectual Property

To date, 5 patents granted and 31 pending applications of the Corporation's Intellectual Property portfolio provide protection surrounding SPL026, including those providing combined protection to SPL026 and the Corporation's other molecules in development. Protection surrounding SPL026 includes a patent family to protect the synthetic GMP route of SPL026 and a patent family to protect optimized dosage forms of the active ingredient of SPL026. See *"Description of the Business - Intellectual Property"*.

Clinical Development of IV SPL026

Phase I/IIa

In December 2020, the MHRA granted its Clinical Trial Approval for a Phase I/IIa clinical trial of IV SPL026. In February 2021, the Corporation initiated dosing in a randomised, placebo controlled, blinded, two-part Phase I/IIa clinical trial evaluating IV doses of SPL026 in combination with support therapy. Phase I, Part A, which was completed in September 2021, evaluated the safety, tolerability, pharmacokinetics and pharmacodynamics of different dose levels (9-21.5mg) of SPL026 (DMT fumarate) with therapy in 32 healthy psychedelic-naïve subjects when compared to placebo with therapy. The dose-escalating, placebo-controlled, blinded Phase I study demonstrated a favorable safety profile with no serious adverse events reported to-date. The Corporation's proprietary IV formulation of DMT proved to also be well-tolerated in individuals with no previous experience of psychedelics. The completion of the Phase I study also generated a robust dataset on the pharmacokinetics of SPL026 using Good Clinical Practice ("**GCP**"). This combined data enabled the Corporation to select a dose of SPL026, which elicits a breakthrough psychedelic experience and is well-tolerated, and allowed the Corporation to initiate Part B, the Corporation's Phase IIa study.

Key results from the Phase I study include:

- No drug-related serious adverse events ("**SAEs**") and minimal short-lived adverse events reported on dosing day.
- Of 22 drug-related adverse events, all were mild (100%) and resolved rapidly and independently.
- No statistically significant negative effects on anxiety and well-being identified at any point during the three-month follow-up.
- Data shows a correlation between intensity and quality of psychedelic experience and dose levels, starting at 9mg and up to 21.5mg, across four cohorts.
- In the majority of participants, there was a positive correlation between plasma levels of DMT and the quality and intensity of the psychedelic experience.
- IV administration of SPL026 offers a short-lived, well-tolerated psychedelic experience of approximately 20 minutes, enabling a dosing session to last only approximately 30 minutes.
- Pharmacokinetic sampling supported rapid clearance out of the body, showing near undetectable DMT levels in the blood by 60 minutes at all investigated doses.

In October 2021, the Corporation initiated dosing in the Phase IIa component (Part B) of the combined Phase I/IIa clinical trial, which was completed in December 2022. Part B, the patient proof-of-concept trial assessed the efficacy, safety and tolerability of one dose versus placebo as well as one dose versus two doses of IV 21.5mg SPL026 with support therapy in 34 patients with moderate/severe MDD.

The two-staged Phase IIa study included a blinded, randomized, placebo-controlled phase, where the primary endpoint was to assess the efficacy of a single dose of SPL026 with support therapy (N=17) versus placebo with support therapy (N=17) at two-weeks post-dose. All study participants were subsequently enrolled into an open-label phase of the study where they received a single dose of SPL026 with support therapy, and were followed-up for a further 12-weeks in study. This open-label trial design enabled the assessment of durability of antidepressant effect, as well as the comparative efficacy and safety of a one versus two dose regimen of SPL026.

Efficacy was assessed using MADRS to measure any potential change in patients' depression from baseline. MADRS was assessed by independent raters who were not present at dosing and were blinded to the overall treatment.

The Phase IIa study met the primary endpoint demonstrating a statistically significant and clinically relevant reduction in depressive symptoms two-weeks following a dose of SPL026 with support therapy, compared to placebo, demonstrating a -7.4 point difference in MADRS (p=0.02). Analysis of key secondary endpoints demonstrated a rapid onset of antidepressant effect one-week post-dose, with a statistically significant difference in MADRS score between the active and placebo groups of -10.8 (p=0.002).

Across the 12-week open-label phase, patients who received at least one active dose of SPL026 with support therapy reported a durable improvement in depression symptoms with a 57% remission[14] rate at 12-weeks following a single SPL026 dose with support therapy. No apparent difference in antidepressant effect was observed between a one and two dose regimen of SPL026. Further a favourable safety and tolerability profile demonstrated with no drug-related SAEs reported. All adverse events related to treatment were considered mild or moderate. The most commonly reported adverse events were infusion site pain or reaction, nausea and mild to moderate anxiety. No clinically significant safety concerns were reported, including no concerns with vital signs, electrocardiogram (ECG) or clinical laboratory findings in any treatment group.

[14] Defined as patients achieving a MADRS score <= 10.

Analyses of additional secondary and exploratory endpoints, including effects on self-reported depression, anxiety and wellbeing, demonstrated that patients receiving at least a single dose of IV SPL026 with support therapy experienced clinically relevant improvements in function and mood (as determined through anxiety and wellbeing scales) and patient-reported depression scores corroborated the MADRS assessments. Analysis of the 25 participants who completed the out-of-study six month follow up showed that among the 14 patients who had achieved remission within three months with SPL026, 64% sustained remission to six months.

Phase Ib SSRI-SPL026 Drug Interaction Study

In Q4 2022, the Corporation initiated a Phase Ib patient study assessing the potential interaction between SSRIs and SPL026 in patients with MDD who experienced an inadequate response to existing SSRI antidepressant treatment, with dosing completed in July 2023. This open-label study is investigating the safety, tolerability, pharmacokinetics, pharmacodynamics, as well as exploratory efficacy of SPL026, alone or in combination with SSRIs. Results from the study are expected in Q3 2023.

The last visit for the last subject completed in August 2023. Data is expected to be analyzed and disclosed to the public in Q3 2023.

Phase I IM/IV SPL026

In Q4 2022, the Corporation initiated a Phase I study to compare the safety, tolerability, PK and PD profiles of IM and IV SPL026 administration in 14 healthy volunteers. The study completed in Q2 2023 and results from this study demonstrate that IM SPL026 is well tolerated. No SAEs, and a few mild to moderate adverse events, were reported in the trial. Further, the IM drug profile delivered a mean PK half-life of approximately 40 minutes and a mean psychedelic experience duration of approximately 45 minutes. This met the Corporation's target treatment length, demonstrating the potential for IM administration as a convenient route for patients and physicians.

Phase IIb SPL026

The Corporation has advanced preparation for a potential multi-jurisdiction multi-site Phase IIb clinical trial, including selection and onboarding of a clinical research organization (a "**CRO**"). In July 2023, following a review of the available data from its exploratory Phase I studies across its SPL026 and SPL028 program, the Corporation determined that decisions regarding the optimal development route for the SPL026 program will be further reviewed following the conclusion of the ongoing Phase I studies.[15]

Regulatory Development of SPL026

In October 2021, the MHRA granted an IPD for SPL026. This designation has provided access to the ILAP, which accelerates time to market and facilitates patient access to emerging and novel treatments. The ILAP provides a single integrated platform for sustained collaborative working among the MHRA and its partners, including the UK's public body responsible for evidence-based evaluations of novel treatments, the National Institute for Health and Care Excellence, as well as the NHS England, the Scottish Medicines Consortium, NHS Improvement Health Research Authority, and the National Institute for Health Research and the medicine developer. This closer engagement potentially allows for enhanced coordination and monitoring of important product development activities culminating in market authorization. The Corporation has initiated discussions regarding its target development profile with the ILAP partners and has access to the ILAP toolkit which will help support all stages of the design, development and approvals process, as well as identify key areas for future engagement.

[15] Refer to footnote 2.

In 2022, the Corporation requested an International Nonproprietary Name (INN) for SPL026. A response was received from the World Health Organization in January 2023 informing the Corporation that 'dimethyltryptamine' had been chosen as the INN for this substance.

"Second-Generation" Short Duration Psychedelic Programs

Deuterated DMT: IM/IV SPL028 program

Nonclinical: Through a range of *in vivo* and *in vitro* studies, SPL028 has shown a similar pharmacological and behavioural profile to SPL026, with a differentiated pharmacokinetic profile demonstrated *in vitro*, showing a reduction in clearance rate and significant extension in half-life compared to SPL026. Additionally, toxicological profiling demonstrated SPL028 to have a safe and well-tolerated profile *in vivo* at all doses tested, demonstrating significant safety margins for progressing into human clinical trials.

CMC: The Corporation has optimized the synthesis of the API in SPL028. The proprietary synthesis developed has 99.9% purity by HPLC and approximately 42% yield. The Corporation has developed drug product formulations for IV and IM administration of SPL028. Using third party providers, the Corporation has contracted the manufacture of GMP-compliant batches of drug product, together with a matching placebo, for use in clinical trials.

Clinical: The Corporation initiated dosing in Q1 2023, a Phase I study evaluating the safety, tolerability, pharmacodynamics and pharmacokinetics of both IV and IM routes of administration of SPL028 with support therapy in healthy volunteers. Preliminary findings from the first two cohorts of the study demonstrate that IV SPL028 elicits a psychedelic experience of <1 hour and is well-tolerated. The study is ongoing with topline data from healthy volunteer cohorts expected in Q4 2023.[16]

The Corporation anticipates that the combined data from the SPL026 and SPL028 programs could enable an expedited path to initiating a multi-jurisdiction, multi-site Phase II study in 2024.[17] Accordingly, the Corporation's protocol for the SPL028 Phase I program includes the option of initiating a Phase Ib patient study of injectable SPL028 in depression. In conjunction with a strategic review of the SPL026 program, determination of the optimal development route for SPL028, including the target depression patient population, will be reviewed following the conclusion of the ongoing Phase I studies.

Intellectual Property: To date, 17 granted patents, and 77 pending applications of the Corporation's IP portfolio provides protection surrounding SPL028, including those providing combined protection to SPL028 and the Corporation's other molecules in development. Protection surrounding SPL028 includes patent families that provide Composition of Matter protection to cover SPL028 and related deuterated analogues, patent families to cover method of use, as well as patent families that protect the synthetic GMP route of SPL028 and optimised dosage forms of the active ingredient of SPL028. See "*Description of the Business - Intellectual Property*".

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[16] There is no assurance that the aforementioned timeline will be met. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Corporation. Material assumptions underlying this forward-looking statement include, but are not limited to: (i) progression of the clinical trial as defined by the approved protocol; and (ii) ongoing subject recruitment and dosing rate at expected target rates. Anticipated timelines may be impacted by a number of factors, including but not limited to: (i) any significant changes in personnel and third-party providers; (ii) certain protocol amendments, which may include the inclusion to dose additional cohorts; and (iii) material factors not currently known to the Corporation and outside of the Corporation's control.

[17] Refer to footnote 2.

Oral Tryptamine: SPL029 Program

Nonclinical: The Corporation has also progressed preclinical studies on novel tryptamine analogues to investigate the potential for an oral formulation of a short-acting psychedelic. Non-clinical development of the SPL029 series is expected to progress into 2024.[18]

Intellectual Property: To date, 11 granted patents and 55 pending applications of the Company's IP portfolio provides protection surrounding SPL029, including those providing combined protection to SPL029 and the Corporation's other molecules in development. See "*Description of the Business - Intellectual Property*".

Non-Psychedelic Based Medicines

Oral ketamine metabolite: SPL801B program

Nonclinical and CMC: The Corporation has progressed preclinical and CMC development of SPL801B, a known active metabolite of ketamine, 2R,6R-hydroxynorketamine ("**6-HNK**"), in order to develop an optimized oral, rapid-acting antidepressant. The Corporation has successfully advanced its development of SPL801B to achieve a nonclinical, CMC and IP data package. The Corporation intends to explore commercial opportunities to out-licence the candidate and its data package to a third-party organization.

Intellectual Property: In conjunction with its R&D progress, the Corporation adopted a robust IP strategy surrounding SPL801B, which, as of the date of this AIF, is represented by a portfolio of five patents granted and five patent applications pending. See *"Description of the Business - Intellectual Property"*

Intellectual Property

Regulatory Framework for Patents

A patent is a form of intellectual property that gives its owner the legal right to exclude others from making, using, or selling an invention for a limited period of years in exchange for publishing an enabling public disclosure of the invention. The typical patent term is 20 years from the filing date.

Once an invention has been reduced to practice (i.e. an enabling disclosure can be placed in the public domain), a patent application is filed with the Patent Office of the country where protection is sought. This is then searched by a patent examiner for documents pertaining to novelty and inventive step. The application is also assessed for industrial applicability and other formal requirements.

The examiner then issues a search report, and the applicant has an opportunity to respond to the comments and/or make permitted amendments to the application. Examination proceeds until a patent is granted, refused or the application is abandoned. Often, the application is narrowed in scope during examination (also known as 'prosecution'), and one or more divisional applications can be filed, where separate inventions are sectioned off into separate applications directed to subsets of subject matter contained in the parent application.

[18] This statement is based on the following material factors and assumptions: (i) outcomes of any non-clinical studies conducted on candidates under investigation within the SPL029 series; (ii) the competitive landscape continuing to remain favourable to candidate(s) current under consideration and trial; and (iii) the Corporation's ability to raise capital under future financing arrangements.

When a patent is granted, a certificate is issued. Payment of annual renewal fees are required to keep the rights alive for the duration of the term of the patent. A patent must be actively enforced and is always open to challenge by a third party, either through opposition proceedings before a patent office, or through revocation proceedings before a court of law.

A patent is a territorial right, and sits alongside other IP rights in many jurisdictions, such as data exclusivity, supplementary protection certificates, trade secrets and knowhow. The IP strategy that the Corporation has adopted is to pursue multi-layered patent protection in key markets including US, Canada, UK, Europe and other jurisdictions.

Patents

The Corporation operates an intellectual property, or IP, led business, and future success is closely tied to obtaining and maintaining intellectual property protection, in particular patents, trade secrets and trademarks in the UK, Canada, EU, US, and other jurisdictions. The Corporation will continue to strategically protect its innovations with a harmonized IP strategy, combining patent protection with regulatory and market exclusivity.

The Corporation intends to secure multi-layered patent protection covering compositions, uses and methods for its pipeline. Further, the Corporation is actively taking steps to expedite the examination of key applications in this portfolio to ensure that such patents are granted as rapidly as possible. To this end, the Corporation has established multiple patent families surrounding its clinical and preclinical assets.

Protection for SPL026 is being pursued via patent families covering the efficient synthesis of DMT and analogs thereof, as well as novel formulations. In the case of the Corporation's second-generation candidates, SPL028 and SPL029, protection of the candidate molecules and related analogues are also being pursued via patent families covering new chemical entities and methods of use.

As of the date of this AIF, the Corporation's patent portfolio consists of 17 active patent families with 27 granted patents and 93 pending applications across its psychedelic and non-psychedelic portfolio. The oldest family claims a priority date of June 2016 and the most recently initiated family claims a priority date of March 2023. The Corporation anticipates that there will be additional patent grants secured in the next 12 months surrounding these assets.

The following table set forth the status for each patent application applicable to the Corporation's current and anticipated business activities. The total number of pending patent applications reflects the number of active applications at a given date and may increase or decrease depending on the number of granted patents issued, new applications filed, expiry of PCT applications, and the Corporation's strategic decisions to allow certain earlier filed "priority" applications to lapse while continuing to pursue additional applications on the same subject matter.

Candidate/Program	Relevant patents in portfolio (No. active patents/pending patent applications)[1,2,4]
Combined SPL026, SPL028 and SPL029	5 granted patents, 31 patents pending
SPL028	11 granted patents, 32 pending applications
Combined SPL028 and SPL029	1 granted patent, 14 pending applications
SPL029	5 granted patents, 10 pending applications
SPL801B	5 granted patents, 5 pending applications
Other[3]	1 pending application

Notes:

(1) Patents providing protection for multiple candidates/development programs are included only in a 'Combined' section, and are not duplicated across multiple rows of the table. For example, if an issued patent provides protection for both SPL028 and SPL029 , it will only appear in the 'Combined SPL028 and SPL029' portion of the table and are not included on rows documenting SPL028 or SPL029 only.

(2) Granted European patents have been counted as a single granted patent (as opposed to multiple patents in each European territory in which the patent is in force). Hong Kong patents and applications have not been included in the figures counted above as they are re-registrations of European rights, as opposed to free-standing patent filings. Patent Cooperation Treaty applications have been included as pending applications unless the deadlines for national / regional phase entries of those applications have passed in which case they are not included in the figures above.

(3) Protects preclinical research.

(4) Patent applications for which a Notice of Allowance has been received are counted as pending applications, until the date of issue of the granted patent.

For the SPL028 program, a preliminary patent application UK application no.1907871.6 was filed on June 3, 2019 claiming a novel drug substance composition based on deuterated forms of the psychedelic compound DMT. This subject matter is granted as UK patent nos. 2585978, 2592822, and 2586940, European patent no.3826632, Canadian patent no. 3104072, and is pending as US patent application nos.16/890664, 17/616,345, and others. The Corporation has received a Notice of Allowance from the USPTO for US patent application no.16/890664.

Also in the SPL028 program, two preliminary patent applications, UK application no. 208303.6 and US application no. 16/890,664 were filed on June 2, 2020 based on further studies into deuterated forms of certain DMT-based drug substances. Further, preliminary patent applications, including UK application nos. 2018950.2 and 2 018955.1, and US application nos. 17/108,679 and 17/108,938 were filed on December 1, 2020. UK application no. 2103981.3 and US application no. 17/208,583 were filed on March 22, 2021. This subject matter is granted as US patent no. 11471417, European patent no. 3902541, Australian patent no. 2021204158, Japanese patent no. 7288154, and New Zealand patent no. 794833, and pending as Canadian application no. 3179161, and others.

A further patent application from the SPL028 program, PCT application no. PCT/EP2021/060750 was filed on April 23, 2021. This subject matter is granted as UK patent no. 2595776, and is pending as US application no. 17/320,155, European application no. 21725377.2, Canadian application no. 3118556, and others.

A preliminary patent filing, UK application no.1916210.6, was filed on November 7, 2019. The inventors believe that this application provides for the best current good manufacturing practices ("**cGMP**") manufacturing process for making SPL026 and other DMT-based drug substances at scale. The application also provides for the selective deuteration process used to develop SPL028. This subject matter is granted as US patent no. 11643390, European patent no. 3873883, Canadian patent no. 3160337 and is pending as European application no. 22 214748.0, US application no. 18/193,866, and others.

A preliminary patent filing, UK application no.1917320.2, was filed on November 28, 2019 based on further studies into the oral bioavailability of deuterated forms of certain DMT-based drug substances. The application claims novel drug substances (compositions of matter) which may be used to formulate orally active drug products for use in psychedelic-assisted therapies, and provides for the drug substance that may be used in the SPL029 development program. This subject matter is granted as US patent no. 11578039, European patent no.3844147, Australian patent no. 2020381103 and New Zealand patent no. 788543 and pending as US application no. 18/152,465, Canadian application no.3160334 and others. A further patent filing, US application no. 17/469,063 was filed on September 8, 2021, claiming novel crystalline forms. This subject matter is granted as US patent no. 11697638.

Two preliminary patent applications, UK application no.2013571.1 and US application no.17/006,115, were filed simultaneously on August 28, 2020 claiming an aqueous injectable formulation with improved shelf life and providing a formulation for SPL026 and SPL028. This subject matter is granted as US patent no. 11406619 and Australian patent no. 2021334933, and is pending as US application no. 17/806,526, European application no. 21 769080.9, Canadian application no. 3179335, and others.

Two preliminary patent applications, UK application no.2018950.2 and US application no.17/108,679, were filed simultaneously on December 1, 2020 claiming parenteral formulations of deuterated forms of DMT and DMT analogues from the SPL028 program. This subject matter is pending as US application no. 18/252,949 and European application no. 21 816489.5.

A further two preliminary patent applications, UK application no.2018955.1 and US application no.17/108,938, were filed simultaneously on December 1, 2020 claiming novel Composition of Matter from the SPL028 program and a method of identifying optimised substances for the provision of personalised psychedelic assisted therapy. Two further patent applications, UK application no.2103981.3 and US application no.17/208583, were filed on March 22, 2021 with continuing subject matter on deuterated forms of DMT and DMT analogues. This subject matter is granted as US patent no. 11660289, and is pending as US application no. 17/208,583, European application no. 21 815486.2, Canadian application no. 3203020, and others.

The Corporation filed patent applications claiming oral dosage forms of 6-HNK, a range of 6-HNK products, including the Corporation's preclinical candidate SPL801B, for the treatment of depressive disorders, and salt forms of 6-HNK and 2S,6S-hydroxynorketamine. This subject matter is granted as European patent nos. 3463323, 3687515 and 3532457, US patent no.11377416, and Australian patent no. 2018311307, and is pending as European application no. 3970712, and Canadian patent application nos. 3076103 and 3071491.

Trademarks

The Corporation holds the UK trademark to the word device 'Small Pharma'. The Corporation also holds an EU trademark and a US trademark to 'Small Pharma' in conjunction with the Corporation's logo.

Market Size and Opportunity

Psychedelic based therapies are emerging as potential alternative future treatments to conventional antidepressant therapies for the treatment of MDD, as well as depressive disorders more broadly defined, and other mental health disorders. The Corporation believes there is a promising prospect for a strong, legal and regulated psychedelic pharmaceutical industry to emerge globally. In particular, the Corporation believes that over time, further clinical validation of these compounds through positive data received from robust regulated clinical trials will provide the necessary data to transition certain manufactured versions of these compounds into regulatory approved commercially available therapies with the potential to support millions of individuals suffering with MDD and other psychiatric disorders. Although psychedelic products currently remain as Scheduled substances, the Corporation anticipates certain regulatory changes, should these substances be approved as pharmaceutical medicines, that will support their commercial use as legal prescription medicines.

Production and Services

The Corporation does not own or operate any manufacturing facilities and all manufacturing is sub-contracted. The manufacture is performed at three CMOs, Onyx Scientific (**"Onyx"**), Curia (previously AMRI Global) (**"Curia"**) and Nova Laboratories (**"Nova"**). Onyx synthesizes the active pharmaceutical ingredient, or drug substance, Curia manufactures the IV and IM drug product and IV placebo, and fills into vials for IV or IM administration, and Nova manufactures an SPL028 placebo for IM administration. All manufacturing processes are contracted to be compliant with GMP.

The Corporation expects to continue to rely on third parties for the production of all clinical supply API and drug products. Additional contract manufacturers are used for some of the analytical testing and to label and release the drug product for clinical trials. The Corporation currently relies on Onyx, Curia and Nova as its UK CMOs for its API and drug product but has identified additional manufacturers who have the appropriate experience and expertise to act as back-up suppliers if required[19]. The Corporation believes it maintains sufficient supply of API and drug product of its active clinical trial to avoid any material disruptions in the event of any need to replace one or more suppliers.

The Corporation's completed and active clinical trials have been conducted with contracted CROs, HMR and MAC. Both CROs have obtained a Home Office licence to receive, manufacture, store and administer Schedule 1 controlled substances for the approved clinical trial.

The Corporation has previously delivered development-related consulting services to third party organisations. Whilst this is not a primary function of the Corporation, the Corporation may in the future explore opportunities to provide development services relating to the development of psychedelic and non-psychedelic compounds to other organisations. Terms of service are negotiated on a per project basis.

For more information on the Corporation's production and services see "*Regulatory Overview*".

Business Objectives and Milestones of the Corporation

The Corporation's expectations, business objectives and milestones are based on significant assumptions and are subject to significant risks. The expected milestones represent the Corporation's current intentions based upon its present plans and business conditions, which could change in the future as its plans and business conditions evolve.

Please refer to *"Cautionary Note Regarding Forward Looking Information"* and *"Risk Factors"* for information related to the risks and uncertainties facing the Corporation. In addition to those risks, additional risks and uncertainties, including those that the Corporation does not know about or that it currently deems immaterial, could also adversely affect the Corporation's business and results of operations.

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[19] While the Corporation has identified several back-up suppliers to provide CMO services if required, the Corporation anticipates that the requirement to transition from any of the current CMOs to a new CMO will lead to delays to its projected timelines of scheduled manufacturing activities. Such delays may have a material impact on the Corporation's current projections relating to the timelines of anticipated future clinical trials.

Business Objectives

Over the next 12 months from the date of this AIF, the Corporation expects to pursue the following business objectives:

- Data readout of Phase Ib SSRI-SPL026 drug interaction study in Q3 2023;
- Data readout of Phase I SPL028 healthy volunteer study in Q4 2023[20];
- Progression of clinical development regarding the safety and efficacy surrounding its clinical-stage assets, including the completion of an IND-enabling package and the initiation of at least one Phase II study in 2024[21]; and
- Expansion and maturation of its intellectual property portfolio.

The Corporation anticipates that upcoming data from its active SPL026 and SPL028 trials will be informative to the progress of both candidates. As such, the development path of both candidates and development activities for the next 12 months will be determined upon the completion of the active Phase 1 clinical trials.[22]

The Corporation's plans over the next 12 months are also subject to strategic discussions with Cybin upon completion of the Arrangement, if completed. However, there can be no assurance that the Arrangement will be completed on the proposed terms of the Arrangement Agreement, or at all.

Other than as described in this AIF and the documents incorporated by reference herein, to the knowledge of management, there are no other particular significant events or milestones that must occur for the Corporation's business objectives to be accomplished. However, there is no guarantee that the Corporation will meet its business objectives or milestones described above within the specific time periods, or at all. The Corporation may, for sound business reasons, reallocate its time or capital resources, or both, differently than as described in this AIF. See "*Cautionary Note Regarding Forward-Looking Information*" and "*Risk Factors*" in this AIF.

Employees

The Corporation adopts a virtual pharmaceutical operating model that enables the Corporation to operate in a lean and efficient manner. As of February 28, 2023, the Corporation employed approximately 19 full-time employees and 3 part-time employees.

In July 2023, the Corporation implemented operational efficiencies, which will result in a headcount reduction of about one-third. On completion of the notice periods in October 2023, and including additional employee headcount reductions, the Corporation expects to maintain 11 full-time employees and two part-time employees and does not expect it will require to scale its workforce significantly to execute on its business objectives over the next 12 months. The Corporation also engages and will continue to engage with a number of contractors and consultants on an 'as needed' basis.

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[20] Refer to footnote 15.

[21] Refer to footnote 2.

[22] Ibid.

Foreign Operations

The Corporation's operations over the next 12 months will predominantly be located in the UK but with operations potentially expanding into the US, EU and potentially other jurisdictions. The Corporation does not currently depend upon any foreign operations that can materially impact its business, however foreign operations are anticipated to be important for the operational delivery of any potential international, multi-jurisdiction Phase II trial anticipated in the next 12 months.[23]

Market for Products

The Corporation is focused on the R&D of novel therapeutics for market authorization across multiple jurisdictions including, but not exhaustively, the UK, EU and USA. To support the commercial viability of its assets, the Corporation is focused on progressing a broad patent strategy across each asset.

The Corporation anticipates progressing development of a number of short-duration psychedelic compounds through regulated clinical trials towards marketing approval as commercially available prescription medicines, provided that the necessary clinical trials are successful, and all necessary approvals are obtained. The Corporation expects the sales and marketing of its products to be targeted at jurisdictions where such products are lawful and have achieved the necessary regulatory approvals.

Specialized Skills and Knowledge

The Corporation intends to establish itself as a leader in the development of drugs based on known active pharmaceutical ingredients, including but not limited to DMT-based medicines, with a core focus of targeting the unmet need for novel therapies in mental health.

The Corporation's directors and officers possess a breadth of knowledge and expertise to develop and execute on its business strategy and support its technical capabilities. In addition, by leveraging the management and operational team's combined expertise, the Corporation believes it possesses the ability to execute on its business, commercial and R&D strategy.

The Corporation intends to continue to build out its team with additional specialists to align with the core business goals and objectives. As of the date of this AIF, the Corporation utilizes the services of external consultants and companies to provide guidance and support across its technical domains.

Components

The Corporation has established a supply chain of the raw materials required for development of its drug assets.

The Corporation is not aware of any potential risk to the current supply chain and has suffered no issues as a result of Brexit.

The starting material in the manufacture of SPL026 and SPL028 is the commercially available chemical 3-indoleacetic acid which is currently inexpensive and is purchased from an approved supplier at Onyx. The starting material does not require a Home Office or equivalent licence for purchase or handling. The Corporation has sufficient SPL026 and SPL028 GMP drug product to complete all ongoing clinical trials.

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[23] Ibid.

Cyclical or Seasonality of Business

The Corporation's business is not expected to be cyclical or seasonal.

Economic Dependence

The Corporation's business is not expected to be economically dependent on any contracts for the foreseeable future.

Changes to Contracts

The Corporation's business is not expected to be affected by any changes to contracts or subcontracts.

Environmental Protections

The Corporation recognises that its R&D, testing and manufacturing activities are subject to international, national, state and local environmental health and safety laws and regulations.

The Corporation to date is not aware of the direct handling of any hazardous materials such as chemical solvents, carcinogenic or mutagenic compounds or compounds that have a toxic effect on reproduction. The Corporation engages with third-party manufacturing and analytical sites that handle chemical solvents to manufacture and perform analytical testing of the Corporation's API or drug product. These sites have strictly controlled procedures in place to ensure the adequate protection of staff and the safe handling and disposal of all waste material.

Social or Environmental Policies

The Corporation encourages a workforce culture and approach to clinical trial recruitment that encourages diversity. To date, the Corporation has not implemented formal social or environmental policies. However, the Corporation's Code of Business Conduct specifies that all representatives of the Corporation shall respect the environment by complying with all applicable environmental laws. The Corporation is committed to the protection of the environment by minimizing the environmental impact of the Corporation's operations and operating its business in ways that will foster a sustainable use of the world's natural resources. Furthermore, the mandate of the Chief Executive Officer contemplates a requirement to ensure that the Corporation is considering the impact of corporate social responsibility and implementing environmental, social and governance initiatives, including with respect to diversity and equality.

The Corporation is aware that it may need to adopt more formal additional social, environmental and human rights policies in the future.

Competitive Conditions

The current landscape of the future psychedelic prescription drug market is increasingly competitive. The Corporation believes that it is a leader in the commercial development of DMT-based therapies for MDD in terms of clinical development advancement and intellectual property portfolio surrounding its drug assets. As of this date, the Corporation is aware of certain other companies that have initiated a regulatory-approved clinical trial for DMT-based therapies in various jurisdictions. However, the Corporation as of this date, believes these programs to be distinct from the Corporation's programs and development strategy with respect to areas including selected target indications, administration routes and treatment paradigm. As such, it is anticipated that these differences may lead to differentiated impacts on patient clinical outcomes and commercial requirements across these programs.

In addition, the Corporation believes that DMT with support therapy may offer a number of advantages compared to other psychedelic therapies currently under investigation for the treatment of MDD. Advantages offered include more streamlined clinical implementation and scalability due to its short duration dosing session.

Negative Operating Cash Flow

Since inception, the Corporation has had negative operating cash flow and incurred losses. The Corporation's negative operating cash flow and losses may continue for the foreseeable future. The Corporation cannot predict when it will reach positive operating cash flow, if ever. Due to the expected continuation of negative operating cash flow, the Corporation will be reliant on future financings in order to meet its cash needs. There is no assurance that such future financings will be available on acceptable terms or at all. See "*Risk Factors*".

REGULATORY ENVIRONMENT

A summary of the applicable regulatory framework for the Corporation's various business segments and proposed business activity are set forth below.

Business Segment	Current/Proposed Location of Operation	Summary of Applicable Regulatory Frameworks
SPL**(1)**	UK	The UK, EU, Canadian and the US governments regulate drugs through the amended Misuse of Drugs Act 1971 (the "**MDA**")/ the amended Misuse of Drugs Regulations 2001 (the "**MDR**"), the 1972 Convention on Psychotropic Substances of the United Nations, the *Controlled Drugs and Substances Act* (Canada) (the "**CDSA**") and the *Controlled Substances Act* (21 U.S (.C. § 801 et. seq.) (the "**CSA**"), respectively, which place controlled substances in a schedule. Under the MDR, DMT is currently a Schedule I drug.(2) In the EU, DMT appears on the Green List of the International Narcotics Control. (3) Under the CDSA, DMT is currently a Schedule III drug.(4) Under the CSA, DMT is currently a Schedule I drug.(5)

Notes:

(1) Business segment focuses on the research, development and commercialization of psychedelic-based medicines.

(2) For further information on the UK regulatory framework, see "*Regulatory Overview - Jurisdiction Specific Regulatory Obligations - United Kingdom*.".

(3) For further information on the EU regulatory framework, see "*Regulatory Overview - Jurisdiction Specific Regulatory Obligations - European Union*."

(4) For further information on the Canadian regulatory framework, see "*Regulatory Overview - Jurisdiction Specific Regulatory Obligations - Canada*."

(5) For further information on the US regulatory framework, see "*Regulatory Overview - Jurisdiction Specific Regulatory Obligations - United States*."

In order to develop medicinal products, the Corporation's business must be conducted in strict compliance with the applicable UK, EU, US, Canadian and other national laws and regulations in the jurisdictions in which it operates. These regulatory authorities regulate, among other things, the research, manufacture, import, marketing, safety monitoring, promotion and distribution of medicinal products in specific jurisdictions under applicable laws and regulations.

The regulatory approval process for medicinal products is generally lengthy and expensive, with no guarantee of a positive result. Failure to comply with applicable laws and regulations may result in civil or criminal penalties, recall or seizure of products, injunctive relief including partial or total suspension of production, marketing and/or clinical development, or withdrawal of a product from the market.

The below disclosure should not be interpreted to mean that the Corporation will be pursuing clinical development and/or drug approval in each of the UK, EU, US, Canada.

Clinical Development Regulatory Process

Regulatory authorities extensively regulate the research, development, testing, manufacture, quality control, import, export, safety, effectiveness, labeling, packaging, storage, distribution, record keeping, approval, advertising, promotion, marketing, post approval monitoring and approval of medicinal products. In order to conduct clinical trials and, in the future, seek approval of its therapeutic candidates, the Corporation, alongside its vendors and contract research and manufacturing organizations, will be required to navigate the requirements of the governing agencies and regulatory authorities for the relevant jurisdictions. The relevant authorities in the jurisdictions of the UK, Canada, US and the EU issue their own law, regulations and regulatory guidelines, but all follow the principles issued by The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use.

The broad development pathway adopted to take a therapeutic candidate to regulatory market approval in the UK, Canada, US and EU generally involves the considerations outlined under the following headings:

Nonclinical and CMC Research

Before testing any medicinal product in humans, the product candidate undergoes thorough testing which includes lab-based evaluations of drug chemistry, formulation and stability, as well as lab-based *in vitro* (cell-based) testing and *in vivo* (in animal) studies to assess biological activity and safety to establish the rationale for safe therapeutic use. The nonclinical studies should be conducted in accordance with applicable laws and regulations, including the GLP requirements.

Results obtained from the nonclinical studies, in addition to GMP manufacture and analytical data, are collectively submitted as a data package to the relevant jurisdiction's regulatory body in order to obtain approval for progressing the drug candidate in clinical trials.

Clinical Trials - General Information

The clinical stage development of a therapeutic candidate involves the progression through three sequential (occasionally overlapping) pre-market clinical phases to evaluate its safety, tolerability and efficacy in healthy subjects and patients for target clinical indications in order to support new drug applications for marketing approval within the targeted jurisdiction. Each clinical phase requires the administration of the therapeutic candidate in humans participating under informed consent (healthy volunteers and/or patients) in accordance with GCP requirements and under the supervision of qualified investigators who are typically physicians not under the control of the trial sponsor. Each clinical trial is conducted under a standardized protocol which details the trial objectives, subject selection criteria, study procedures, processes and parameters to monitor the trial safety and additional core procedures. Protocols are submitted to, and must be approved by, the appropriate regulatory bodies. In addition, the trial is reviewed by an independent ethics committee (an **"IEC"**)/ institutional review board (an **"IRB"**) who serve to ensure the trial is in the best interest of the trial subjects by ensuring the risks to participating individuals are minimized and reasonable as compared to the anticipated benefits. Each clinical trial may also require reporting information about the results from the trial to a public registry within the relevant jurisdiction. The sponsor is responsible for ensuring that registry data are updated in a timely manner, depending on the jurisdiction, with new information on: safety and, where feasible, efficacy reports; reasons for stopping a trial early; trial results in summary format.

Phase I - Phase I studies typically involve the first administration of the investigational product into healthy human volunteers or patients with the target disease. These studies are designed to test the safety, absorption, distribution, metabolism, excretion as well as tolerance of different doses of the investigational product in a relatively small number of subjects. They often also evaluate the pharmacokinetic effects of the test substance.

Phase II - Phase II trials are carried out on a limited patient population with the target disease. In Phase II, the objective of the trials is to continue to gather information on the safety and tolerability and side effect profile of the drug and to determine the drug's potential effectiveness to treat the target disease as well as determine optimal dosages and administration schedule. Phase IIa studies are typically conducted across a small number of clinical trial sites or centers (1-4 typically depending upon the number of subjects in the study) and often within one country, whereas Phase IIb studies are typically conducted across multiple clinical trial sites or centers and in a number of different countries to collect sufficient data to enable the product to progress to Phase III studies and subsequent marketing.

Phase III - Phase III clinical trials typically involve administering the investigational product to a larger patient population in order to assess treatment efficacy and additional safety of the selected dose(s) and dose regimen. These studies are typically multi-center and multi-country and are intended to assess if the overall risk/benefit ratio is sufficient for market approval of the product.

Phase IV - Post-approval studies, or Phase IV clinical trials, may be conducted after initial marketing approval. These studies are used to gain additional experience from the treatment of patients in the intended therapeutic indication and may be required by the applicable regulatory authority as a condition of approval.

Process for Approval of Clinical Trials

As a general rule, each of the UK, the US, the EU and Canada have similar regulatory processes for the Corporation to navigate in order to receive authorization to conduct a clinical trial in a specific jurisdiction.

An overview of the general process and requirements is set out below, including the Corporation's plans to manage such a process for an anticipated international, multi-site Phase II in at least one of its clinical stage assets, which is anticipated to have operations in multiple jurisdictions within the next 12 months.

1. Pre-CTA/IND Application Submission

The Corporation completed a robust screening process to select and onboard a CRO for a large multi-jurisdiction, multi-site Phase II trial. To date, the CRO has provided support with clinical site identification and feasibility across all selected jurisdictions ahead of a CTA and/or IND application submissions for a potential SPL026 Phase IIb clinical trial. This preparatory activity has identified potential sites that have/ will be able to acquire the necessary licences and are able to conduct a clinical trial with a controlled drug.

Clinical sites require applying for a handling licence for the relevant Scheduled substance (if not already obtained), which, for the Corporation, will need to include DMT. The Corporation intends to prioritize selecting sites that have the relevant licenses and previous experience of working with controlled substances; however, the selected CRO will provide support with the process to obtain a site licence to sites that do not have a valid license.

Further to the outcome of a planned strategic review by the Corporation on its development strategy of its lead candidates following the completion of the active trials, the Corporation anticipates additional preparatory work will be required with a CRO prior to regulatory submissions for at least one Phase II trial, and may include conducting additional work on site selection.

2. CTA/IND Submission

The Corporation intends to further utilize the guidance and expertise of the selected CRO, and regulatory affairs agency, to assist with the submission of a CTA/IND to the relevant regulators and other applicable bodies, including IECs and IRBs.

3. Post-CTA/IND Approval

Following approval, or if it has been deemed 'safe to proceed' by the relevant authorities, the selected clinical sites (that had been identified and assessed for feasibility and competency) are required to submit for study specific licences to the relevant governmental body and potentially additional state-level authorities using the protocol registration.

Upon a clinical trial site becoming active, which occurs when, amongst other things, the site receives its import license, the Corporation's CMOs will be able to export to an affiliate partner or distribution center who will coordinate distribution to the relevant sites. Export licences from the UK are valid for either: (A) two months; or (B) in accordance with the permit of the importing country. A new export licence is required for each individual shipment. Accordingly, the CMO will only apply for the necessary export licence pursuant to IND/CTA approval in the relevant jurisdiction following the acquisition of the necessary country-specific import permits. In general, exporting nations must obtain advance permission for each transnational shipment, typically in the form of an import permit or authorization from the competent government authority from each country to which they wish to ship the drug. The import permit/authorization must be received by the exporting nation's authorities prior to obtaining export authorization or shipping the drug.

The CRO will oversee the compliance requirements of a Phase II clinical trial and can provide support and guidance with, among other things:

- site qualification visits;
- training and assisting sites with managing the special security requirements and paperwork necessary for controlled substances, including individual state requirements during the identification and qualification process;
- review of quality systems at the selected site;
- initiation, interim monitoring and study closure visits;
- tracking shipments of controlled substances; and
- performing drug accountability, site adherence and documentation assistance.

Marketing Approval for Medicinal Products

Assuming successful completion of all clinical studies, the sponsor can submit an application for marketing authorization to the relevant regulatory bodies by submitting a data package that includes all results of the nonclinical and clinical trials in addition to detailed information relating to the chemistry, manufacturing processes and controls, including the proposed labelling information to be included on the product's packaging and any other relevant details. This application acts as a request for marketing approval for one or more clinical indications and must provide proof of the safety and efficacy of the drug in the proposed therapeutic indications. The application must include all results including negative and ambiguous data as well as the positive results from all nonclinical and clinical studies conducted. Sufficient data must be provided to satisfy the regulatory body that the drug is safe and effective for its proposed use, that the benefits of taking such a drug outweighs the potential risks associated with taking the drug, and that the drug is manufactured in a way that upholds its strength, quality, identity and purity. Approval of this submission is necessary to permit the sale and marketing of the drug within the relevant jurisdiction.

Post Marketing Phase

Often referred to as Phase IV trials, this refers to clinical trials conducted post marketing to gain additional data from the treatment of patients in the intended clinical indication. The data obtained generates additional safety and efficacy data on the product within the clinical setting. Such studies may be a condition imposed by the regulatory body as part of the marketing approval.

Chemistry, Manufacturing and Controls

Concurrent with nonclinical and clinical development, companies are required to finalize a standardized manufacturing process that enables the manufacturing of batches of the candidate product at sufficient quality and at scale in accordance with GMP requirements. This process involves acquiring adequate information about the chemistry and physical properties of the candidate and subsequently developing methods to test the identity, strength, quality and purity of the drug product. In addition, stability studies are conducted to ensure the product does not detrimentally deteriorate over the course of its shelf life.

Jurisdiction Specific Regulatory Obligations

United Kingdom

The MHRA is the regulatory authority responsible for clinical trial approvals, oversight, and inspections in the UK. The legislation in the UK is based on the EU Clinical Trials Directive and has been amended to reflect the UK's departure from the EU. It is necessary for the sponsor to obtain a CTA from the MHRA prior to initiating a clinical trial to be conducted in the UK.

In addition to an authorization by the MHRA, clinical trials for investigational medicinal products must receive a positive opinion from a REC. The REC acts in the interests of potential research participants and evaluates the possible risks and expected benefits to participants, thereby ensuring the dignity and rights of research participants are maintained and protected throughout their participation in a clinical trial. The ethical review includes an assessment of the suitability of each site or sites at which the research is to be conducted in the UK.

As of January 1, 2022, all new Clinical Trials of Investigational Medicinal Products applications are prepared, submitted and reviewed via the combined review service. This offers a single application route and coordinated review by MHRA and the REC, leading to a single UK decision. Applications must be submitted via the Integrated Research Application System ("**IRAS**"). The initial combined review assessment should be completed within 30 days of being submitted. If the sponsor or his/her designated legal representative is required to submit an amended application, the MHRA and REC decision will usually be provided within 60 days of receipt of the original application. Since January 1, 2022, the Health Research Authority ("**HRA**") automatically registers those clinical trials submitted through IRAS with the International Standard Randomised Controlled Trial Number ("**ISRCTN**") registry.

In the case of international studies with at least one UK site, an application for a CTA and opinion of the REC must be made in the UK, whether or not the study has been authorised and has a favourable ethical opinion from a committee outside the UK, and whether or not it has started outside the UK.

In March 2023, the government of the United Kingdom completed a consultation on reframing the UK legislation for clinical trials. However, new draft legislation has not yet been published.

Before granting a marketing authorization for a medicinal product, the MHRA must be satisfied that the therapeutic efficacy of the investigational drug has been established and that the positive benefits outweigh any risks to health. Following the UK's departure from the EU, the UK now has a freestanding regulatory system for approval of medicinal products, although Northern Ireland remains part of the EU-wide procedure. There are a number of assessment routes for applications in Great Britain and the UK, and the standard time for assessment is 210 days, although this can be reduced. Once approved, a marketing authorization is valid for five years. In addition, the MHRA may take decisions of the European Commission or national competent authorities in the EU into account when considering authorization of products in Great Britain. As in the EU, manufacturers, importers and distributors of medicines must obtain a license from the MHRA before they can carry out those activities. Brokers must be registered with the MHRA. In addition, the marketing authorization holder has ongoing pharmacovigilance obligations to monitor the safety of the medicinal products that it places on the market, which is overseen by the MHRA.

To date, the Corporation has submitted CTA applications to the MHRA for four clinical trials and received authorization to conduct the trials. In addition, the Corporation anticipates submitting a CTA for a Phase II study in at least one of its clinical stage assets; and (ii) anticipates pursuing further CTA submissions to the MHRA for future clinical trials of its portfolio, as necessary.

United States

The FDA is the regulatory authority that regulates clinical investigations of medical products in the US. Within this capacity, the FDA plays a role in reviewing and authorizing INDs to conduct clinical trials using investigational drug products. The conduct of all preclinical safety evaluations must comply with federal regulations and requirements including GLP requirement, as described above. The results of the preclinical studies, together with manufacturing information, analytical data, any available clinical data or literature as well as the comprehensive descriptions of proposed human clinical studies, are then submitted as part of an IND to the FDA.

The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions relating to the proposed clinical trial as outlined in the IND and places the IND on a clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. The FDA may also impose clinical holds on a pharmaceutical product candidate at any time before or during clinical trials due to safety concerns or non-compliance. Accordingly, the Corporation cannot be certain that submission of an IND will result in the FDA allowing clinical trials to begin, or that, once begun, issues will not arise that suspend or terminate such clinical trials. Prior to initiating dosing of a clinical study in the US, the Corporation must submit and receive approval of its IND as well as receive approval by an IRB at each clinical trial site.

Following completion of pivotal Phase III clinical studies, the sponsor assembles all the product development, preclinical and clinical data along with descriptions of the manufacturing process, analytical tests conducted on the chemistry of the pharmaceutical product, proposed labeling and other relevant information, and submits it to the FDA as part of a New Drug Application (an "**NDA**"). Following payment of user fees for the FDA review and receipt of the NDA, the FDA will determine within 60 days to accept the filing for review. Once accepted for filing, the FDA begins an in-depth review of the NDA. Under the goals and policies agreed to by the FDA under the Prescription Drug User Fee Act, the FDA targets ten months, from the filing date, in which to complete its initial review of a new molecular entity NDA and respond to the applicant, and six months from the filing date of a new molecular entity NDA for priority review. The FDA does not always meet its Prescription Drug User Fee Act goal dates for standard or priority NDAs, and the review process is often extended by FDA requests for additional information or clarification.

The FDA review and approval process includes satisfactorily completing one or more pre-approval inspections of the manufacturing facilities to ensure GMP compliance that ensure methods and controls are sufficient to preserve the identity, strength, quality and purity of the drug product. The process may also require the satisfactory completion of an FDA audit of the trial sites that generated the data included in the NDA.

In addition, the FDA may require submission of a Risk Evaluation and Mitigation Strategy which includes strategies such as physician communication plans, medication guides, patient registries, assessment plans as well as other tools that can serve to mitigate risks and optimize risk benefit ratio.

An application may also be referred to an advisory committee who serve as an independent panel of experts (clinical and scientific) that review, evaluate and recommend whether the application should be approved and under what conditions. While the FDA is not bound by such recommendations, it will consider the recommendations carefully.

Following evaluation of all related information, the FDA may issue an approval letter. An approval letter authorizes the commercial marketing of the drug for specific indications under specific prescribing instruction. In certain cases, a complete response letter may be issued which refers to a statement that sets out specific conditions that must be met prior to final approval. If and when these conditions are met to the satisfaction of the FDA, the FDA will typically issue an approval. However, the FDA may refuse to approve an NDA if the applicable regulatory criteria are not satisfied or may require additional clinical data or other data and information. Even if such data and information is submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. If a product receives regulatory approval, the approval may be limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling.

Any pharmaceutical products for which the Corporation receives FDA approvals would be subject to continuing regulation by the FDA under the *Federal Food, Drug and Cosmetic Act*, including, among other things, record-keeping requirements, reporting of adverse experiences with the product, providing the FDA with updated safety and efficacy information, product sampling and distribution requirements, complying with certain electronic records and signature requirements and complying with the FDA promotion and advertising requirements, which include, among others, standards for direct-to-consumer advertising, prohibitions on promoting pharmaceutical products for uses or in patient populations that are not described in the pharmaceutical product's approved labeling (known as "off-label use"), industry-sponsored scientific and educational activities and promotional activities involving the internet. Failure to comply with the FDA requirements can have negative consequences, including adverse publicity, enforcement letters from the FDA, mandated corrective advertising or communications with doctors and civil or criminal penalties.

The FDA also may require post-marketing testing, known as Phase IV testing, risk evaluation and mitigation strategies and surveillance to monitor the effects of an approved product or place conditions on an approval that could restrict the distribution or use of the product.

The Corporation does not currently conduct operations in the US. The Corporation has received scientific advice from the FDA regarding the clinical trial design of a potential Phase IIb clinical trial investigating SPL026 for the treatment of MDD and in Q2 2022 submitted for further scientific advice. The Corporation anticipates seeking scientific advice for SPL028 in anticipation of a potential Phase II study evaluating SPL028 in Q3 2023. The Corporation anticipates submitting an IND application to the FDA for a Phase II clinical trial of at least one of its clinical stage assets in 2024, and in the future may submit additional INDs for its pipeline candidates.[24]

European Union

The EU's medicines regulatory system is based on a network of approximately 50 regulatory authorities from its member states (plus Iceland, Liechtenstein and Norway), the European Commission and the EMA. Northern Ireland also remains part of this system. EU legislation requires that each EU member state operates within the same rules and requirements regarding the authorization and monitoring of medicines for human and veterinary use.

The EMA is a regulatory body responsible for the scientific evaluation and supervision of certain medicines developed for use in the EU. Its role includes evaluating marketing authorization applications of medicines for use in the EU and post-market surveillance. The EMA also gives product-specific scientific advice and protocol assistance to companies for the development of their therapeutic candidate.

In April 2014, the EU adopted the Clinical Trials Regulation, which started to apply on January 31, 2022 and replaced the previously applicable Clinical Trials Directive. The objective of the new legislation is to harmonize clinical trial authorization and conduct across the EU with a process that includes a centralized Clinical Trials Portal and Database through which all CTAs and communications can be managed. The new Clinical Trial Regulation is intended to help increase the efficiency of all trials in the EU in particular greatly benefiting trials conducted across multiple EU member states while also helping to avoid unnecessary duplication of clinical trials. As the UK left the EU before the Clinical Trials Regulation started to apply, this Regulation does not apply in the UK, and the UK authorities will not have access to the Clinical Trials Portal.

Under the Clinical Trials Directive, clinical trials were reported on the EudraCT database. With the start of application of the Clinical Trials Regulation, clinical trials will be reported on the Clinical Trials Database which is publicly available and contains details of all ongoing or completed clinical trials in the EU along with other trial-specific information and documents that were not previously publicly available on the EudraCT.

Medicinal products can either be authorized on an EU-wide basis following an assessment by the EMA and authorization by the European Commission, or can be authorized by the competent authorities in the Member States. In this case, where more than one competent authority is involved in the procedure, the assessment is carried out through a coordinated assessment between the Member States. In all cases, the marketing authorisation application should be identical, independent of the authorisation path (centralized, decentralized or purely national) and the standard time for assessment is 210 days. Once approved, a marketing authorization is generally initially valid for five years.

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[24]Ibid.

On April 26, 2023, as part of the EU Pharmaceutical Strategy, the European Commission published a proposal for a comprehensive revision of the EU pharmaceutical legislation (which will not apply in the UK). If adopted by the European Parliament and the Council, the new legislation is likely to significantly change the regulatory regime, impose new regulatory rules, conditions and requirements for the marketing of medicinal products, modulate the data protection and market exclusivity granted to such products and reform the structure, organization and tasks of the EMA. The adoption of the new legislation is not expected before 2024/2025 and is currently anticipated to start to apply 18 months after its entry in force.

Manufacturers, importers and distributors of medicines in the EU must be licensed before they can carry out those activities. Brokers must be registered with the national competent authority where they have their permanent address. The regulatory authorities of each EU member state are responsible for granting licenses for such activities taking place within their respective territories. In order to be imported into the EU, an API needs to be accompanied by a written confirmation issued by the competent authority of the country where it is produced, confirming that the GMP applied is at least equivalent to the recognized EU GMP standards. A waiver applies for some countries which have their regulatory systems for the supervision of manufacturers of APIs assessed by the EU and have been found to be equivalent to the EU. If the product is manufactured outside the EU and has been imported, it needs to undergo full analytical testing in the EU, unless a mutual recognition agreement is in place between the EU and the exporting country.

The EMA has a committee dedicated to the safety of medicines for human use, the Pharmacovigilance Risk Assessment Committee, which has a broad remit covering all aspects of pharmacovigilance. If there is a safety issue with a medicine that is authorized in more than one Member State, the same regulatory action is taken across the EU and patients and healthcare professionals in all Member States are provided with the same guidance. The EMA provides public access to reports of suspected side effects for centrally-authorized medicines in the European database of suspected drug-reaction reports. This website allows users to view all suspected side effect reports submitted to EudraVigilance.

While the Corporation does not currently conduct clinical operations in the EU, it may do so in the future. The Corporation may pursue a CTA from the competent authorities of the EU Member States for future clinical trials of its portfolio, including a CTA of a Phase II study in 2024 in at least one of its clinical stage assets. The Corporation has received scientific advice for a potential IV SPL026 Phase IIb trial, and may seek scientific advice for a potential SPL028 Phase II program in the future.

Canada

Health Canada is the competent authority responsible for clinical trial approvals, oversight, and inspections in Canada. CTAs are submitted to the Pharmaceutical Drugs Directorate (formerly, the Therapeutic Products Directorate) (the **"PDD"**) of Health Canada's Health Products and Food Branch (**"HPFB"**).

Once the HPFB completes its review, the department issues a No Objection Letter if the CTA is approved and grants permission to start testing the drug, generally first on healthy volunteers. However, Health Canada will not authorize the sponsor to begin the clinical trial until he/she submits a Research Ethics Board approval for each participating trial site. Sponsors should also register their clinical trials on one (1) of two (2) publicly accessible registries accepting international clinical trial information and recognized by the World Health Organization, ClinicalTrials.gov, and the International Standardized Randomized Controlled Trial Number Registry.

Phase II trials are carried out on people with the target condition, who are usually otherwise healthy, with no other medical condition. Trials carried out in Canada must be approved by the PDD. In Phase II, the objectives of the trials are to continue to gather information on the safety of the drug and begin to determine its effectiveness.

If the results from Phase II show promise, the manufacturer provides an updated CTA to the PDD for Phase III trials. The objectives of Phase III include determining whether the drug can be shown to be effective, and have an acceptable side effect profile, in people who better represent the general population. Further information will also be obtained on how the drug should be used, the optimal dosage regimen and the possible side effects.

If the results from Phase III continue to be favourable, New Drug Submissions following Phase III are submitted to the PDD and can be submitted regardless of whether the clinical trials were carried out in Canada. The PDD reviews all the information gathered during the development of the drug and assesses the risks and benefits of the drug. If it is judged that, for a specific patient population and specific conditions of use, the benefits of the drug outweigh the known risks, the HPFB will approve the drug by issuing a notice of compliance.

Health Canada also authorizes the manufacture and import of Investigational Products. The sponsor can be authorized to import an Investigational Product but must have a representative in Canada who is responsible for the import of the Investigational Product and demonstrate compliance to the applicable regulatory requirements. A copy of authorization of the trial by Health Canada must be provided at the port of entry.

While the Corporation does not currently conduct operations in Canada, it may do so in the future. The Corporation may pursue CTAs from Health Canada for future clinical trials investigating its pipeline candidates[25]

Legislation on Controlled Substances

United Kingdom

In the UK, there are two main **"layers"** of regulation with which products containing controlled substances must comply. These are:

(i) controlled drugs legislation, which applies to all products containing controlled substances irrespective of the type of product, and

(ii) the regulatory framework applicable to a specific category of products, in this case, pharmaceuticals

The API for SPL026 manufactured by the contract drug manufacturing organizations on behalf of the Corporation contains DMT as the fumarate salt.

In the UK, the MDA sets out a series of prohibitions and the penalties for unlawful production, possession and supply of controlled drugs based on three classes of risk (A, B and C). The MDR sets out the permitted uses of controlled drugs based on which Schedule (1 to 5) they fall within. DMT is considered a Class A drug under the MDA and as a Schedule 1 drug under the amended MDR.

Class A drugs are highly controlled and considered to be the most potentially harmful. They are deemed to be the most dangerous, and so carry the harshest punishments for unlawful manufacture, production, possession and supply. Schedule 1 drugs receive the most restrictive controls. They are generally considered to have no legitimate or medicinal use, and can only be imported, exported, produced, supplied and the like under a Home Office license. While exemptions do exist, none are applicable to DMT.

[25]Refer to footnote 2.

Even if granted a marketing authorization for SPL026 by the MHRA, DMT would still remain a Schedule 1 drug until rescheduled by the Home Office. Unless and until DMT is rescheduled under the MDR, and unless a statutory exemption were to be passed for SPL026 following the grant of a UK marketing authorization and before rescheduling, any prescribing doctors in the UK would require a Home Office license to prescribe SPL026. There can be no guarantee that such Home Office licenses would be granted or that rescheduling would be successful.

Additional legislation was more recently passed in order to address an increasing prevalence of psychoactive drugs designed to circumvent the MDA. The Psychoactive Substances Act 2016 (the **"PSA"**) prohibits certain activities regarding any psychoactive substance, defined in the PSA as a substance that produces a psychoactive effect, which by stimulating or depressing the central nervous system affects a person's mental functioning or emotional state.

Controlled substances are exempt from the PSA, which therefore does not apply to SPL026. SPL028 and SPL029 may fall within the MDR. If either SPL028 or SPL029 are found to fall outside of the MDR, the PSA may apply, subject to certain exemptions which apply to experimental medicines. Approved medicines are also exempt from the PSA, and therefore the Corporation does not expect that the PSA will apply to SPL028 or SPL029, if approved by the MHRA.

Licensing Requirements

All UK-based facilities involved in the manufacture, analytical testing, release and clinical testing of the Corporation's API or drug product need to hold appropriate Home Office licenses. All premises that are licensed in the manufacture, analytical testing, release and clinical testing of controlled drugs are required to adhere to detailed security standards.

Typically, when controlled drugs are being transported between licensees, responsibility for their security remains with the owner and does not transfer to either the courier or the customer until the drugs arrive at their destination and are signed for. However, where a third party is involved in the transit and/or storage of controlled drugs, even if they are not the legal owners, this party also carries responsibility for their security by virtue of being 'in possession' of them. Under the Home Office guidance, each organization involved in the movement of controlled drugs should have a standard operating procedure covering their responsibilities, record keeping, reconciliation and reporting of thefts/losses.

Two of the Corporation's CMOs, Onyx and Curia (previously AMRI Global) have the appropriate Home Office license to manufacture and hold controlled substances for the Corporation's R&D activities. Both the clinical research organizations being contracted by the Corporation to conduct its UK clinical trials, HMR and MAC have obtained a Home Office licence to receive, manufacture, store and administer Schedule 1 controlled substances.

Small Pharma currently holds the appropriate UK Home Office Licence required to sponsor clinical trials using Schedule I compounds.

United States

DMT is strictly controlled under the CSA. DMT is a Schedule 1 drug under the CSA, which means that it currently has no accepted medical use in the US; this reflects a lack of current accepted data on the safety for use under medical supervision. In addition to obtaining FDA approval of an IND as described above, anyone wishing to conduct research on substances listed in Schedule 1 under the CSA must register with the US Drug Enforcement Administration (the **"DEA"**), and obtain DEA approval for the use of the Schedule 1 substance for research purposes. The process for obtaining DEA approval for use of the Schedule 1 substance involves a complex regulatory pathway, including satisfactorily meeting the DEA's requirements for the security of manufacturing, distribution, and research sites. A failure to meet one or more of the DEA's requirements would likely result in significant delays in proceeding with clinical trials.

European Union

DMT is illegal in EU member states according to the 1971 Convention on Psychotropic Substances of the United Nations and appears on the Green List of the International Narcotics Control. Following these, the production and trade of DMT is prohibited. International conventions take precedence over national laws. If the convention outlaws any substance, a country technically cannot legalise it; it can choose not to enforce the laws. But if the convention does not outlaw a substance, that does not mean that a country cannot choose to outlaw a substance if it so chooses. As such, the position in relation to controlled substances differs in the EU Member States, and it will be necessary for the Corporation to consider and understand the laws relevant in any country in which it intends to market any product that may be authorised.

The EU has also adopted laws governing the import, manufacture, distribution, use and sale of drug precursors, which may include DMT, in relation to the manufacturing of medicinal products. Notwithstanding the EU framework governing the authorization and marketing of medicinal products, the EU Member States are permitted to subject medicinal products containing DMT to more strict rules concerning their prescription, sale, distribution, promotion and/or distribution of samples.

Canada

DMT is a schedule III drug in Canada under CDSA.

In Canada, oversight of healthcare is divided between the federal and provincial governments. The federal government is responsible for regulating, among other things, the approval, import, sale, and marketing of drugs such as DMT and other psychedelic substances, whether natural or novel. The provincial/territorial level of government has authority over the delivery of health care services, including regulating health facilities, administering health insurance plans such as the Ontario Health Insurance Plan, distributing prescription drugs within the province, and regulating health professionals such as doctors, psychologists, psychotherapists and nurse practitioners. Regulation is generally overseen by various colleges formed for that purpose, such as the College of Physicians and Surgeons of Ontario.

Certain psychoactive compounds, such as DMT, are considered controlled substances under Schedule III of the CDSA. In order to conduct any scientific research, including preclinical and clinical trials, using psychoactive compounds listed as controlled substances under the CDSA, an exemption under Section 56 of the CDSA (**"Section 56 Exemption"**) is required from the Health Minister. This exemption allows the holder to possess and use the controlled substance without being subject to the restrictions set out in the CDSA. As of the date hereof, the Corporation has not applied for a Section 56 Exemption from Health Canada.

The possession, sale or distribution of controlled substances is prohibited unless specifically permitted by the government. A party may seek government approval for a Section 56 Exemption to allow for the possession, transport or production of a controlled substance for medical or scientific purposes.

Products that contain a controlled substance such as DMT cannot be made, transported or sold without proper authorization from the government. A party can apply for a Dealer's License under the Food and Drug Regulations (Part J). In order to qualify as a licensed dealer, a party must meet all regulatory requirements mandated by the regulations including, but not limited to 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 and the Food and Drugs Regulations) 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 Part J in the Food and Drugs Regulations (see s. J.01.009 (1) of the Food and Drug Regulations). If the Corporation establishes R&D activities in Canada in the future, the Corporation intends to sponsor and work with licensed third parties to conduct any clinical trials and research, and would not handle controlled substances. If the Corporation were to conduct this work without the reliance on third parties it would need to obtain additional licenses and approvals described above.

RISK FACTORS

There are various risk factors that could cause the Corporation's future results to differ materially from those described in this AIF. The risks and uncertainties described below are those the Corporation currently believes to be material, but they are not the only ones it faces. If any of the following risks, or any other risks and uncertainties that the Corporation has not yet identified or that it currently considers not to be material, actually occur or become material risks, the Corporation's business, financial condition, results of operations and cash flows, and consequently the price of the Common Shares, could be materially and adversely affected. The risks discussed below also include forward-looking statements and the Corporation's actual results may differ substantially from those discussed in these forward-looking statements. See "*Note Regarding Forward-Looking Statements*".

Risks Pertaining to the Corporation's Financial Position and Need for Additional Capital

Limited Operating History

The Corporation has a limited operating history upon which its business and future prospects will be evaluated. The Corporation will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Corporation to meet future operating requirements, it will need to be successful in its growth, marketing and sales efforts. Additionally, where the Corporation experiences increased production and future sales, its current operational infrastructure may require changes to scale its business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If the Corporation's products and services are not accepted by new customers, the Corporation's operating results may be materially and adversely affected.

Since formation, the Corporation has invested most of its resources in developing a portfolio of compounds targeted for the treatment of mental health challenges, building its intellectual property portfolio, conducting business planning, raising capital and providing administrative support for these operations. The Corporation has not yet demonstrated an ability to conduct later-stage clinical trials, partner their late stage development, sell or out-licence any of its assets, obtain regulatory approvals, manufacture a commercial-scale product, conduct sales and marketing activities necessary for successful product commercialization.

The Corporation may encounter unforeseen expenses, difficulties, complications, delays and other known or unknown factors in achieving its business objectives. The Corporation will eventually need to transition from a company with a development focus to a company capable of supporting commercial activities. The Corporation may not be successful in such a transition.

Clinical-Stage Biotechnology Company with History of Losses Since Inception

The Corporation is a clinical-stage biotechnology company and has not generated any sales revenue from any candidates in development. The Corporation has incurred operating losses since its formation. The Corporation incurred total net losses of $24,685,567, and $22,278,657, respectively, for the fiscal years ended February 28, 2023 and 2022. The Corporation's historical losses resulted principally from costs incurred in connection with R&D activities and general and administrative costs associated with its operations. In the future, the Corporation intends to continue to conduct R&D, nonclinical testing, clinical trials, regulatory compliance, market access, commercialization and business development activities that, together with anticipated general and administrative expenses, will result in incurring further significant losses for at least the next several years. The Corporation's expected losses, among other things, may continue to cause its working capital and shareholders' equity (deficit) to decrease. The Corporation anticipates that its expenses will increase substantially if and as the Corporation, among other things:

- continues the clinical development of the Corporation's current and future therapeutic candidates including initiating additional and larger clinical trials;
- continues to facilitate the training of therapists who are qualified to deliver the Corporation's current and future therapeutic candidates in the Corporation's clinical trials;
- seeks additional indications for the Corporation's current therapeutic candidate;
- seeks regulatory approvals for any future therapeutic candidates that successfully complete clinical trials;
- experiences heightened regulatory scrutiny;
- explores external business development opportunities through acquisitions, partnerships, licensing deals to add future therapeutic candidates and technologies to the Corporation's portfolio;
- obtains, maintains, expands and protects the Corporation's intellectual property portfolio, including litigation costs associated with defending against alleged patent or other intellectual property infringement claims;
- adds clinical, scientific, operational, financial and management information systems and personnel, including personnel to support the Corporation's therapeutic development and potential future commercialization efforts;
- experiences any delays or encounters any issues with respect to any of the above, including failed studies, ambiguous trial results, safety issues or other regulatory challenges;
- expands the Corporation's operations in the UK, the US, the EU and Canada and potential other geographies in the future;
- incurs additional legal, accounting and other expenses associated with operating as a public company listed in Canada;
- establishes a sales, marketing and distribution infrastructure and scale-up manufacturing capabilities to commercialize any therapeutic candidates for which the Corporation may obtain regulatory approval or partners with other companies and / or governmental, supranational, non-profit and academic institutions or organisations through partnership, out-licensing or other agreements to do so;

- establishes and expands the network of public healthcare institutions and private clinics that administer the Corporation's therapeutic candidates in conjunction with support therapy; and

- advances its commercialization strategy in North America and Europe, including using digital technologies to enhance the Corporation's proposed therapeutic offering.

Because of the numerous risks and uncertainties associated with therapeutic development, the Corporation is unable to accurately predict the timing or amount of increased expenses or when, or if, the Corporation will be able to achieve profitability. If the Corporation is required by the MHRA, the EMA, the FDA or other comparable foreign authorities to perform studies in addition to those the Corporation currently anticipates, or if there are any delays in completing the Corporation's clinical trials or the development of the Corporation's current or any future therapeutic candidates, the Corporation's expenses could increase beyond current expectations and revenue could be further delayed.

To date, the Corporation has funded its operations through private placements of equity, convertible notes, as well as grant funding, and consultancy in its early years. To become and remain profitable, the Corporation will need to continue developing and eventually commercialize therapies that generate significant revenue. Even if the Corporation or any future collaborators do generate sales, the Corporation may never achieve, sustain or increase profitability on a quarterly or annual basis. The Corporation's failure to sustain profitability would depress the market price of the Common Shares and could impair the Corporation's ability to raise capital, expand the Corporation's business, diversify the Corporation's therapeutic offerings or continue the Corporation's operations. If the Corporation continues to suffer losses, investors may not receive any return on their investment and may lose their entire investment.

Additional Capital Requirements

To date, the Corporation and SPL has funded its operations through predominantly private placements of equity and convertible notes in addition to revenue generated from grant funding and consultancy in its early years. The Corporation expects to require substantial additional funding in the future to sufficiently finance its operations and advance development of its current and/or any future therapeutic candidates. Further, changing circumstances, some of which may be beyond the Corporation's control, could cause the Corporation to consume capital significantly faster than the Corporation currently anticipates, and the Corporation may need to seek additional funds sooner than planned. The Corporation's future funding requirements, both short-term and long-term, will depend on many factors, including:

- the progress, timing and completion of nonclinical testing and clinical trials for the Corporation's current and future therapeutic candidates;

- the outcome, timing and cost of seeking and obtaining regulatory approvals from the MHRA, the EMA, the FDA, the PDD, if applicable, or other comparable foreign authorities, including the potential for such authorities to require that the Corporation perform more nonclinical studies or clinical trials than those that the Corporation currently expects or change their requirements on studies that had previously been agreed to;

- the number of potential future therapeutic candidates identified and developed, either internally through the Corporation's R&D efforts or externally through acquisitions, licensing or other collaboration agreements;

- the costs involved in growing the Corporation's organization to the size needed to allow for the research, development and potential commercialization of the Corporation's current and any future therapeutic candidates;

- the costs of training therapists who are supporting or will support the Corporation's clinical trials;

- generating and collecting data and intellectual property; and strengthening the Corporation's regional presence as a scientific and clinical resource;

- the costs of developing and testing potential digital technology solutions;

- the costs involved in filing patent applications and maintaining and enforcing patents or defending against claims of infringements raised by third parties;

- the time and costs involved in obtaining regulatory approval for the Corporation's current or any future therapeutic candidates, and any delays the Corporation may encounter as a result of evolving regulatory requirements or adverse results with respect to its current or any future therapeutic candidates;

- selling and marketing activities undertaken in connection with the potential commercialization of the Corporation's current or any future therapeutic candidates, if approved, and costs involved in the creation of an effective sales and marketing organization;

- the amount of revenue, if any, the Corporation may derive either directly or in the form of royalty payments from future sales of its current or any future therapeutic candidates, if approved;

- the costs of operating as a public company; and

- whether the Corporation considers generating revenue from consulting based activities in the future.

Until the Corporation can generate sufficient revenue to finance its cash requirements, which the Corporation may never do, the Corporation expects to finance its future cash needs through a combination of equity offerings, grant funding, revenue generating consultancy, debt financings, strategic collaborations and alliances, licensing arrangements or monetization transactions.

The Corporation's ability to raise additional funds will depend on financial, economic and market conditions and other factors, over which the Corporation may have no or limited control. If adequate funds are not available on commercially acceptable terms when needed, the Corporation may be forced to delay, reduce or terminate the development or commercialization of all or part of its research programs or its current or any future therapeutic candidate, or the Corporation may be unable to take advantage of future business opportunities. Market volatility resulting from any future pandemics and the related global economic impact or other factors could also adversely impact the Corporation's ability to access capital as and when needed.

The Corporation cannot guarantee that future financing will be available in sufficient amounts, or on commercially reasonable terms, or at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of holders of the Common Shares, the issuance of additional securities, whether equity or debt, by the Corporation, or the possibility of such issuance, may cause the market price of the Common Shares to decline. The incurrence of indebtedness could result in increased fixed payment obligations and the Corporation may be required to agree to certain restrictive covenants, such as limitations on its ability to incur additional debt, limitations on its ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact the Corporation's ability to conduct its business. The Corporation could also be required to seek funds through arrangements with collaborators or others at an earlier stage than otherwise would be desirable and the Corporation may be required to relinquish rights to its current or any future therapeutics candidates or otherwise agree to terms unfavorable to the Corporation, any of which may have a material adverse effect on the Corporation's business, operating results and prospects. Further, any additional fundraising efforts may divert the Corporation's management from its day-to-day activities, which may adversely affect the Corporation's ability to develop and commercialize its current or any future therapeutic candidates.

In addition, heightened regulatory scrutiny could have a negative impact on the Corporation's ability to raise capital. The Corporation's business activities rely on developing laws and regulations in multiple jurisdictions. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Corporation's current or any future therapeutic candidates may adversely affect the Corporation's business and operations, including without limitation, the Corporation's ability to raise additional capital.

Speculative Nature of Investment Risk

An investment in the securities of the Corporation carries a high degree of risk and should be considered as a speculative investment. The Corporation has no history of earnings, limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future.

Costs of Operating as a Public Company

As a public company, the Corporation incurs significant legal, accounting and other expenses. As a public company, the Corporation is subject to various securities rules and regulations, which impose various requirements on the Corporation, including the requirement to establish and maintain effective disclosure and financial controls and corporate governance practices. The Corporation's management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations increase the Corporation's legal and financial compliance costs and make some activities more time-consuming and costly.

Use of Funds

As the Corporation further expands its business, it is possible that results and circumstances may dictate a departure from the current expected uses of funds. Further, the Corporation may, from time to time, as opportunities arise, utilize its financial resources to participate in additional opportunities that arise and fit within the Corporation's broader objectives, as a means of advancing shareholder value.

Risks Pertaining to the Corporation's Business and Industry

Early Stage of the Industry and Product Development

The clinical efficacy of the Corporation's pipeline products have not been confirmed and require further rigorous development. Given the early stage of its product development programs, the Corporation can make no assurance that its R&D programs will result in regulatory approval or commercially viable products. To achieve profitable operations, the Corporation, alone or with others, must successfully develop, gain regulatory approval for, and market its future products. The Corporation currently has no products that have been approved by the MHRA, the EMA, the FDA, the PDD, if applicable, and other comparable foreign authorities. To obtain regulatory approvals for its product candidates being developed and to achieve commercial success, clinical trials must demonstrate that the product candidates are safe for human use and that they demonstrate efficacy.

Many product candidates never reach the stage of clinical testing and even those that do have only a small chance of successfully completing clinical development and gaining regulatory approval. Product candidates can fail for a number of reasons, including, but not limited to, being unsafe for human use or due to the failure to provide therapeutic benefits equal to or better than the current standard of treatment at the time of testing. Unsatisfactory results obtained from a particular study relating to a R&D program may cause the Corporation or its collaborators to abandon commitments to that program. Positive results of early nonclinical research may not be indicative of the results that will be obtained in later stages of nonclinical or clinical research. Similarly, positive results from early-stage clinical trials may not be indicative of favourable outcomes in later-stage clinical trials, and the Corporation can make no assurance that any future studies, if undertaken, will yield favourable results.

The early stage of the Corporation's product development makes it particularly uncertain whether any of its product development efforts will prove to be successful and meet applicable regulatory requirements, and whether any of its product candidates will receive the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or be successfully marketed. If the Corporation is successful in developing its current and future product candidates into approved products, it will still experience many potential obstacles, which would affect its ability to successfully market and commercialize such approved products, such as the need to develop or obtain manufacturing, marketing and distribution capabilities, price pressures from third-party payors, or proposed changes in health care systems. If the Corporation is unable to successfully market and commercialize any of its products, its financial condition and results of operations may be materially and adversely affected.

The Corporation can make no assurance that any future studies, if undertaken, will yield favorable results. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in later-stage clinical trials after achieving positive results in early-stage development, and the Corporation cannot be certain that it will not face similar setbacks. These setbacks have been caused by, among other things, nonclinical findings made while clinical trials were underway or safety or efficacy observations made in clinical trials, including previously unreported adverse events. Moreover, nonclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in nonclinical studies and clinical trials nonetheless failed to obtain approval from the MHRA, the EMA, the FDA, the PDD, if applicable, and other comparable foreign authorities. If the Corporation fails to produce positive results in future clinical trials and other programs, the development timeline and regulatory approval and commercialization prospects for the Corporation's leading product candidates, and, correspondingly, its business and financial prospects, would be materially adversely affected.

Nonclinical testing and clinical trials for the Corporation's products may not achieve the desired results. The results of nonclinical testing and clinical trials are uncertain. Product approvals are subject to a number of contingencies and may not be obtained in the time expected or at all. The Corporation's products may not attract a following among patients, health professionals and/or providers. The Corporation expects to face an inherent risk of exposure to product liability claims, regulatory action and litigation if the products it plans to distribute are alleged to have caused loss or injury. There can be no assurance that the Corporation will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities.

The Corporation's business relies on its ability to access, develop, and sell DMT-based compounds and other psychedelic compounds. DMT and other psychedelics compounds are controlled substances in many jurisdictions, including in the UK, the EU, the US, and Canada. The Corporation may face difficulty accessing the public capital markets in Canada as a result of the response of regulators, stock exchanges, and other market participants to the Corporation's development and sale of a controlled substance. The Corporation may also have limited access to traditional banking services, as well as limited access to debt financing from traditional institutional lenders.

Negative operating cash flow and going concern

The Corporation has negative cash flow from operating activities and has historically incurred net losses. There is no assurance that sufficient revenues will be generated in the near future. To the extent that the Corporation has negative operating cash flows in future periods, it may need to deploy a portion of its existing working capital to fund such negative cash flows. The Corporation will be required to raise additional funds through the issuance of additional equity securities or through loan financing. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Corporation as those previously obtained, or at all. The Corporation's ability to successfully raise additional capital and maintain liquidity may by impaired by factors outside of its control, such as a shift in consumer attitudes towards certain therapeutic methods or a downturn in the economy.

Any inclusion in the Corporation's financial statements of a going concern opinion may negatively impact the Corporation's ability to raise future financing and achieve future revenue. The threat of the Corporation's ability to continue as a going concern will be removed only when, in the opinion of the Corporation's auditor, the Corporation's revenues have reached a level that is able to sustain its business operations. If the Corporation is unable to obtain additional financing from outside sources and eventually generate enough revenues, the Corporation may be forced to sell a portion or all of the Corporation's assets, or curtail or discontinue the Corporation's operations. If any of these events happen, you could lose all or part of your investment. The Corporation's financial statements do not include any adjustments to the Corporation's recorded assets or liabilities that might be necessary if the Corporation becomes unable to continue as a going concern.

Limited Product Scope

The Corporation will be heavily reliant on the production and distribution of psychedelic-based products. If they do not achieve sufficient market acceptance, it will be difficult for the Corporation to achieve profitability.

The Corporation's future revenue may be derived in large part from the sales of psychedelic-based medicines, either directly or indirectly through partnership, sale, out licensing or other agreements.

Even if the medicines to be distributed by the Corporation conform to international safety and quality standards, sales could be adversely affected if patients, health professionals and/or providers in target markets lose confidence in the safety, efficacy, and quality of its psychedelic based medicines. Adverse publicity about psychedelic treatments may discourage health providers from offering DMT therapy as a treatment as well as discourage patients from agreeing to undergo such treatment.

Limited Marketing and Sales Capabilities

The Corporation will, for the immediate future, have limited marketing and sales capabilities, and there can be no assurance that it will be able to develop or acquire these capabilities at the level needed to produce and deliver for sale, through industry partners, its products in sufficient commercial quantities. Further, there can be no assurance that the Corporation, either on its own or through arrangements with other industry participants, will be able to develop or acquire such capabilities on a cost-effective basis, or at all. Finally, there can be no assurance that the Corporation's industry partners will be able to market or sell the Corporation's products in compliance with requisite regulatory protocols or on a cost-effective basis. The Corporation's dependence upon third parties for the production, and marketing or sale, as applicable, of the Corporation's products could have a material adverse effect on the Corporation's business, financial condition and results of operations.

No Assurance of Commercial Success

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

No Profits or Significant Revenues

The Corporation has no history upon which to evaluate its performance and future prospects. The Corporation's proposed operations are subject to all the business risks associated with new enterprises. These include likely fluctuations in operating results as the Corporation makes significant investments in research, development and product opportunities, and reacts to developments in its market, including purchasing patterns of customers, and the entry of competitors into the market. The Corporation will only be able to pay dividends on any shares once its directors determine that it is financially able to do so. The Corporation cannot make any assurance that it will be profitable in the next three years or generate sufficient revenues to pay dividends to the holders of the Common Shares.

Risk of Partnering or Out-licensing products; Lack of Commercialization Experience

The Corporation may select to partner one or more products prior to late stage clinical development, or choose to out-licence one or more products during the course of their development plans. A strategy to partner or out-license products requires significant management resources and expense to negotiate such out-licencing deals and the Corporation may fail in identifying a suitable third party. If the Corporation enters into arrangements with third parties to perform market access and commercial services for any approved therapies, the revenue or the profitability of these revenues to the Corporation could be lower than if the Corporation were to commercialize any therapies that the Corporation develops itself. Such collaborative arrangements may place the commercialization of any approved therapies outside of the Corporation's control and would make the Corporation subject to a number of risks including that the Corporation may not be able to control the amount or timing of resources that the Corporation's collaborative partner devotes to the Corporation's therapies or that the Corporation's collaborator's willingness or ability to complete its obligations, and the Corporation's obligations under the Corporation's arrangements may be adversely affected by business combinations or significant changes in the Corporation's collaborator's business strategy. The Corporation may not be successful in entering into arrangements with third parties to commercialize the Corporation's therapies or may be unable to do so on terms that are favorable to the Corporation. Acceptable third parties may fail to devote the necessary resources and attention to commercialize the Corporation's therapies effectively, to set up sufficient number of treatment centers in third-party therapy sites, or to recruit, train and retain adequate number of therapists to administer the Corporation's therapies. In addition, the Corporation may explore ways in which it can use digital technology to facilitate the development of or to compliment its therapies. Commercialization partners may lack incentives to promote any future digital technology adopted by the Corporation and the Corporation may face difficulties in implementing its digital technologies in third-party therapy sites through such third parties.

The Corporation may also plan to assemble a sales and marketing infrastructure; however, the Corporation has limited experience as an organization in the sale or marketing of therapeutic candidates. Should the Corporation progress towards this commercial strategy, in order to achieve commercial success for any approved therapy, the Corporation will need to develop or acquire a sales and marketing organization, outsource these functions to third parties or enter into partnerships.

Alternatively, if a product is approved for commercial sale, the Corporation may decide to establish its own market access and commercialization capabilities in primary markets in Europe and North America. In select geographies, the Corporation might also consider relying on the support of a contract sales organization, or enter into commercialization arrangements with companies with relevant commercialization capabilities. There are risks involved in establishing the Corporation's own sales and marketing capabilities, as well as with entering into arrangements with third parties to perform these services. Even if the Corporation establishes sales and marketing capabilities, the Corporation may fail to launch the Corporation's therapies effectively or to market the Corporation's therapies effectively since the Corporation has limited organizational experience in the sales and marketing of therapeutic substances. In addition, recruiting and training a sales force is expensive and time-consuming, and could delay any therapeutic launch. In the event that any such launch is delayed or does not occur for any reason, the Corporation would have prematurely or unnecessarily incurred these commercialization expenses, and the Corporation's investment would be lost if the Corporation cannot retain or reposition the Corporation's sales and marketing personnel. Factors that may inhibit the Corporation's efforts to commercialize the Corporation's therapies on the Corporation's own include:

- the Corporation's inability to gain access to an adequate number of therapists to meet the demand for DMT therapy;
- the inability of therapists to perform their roles consistently with the Corporation's training and the Corporation's guidelines for the administration of the Corporation's future therapeutic products;
- the Corporation's inability to recruit, train and retain effective market access and commercial personnel;
- the inability of commercial personnel to obtain access to or educate adequate numbers of physicians on the benefits of prescribing any future therapies;
- the Corporation's inability to identify a sufficient number of treatment centers in third-party therapy sites to meet the demands of the Corporation's therapies;
- unforeseen costs and expenses associated with creating an independent market access and commercial organization; and
- costs of market access and commercialization above those anticipated by the Corporation.

If the Corporation enters into arrangements with third parties to perform market access and commercial services for any approved therapies, the revenue or the profitability of these revenue to the Corporation could be lower than if the Corporation were to commercialize any therapies that the Corporation develops itself. Such collaborative arrangements may place the commercialization of any approved therapies outside of the Corporation's control and would make the Corporation subject to a number of risks including that the Corporation may not be able to control the amount or timing of resources that the Corporation's collaborative partner devotes to the Corporation's therapies or that the Corporation's collaborator's willingness or ability to complete its obligations, and the Corporation's obligations under the Corporation's arrangements may be adversely affected by business combinations or significant changes in the Corporation's collaborator's business strategy. The Corporation may not be successful in entering into arrangements with third parties to commercialize the Corporation's therapies or may be unable to do so on terms that are favorable to the Corporation. Acceptable third parties may fail to devote the necessary resources and attention to commercialize the Corporation's therapies effectively, to set up sufficient number of treatment centers in third-party therapy sites, or to recruit, train and retain adequate number of therapists to administer the Corporation's therapies. In addition, the Corporation may explore ways in which the Corporation can use digital technology to improve the patient experience and therapeutic outcomes of the Corporation's therapies. Commercialization partners may lack incentives to promote the Corporation's digital technology and the Corporation may face difficulties in implementing the Corporation's digital technologies in third-party therapy sites through such third parties.

If the Corporation does not establish commercial capabilities successfully, either on the Corporation's own or in collaboration with third parties, the Corporation may not be successful in commercializing the Corporation's therapies, which in turn would have a material adverse effect on the Corporation's business, prospects, financial condition and results of operations.

Achieving Publicly Announced Milestones

From time to time, the Corporation may announce the timing of certain events it expects to occur, such as the anticipated timing of results from clinical trials. These statements are forward-looking and are based on the best estimates of management at the time relating to the occurrence of such events. However, the actual timing of such events may differ from what has been publicly disclosed. The timing of events such as initiation or completion of a clinical trial, filing of an application to obtain regulatory approval, or announcement of additional clinical trials for a product candidate may ultimately vary from what is publicly disclosed. Any variation in the timing of previously announced milestones could have a material adverse effect on the Corporation's business plan, financial condition or operating results and the trading price of the Common Shares.

Market Access and Acceptance

The Corporation may never have a therapy that is commercially successful. To date, the Corporation has no therapy authorized for marketing. The Corporation's future therapeutic products require further clinical investigation, regulatory review, significant market access and marketing efforts and substantial investment before it can produce any revenue. Furthermore, if approved, the Corporation's therapy may not achieve an adequate level of acceptance by payors, health technology assessment bodies, healthcare professionals, patients and the medical community at large, and the Corporation may not become profitable. The level of acceptance the Corporation ultimately achieves may be affected by negative public perceptions and historic media coverage of psychedelic substances, including DMT. Because of this history, efforts to educate the medical community and third-party payors and health technologies assessment bodies on the benefits of the Corporation's therapeutic compounds may require significant resources and may never be successful, which would prevent the Corporation from generating significant revenue or becoming profitable. Market acceptance of the Corporation's future therapies by healthcare professionals, patients, healthcare payors and health technology assessment bodies will depend on a number of factors, many of which are beyond the Corporation's control, including, but not limited to, the following:

- acceptance by healthcare professionals, patients and healthcare payors of each therapy as safe, effective and cost-effective;
- changes in the standard of care for the targeted indications for any therapeutic candidate;
- the strength of sales, marketing and distribution support;
- potential product liability claims;
- the therapeutic candidate's relative convenience, ease of use, ease of administration and other perceived advantages over alternative therapies;
- the prevalence and severity of adverse events or publicity;

- limitations, precautions or warnings listed in the summary of therapeutic characteristics, patient information leaflet, package labeling or instructions for use;
- the cost of treatment with the Corporation's therapy in relation to alternative treatments;
- the steps that prescribers and dispensers must take, as well as the perceived risks based upon its controlled substance status;
- the ability to manufacture the Corporation's product in sufficient quantities and yields with adequate purity;
- the availability and amount of coverage and reimbursement from healthcare payors, and the willingness of patients to pay out of pocket in the absence of healthcare payor coverage or adequate reimbursement;
- the willingness of the target patient population to try, and of healthcare professionals to prescribe, the therapy;
- any potential unfavorable publicity, including negative publicity associated with recreational use or abuse of DMT;
- any restrictions on the use, sale or distribution of the Corporation's future therapeutic candidates;
- the extent to which therapies are approved for inclusion and reimbursed on formularies of hospitals and managed care organizations; and
- whether the Corporation's therapies are designated under physician treatment guidelines or under reimbursement guidelines as a first-line, second-line, third-line or last-line therapy.

If the Corporation's future therapeutic candidates fail to gain market access and acceptance, this will have a material adverse impact on the Corporation's ability to generate revenue to provide a satisfactory, or any, return on the Corporation's investments. Even if some therapies achieve market access and acceptance, the market may prove not to be large enough to allow the Corporation to generate significant revenue.

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

Unfavourable Publicity or Consumer Perception

The Corporation believes the psychedelic drug industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of psychedelic products. Consumer perception of the Corporation's psychedelic products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of psychedelics. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the psychedelic drug industry or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Corporation's psychedelic products and the business, results of operations, financial condition and cash flows of the Corporation. The Corporation's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Corporation, the demand for the Corporation's psychedelic products, and the business, results of operations, financial condition and cash flows of the Corporation. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of psychedelic products in general, or the Corporation's psychedelic products and services specifically, or associating the consumption of psychedelics with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to take such products legally, appropriately or as directed.

The psychedelic medicine industry is highly dependent upon consumer perception regarding the medical benefits, safety, efficacy and quality of the DMT distributed for medical purposes to such consumers. There can be no assurance that future scientific research or findings on the medical benefits, viability, safety, efficacy and dosing of DMT or any of the Corporation's other psychedelic medicines to enter into clinical trials, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the industry or the Corporation or any particular product, or consistent with earlier publicity.

Pandemics, Epidemics and Other Health Risks

Pandemics, epidemics and other health risks could have an adverse effect on the Corporation's business. Pandemics, epidemics and other health risks could occur, which could adversely affect the Corporation's ability to conduct its operations as currently conducted, or the ability of suppliers to provide the Corporations with products and services needed to operate the business.

Pandemics, epidemics and other health risks could have an adverse effect on the economy and financial markets, resulting in a decline of commercial activity. Any of these events could have an adverse effect on the Corporation's business and financial performance.

Social Media

There has been a marked increase in the use of social media platforms and similar channels that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. Information posted about the Corporation may be adverse to the Corporation's interests or may be inaccurate, each of which may harm the Corporation's business, financial condition and results of operations.

Biotechnology and Pharmaceutical Market Competition

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. The Corporation's competitors include large, well-established pharmaceutical companies, biotechnology companies, and academic and research institutions developing therapeutics for the same indications the Corporation is targeting and competitors with existing marketed therapies. Current marketed products and therapies include antidepressants such as SSRIs, SNRIs, antipsychotics, cognitive behavioural therapy, electroconvulsive therapy, and esketamine and ketamine. Many other companies are developing or commercializing therapies to treat the same diseases or indications for which the Corporation's product candidates may be useful. In addition, risk of direct competition is heightened due to the nature of DMT as a naturally occurring known substance that is not subject to primary Composition of Matter patent protection, which may enable competitors to develop alternate substitutes of SPL026. Further, the Corporation is aware of potential direct competition with respect to its second-generation pipeline, including SPL028, with other companies exploring deuterated DMT candidates and other tryptamine-based therapeutics.

Many of the Corporation's competitors have substantially greater financial, technical and human resources than the Corporation does and have significantly greater experience than the Corporation in conducting nonclinical testing and human clinical trials of product candidates, scaling up manufacturing operations and obtaining regulatory approvals of products. Accordingly, the Corporation's competitors may succeed in obtaining regulatory approval for products more rapidly than the Corporation does. The Corporation's ability to compete successfully will largely depend on:

- the efficacy and safety profile of its product candidates relative to marketed products and other product candidates in development;
- the Corporation's ability to develop and maintain a competitive position in the product categories and technologies on which it focuses;
- the time it takes for the Corporation's product candidates to complete clinical development and receive marketing approval;
- the Corporation's ability to partner and/or outlicense product candidates for late stage development;
- the Corporation's ability to obtain required regulatory approvals;
- the Corporation's ability to commercialize any of its product candidates that receive regulatory approval;
- the Corporation's ability to establish, maintain and protect intellectual property rights related to its product candidates; and
- acceptance of any of the Corporation's product candidates that receive regulatory approval by physicians and other healthcare providers and payers.

Competitors have developed and may develop technologies that could be the basis for products that challenge the discovery research capabilities of products the Corporation is developing. Some of those products may have an entirely different approach or means of accomplishing the same desired therapeutic effect as the Corporation's product candidates and may be more effective or less costly than its product candidates. The success of the Corporation's competitors and their products and technologies relative to the Corporation's technological and R&D capabilities and competitiveness could have a material adverse effect on the future nonclinical studies and clinical trials of the Corporation's product candidates, including its ability to obtain the necessary regulatory approvals for the conduct of such clinical trials. This may further negatively impact the Corporation's ability to generate future product development programs using psychedelic based compounds.

If the Corporation is not able to compete effectively against its current and future competitors, the Corporation's business will not grow, and its financial condition and operations will substantially suffer.

Further, there can be no assurance that potential competitors of the Corporation, which may have greater financial, production, sales and marketing experience, and personnel and resources than the Corporation, are not currently developing, or will not in the future develop; products and strategies that are equally or more effective and/or economical as any products or strategies developed by the Corporation or which would otherwise render the Corporation's business, products and strategies, as applicable, ineffective, or obsolete. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Corporation.

Decriminalization of psychedelics

Despite the current status of DMT as a Schedule I controlled substance in the US, there may be changes in the status of DMT under the laws of certain jurisdictions. Possession of psilocybin, for example, was voted to be decriminalized in May 2019 in Denver and in November 2020, voters in Oregon approved the legal medical use of "psilocybin products," including magic mushrooms, to treat mental health conditions in licensed facilities with registered therapists (Measure 109). The legalization of psychedelics with inadequate regulatory oversight may lead to the development of psychedelic tourism in such states in clinics without proper therapeutic infrastructure or adequate clinical research. While drug laws pertaining to DMT are less likely to be as forthcoming, the expansion of such an industry which could put patients at risk may bring reputational and regulatory risk to the entire industry, leading to challenges for the Corporation to achieve regulatory approval. The legalization of psilocybin, and potentially other psychedelic compounds (including DMT) in the future may also impact commercial sales for the Corporation due to a reduced barrier to entry leading to a risk of increasing competition.

Product Liability

The Corporation currently does not carry any product liability insurance coverage. Even though the Corporation is not aware of any product liability claims at this time, its business exposes itself to potential product liability, recalls and other liability risks. The Corporation can provide no assurance that such potential claims will not be asserted against it. A successful liability claim or series of claims brought against the Corporation could have a material adverse effect on its business, financial condition and results of operations.

Although the Corporation intends to obtain adequate product liability insurance, it cannot provide any assurances that it will be able to obtain or maintain adequate product liability insurance on acceptable terms, if at all, or that such insurance will provide adequate coverage against potential liabilities. Claims or losses in excess of any product liability cover that may be obtained by the Corporation could have a material adverse effect on its business, financial conditional and results of operations.

Some of the Corporation's agreements with third parties might require it to maintain product liability insurance. If the Corporation cannot obtain acceptable amounts of coverage on commercially reasonable terms in accordance with the terms set forth in these agreements, the corresponding agreements would be subject to termination, which could have a material adverse impact on its operations.

Product and Material Recalls

Manufacturers, producers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety, storage deficiencies and inadequate or inaccurate labelling disclosure. If any of the Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation may have to recall material being used in a clinical trial resulting in delays to the trial and additional manufacturing expenses if further drug product is required. If the product is already commercialized, the Corporation may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Corporation's suppliers have detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if the Corporation is subject to recall, the image of the Corporation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses and potential legal fees and other expenses.

Distribution and Supply Chain Interruption

The Corporation is susceptible to risks relating to distributor and supply chain interruptions. Distribution in the UK, the EU, the US, Canada and other jurisdictions will be largely accomplished through independent contractors, therefore, an interruption (e.g., a labour strike) for any length of time affecting such independent contractors may have a significant impact on the Corporation's ability to manufacture its products. Supply chain interruptions, including a production or inventory disruption, could impact product quality and availability. Inherent to producing products is a potential for shortages or surpluses in future years if demand and supply are materially different from long-term forecasts. The Corporation intends to monitor category trends and regularly review maturing inventory levels over time.

Difficulty to Forecast

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

Product Viability

If the Corporation's psychedelic products are not perceived to have the effects intended by the end user, the Corporation's business may suffer. In general, psychedelic products have minimal data with respect to efficacy, long-term side effects and interactions with supplements or other medications. As a result, the Corporation's psychedelic products could have certain side effects if not used as directed or if taken by an end user that has certain known or unknown medical conditions.

Success of Quality Control Systems

The quality and safety of the Corporation's products are critical to the success of its business and operations. As such, it is imperative that the Corporation's (and its service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality of training programs and adherence by employees to quality control guidelines. Any significant failure or deterioration of such quality control systems could have a material adverse effect on the Corporation's business and operating results.

Reliance on Key Inputs

The Corporation's business is expected to be dependent on a number of key inputs and their related costs including raw materials and supplies. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Corporation. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Corporation.

Enforcing Contracts

Due to the nature of the business of the Corporation and the fact that certain of its contracts involve the possession, manufacture, production or supply of DMT, the use of which is not legal under UK, EU, US or Canadian law and in certain other jurisdictions, the Corporation may face difficulties in enforcing its contracts in the courts in the UK, EU, US or Canada. The inability to enforce any of its contracts could have a material adverse effect on its business, operating results, financial condition or prospects.

In order to manage its contracts with contractors, the Corporation will ensure that such contractors are appropriately licensed. Were such contractors to operate outside the terms of these licenses, the Corporation may experience an adverse effect on its business, including the pace of development of its product.

Business Combinations, Business Expansion and Growth

The Corporation and its management may, and have, evaluated opportunities of being acquired by other issuers, including with respect to the Arrangement with Cybin. The Corporation may also be subject to unsolicited takeover bids. In such circumstances, there can be no assurances regarding the availability of alternative strategic options for the Corporation and management and whether any such options will represent greater value to the Corporation's shareholders. Any rejection of such an offer by management may also adversely influence current share prices, as well as affect long-term shareholder value.

Any accepted business combination, including the Arrangement, involves a number of risks including, but not limited to, potentially dilutive issuances of equity securities, contingent liabilities, some of which may be difficult or impossible to identify at the time of deal negotiation, difficulties in assimilating the operations of the acquiror with the Corporation's, the entering into of markets in which the Corporation has limited or no direct experience, and the potential loss of the Corporation's key employees and management as a result of the combination.

The Corporation operates in a rapidly evolving industry and, as such, the Corporation may in the future seek to expand its pipeline and capabilities by entering into collaborations, acquiring one or more companies or businesses, or in-licensing one or more product candidates. Collaborations, acquisitions, and in-licenses involve numerous risks, including, but not limited to substantial cash expenditures, technology development risks, potentially dilutive issuances of equity securities, incurrence of debt and contingent liabilities, some of which may be difficult or impossible to identify at the time of deal negotiation, difficulties in assimilating the operations of the companies with the Corporation, entering markets in which the Corporation has limited or no direct experience, and potential loss of the Corporation's key employees or key employees of the acquired or collaborating companies or businesses.

Management may evaluate opportunities for strategic growth through acquisitions. Potential issues associated with these acquisitions could include, among other things, the Corporation's ability to realize the full extent of the benefits or cost savings that it expects to realize as a result of the completion of the acquisition within the anticipated time frame, or at all; the ability of the Corporation to gain the necessary consents, clearances and approvals in connection with the acquisition; the diversion of management's attention from base strategies and objectives; and, with respect to acquisitions, the Corporation's ability to successfully combine its businesses with the business of the acquired company in a manner that permits cost savings to be realized; areas which may challenge the success of integrating the businesses of acquired companies with the Corporation's business include: motivating, recruiting and retaining executives and key employees, conforming standards, controls, procedures and policies, business cultures and compensation structures among the Corporation and the acquired company, consolidating and streamlining corporate and administrative infrastructures, consolidating sales and marketing operations, retaining existing service providers and attracting new providers, identifying and eliminating redundant and underperforming operations and assets, coordinating geographically dispersed organizations, and managing tax costs or inefficiencies associated with integrating the Corporation's operations following completion of the acquisitions. The process of integrating acquired companies and operations into the Corporation's operations may result in unforeseen operating difficulties and may require significant financial resources and management's time and attention that would otherwise be available for the ongoing development or expansion of its existing operations. In addition, acquisitions outside of Canada increase the Corporation's exposure to risks associated with foreign operations, including fluctuations in foreign exchange rates and compliance with foreign laws and regulations. If an acquisition is not successfully completed or integrated into the Corporation's existing operations, its business, results of operations and financial condition could be materially adversely impacted.

The Corporation has limited experience in making acquisitions, entering collaborations and in-licensing product candidates and therefore cannot provide assurance that any acquisition, collaboration or in-license will result in short-term or long-term benefits to it. The Corporation may incorrectly judge the value or worth of an acquired company or business or in-licensed product candidate. In addition, the Corporation's future success would depend in part on its ability to manage the rapid growth associated with some of these acquisitions, collaborations and in-licenses. The Corporation cannot provide assurance that it would be able to successfully combine its business with that of acquired businesses, manage a collaboration or integrate in-licensed product candidates. Furthermore, the development or expansion of the Corporation's business may require a substantial capital investment by the Corporation.

Integration Risk

The Corporation anticipates completing the Arrangement with Cybin, and may in the future undertake further business combinations, acquisitions or investments that could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations. The Corporation may have difficulty integrating any such combinations, acquisitions or investments, including the Arrangement with Cybin, successfully realizing the anticipated benefits therefrom, any of which could have a material adverse effect on the Corporation's business, financial condition, results of operations, cash flows and prospects.

Pursuing potential strategic business combinations, acquisitions or investment opportunities is one possible growth strategy. Any transactions that the Corporation enter into could be material to its business, financial condition, results of operations, cash flows and prospects. The process of combining business with another company or technology could create unforeseen operating difficulties and expenditures. Business combinations, acquisitions and investments involve a number of risks, including:

- diversion of management time and focus from operating the Corporation's business;
- use of resources that are needed in other areas of the Company's business;
- integration of the business of the companies;
- implementation or remediation of controls, procedures and policies of the companies;
- difficulty integrating the accounting systems and operations of the companies;
- coordination of product, engineering and selling and marketing functions,
- difficulty integrating, supporting or enhancing products or services, including difficulty in transitioning products or services;
- retention and integration of employees from the combined companies, and preservation of corporate culture;
- the potential loss of key employees;
- unforeseen costs or liabilities, including the use of substantial portions of its available cash to consummate an acquisition;

- adverse effects to its existing business relationships with customers as a result of a business combination, acquisition or investment;
- the possibility of adverse tax consequences;
- litigation or other claims arising in connection with the transaction; and
- the need to integrate potential operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

Business combinations are accompanied by the risk that the obligations and liabilities of an acquired company or asset may not be adequately reflected in the historical financial statements of or other financial information relating to such company or asset and the risk that such historical financial statements may be based on assumptions, which are incorrect or inconsistent with the Corporation's assumptions or approach to accounting policies. In addition, such future transactions could involve tangential businesses which could alter the strategy and direction of the Corporation. In the future, if the Corporation's business combinations, including the Arrangement, acquisitions or investments do not yield expected returns, there could be an adverse effect on its business, results and financial condition.

Although the Corporation has conducted and will conduct due diligence in connection with potential strategic business combination, acquisition or investment opportunities, including with respect to the Arrangement, and potential partners have, may or will provide a number of representations and warranties in favour of the Corporation in connection with these transactions, an unavoidable level of risk remains regarding any undisclosed or unknown liabilities of or issues concerning the other company. Following the closing of any potential strategic business combination, acquisition or investment opportunity, the Corporation may discover that certain of the representations made are untrue. There can be no assurance of recovery by the Corporation from potential insurers or potential partners for any breach of the representations, warranties or covenants to be provided by such potential partners under the applicable acquisition agreements because there can be no assurance that the amount and length of such potential insurance coverage or of the potential indemnification obligations will be sufficient to satisfy such potential obligations, or that such potential partners will has any assets or continue to exist. The Corporation's eventual inability to claim for full indemnification from potential partners could have a material and adverse effect on the Corporation.

Business combinations, acquisitions and investments may also result in dilutive issuances of equity securities, which could adversely affect its share price, or result in the incurrence of debt with restrictive covenants that limit the Corporation's future uses of capital in pursuit of business opportunities. Additionally, the Corporation, and any potential partner for a strategic business combination, acquisition or investment as a combined entity, is subject to numerous risks that could adversely affect the Corporation's growth and profitability, including: (i) the risk that the acquiror may not be able to successfully manage the acquiree for a strategic acquisition or investment's operations, (ii) the risk that its operational, financial and management systems may be incompatible with, or inadequate to effectively integrate and manage systems acquired from the partner for a strategic transaction, (iii) the risk that a potential strategic transaction may require financial resources that could otherwise be used in the development of other aspects of its business, (v) the risk that the Corporation may not obtain the consents required under agreements entered into with third parties, (vi) the risk that the integration process may result in operational problems, costs, expenses, liabilities, including loss of contracts and customers, and (vii) the risk that the Corporation's key management or employees and of a potential partner for a strategic transaction may not be retained or may leave following the strategic transaction, which could have a significant impact on the combined entity's operations, specifically if such departures were to occur in positions or roles which require significant technical and operational knowledge and for which qualified replacement personnel is scarce.

The successful integration of potential strategic business combinations, acquisitions or investments will also require cooperation between the Corporation's employees and their strategic partners and is subject to the risk that personnel from the Corporation and the strategic partners may not be able to work together successfully, which could adversely impact the Corporation's business, financial condition and results of operations.

Reliance on Key Executives and Scientists

The loss of key members of the Corporation's staff could harm the Corporation. Although the Corporation enters into employment agreements with all members of its staff, such employment agreements do not guarantee their retention. The Corporation also depends on its scientific and clinical collaborators and advisors, all of whom have outside commitments that may limit their availability to the Corporation. In addition, the Corporation believes that its future success will depend in large part upon its ability to attract and retain highly skilled scientific, managerial, medical, manufacturing, clinical and regulatory personnel, particularly as the Corporation expands its activities and seeks regulatory approvals for clinical trials. The Corporation enters into agreements with its scientific and clinical collaborators and advisors, key opinion leaders and academic partners in the ordinary course of its business. The Corporation also enters into agreements with physicians and institutions who will recruit patients into the Corporation's clinical trials on its behalf in the ordinary course of its business. Should key academic and scientific personnel including employees or collaborative partners who work on the development of the Corporation's research activities leave, the Corporation's current and future development programmes may be delayed or adversely affected. Notwithstanding these arrangements, the Corporation faces significant competition for these types of personnel from other companies, research and academic institutions, government entities and other organizations. The Corporation cannot predict its success in hiring or retaining the personnel it requires for continued growth. In addition, due to limited financial resources, the Corporation may not be able to successfully expand its operations due to challenges in recruiting and training qualified new staff. Expansion of personnel may result in significant diversion of management time and resources. The loss of the services of any of the Corporation's executive officers or other key personnel could potentially harm its business, operating results or financial condition.

Employee Misconduct

The Corporation is exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include failures to comply with the MHRA, the EMA, the FDA, the PDD, and other comparable international authorities' regulations, provide accurate information to the MHRA, the EMA, the FDA, the PDD, comply with manufacturing standards the Corporation has established, comply with federal and provincial healthcare fraud and abuse laws and regulations, report financial information or data accurately or disclose unauthorized activities to the Corporation. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing, and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to the Corporation's reputation. If any such actions are instituted against the Corporation, and the Corporation is not successful in defending itself or asserting its rights, those actions could have a substantial impact on the Corporation's business and results of operations, including the imposition of substantial fines or other sanctions.

Liability Arising from Fraudulent or Illegal Activity

The Corporation is exposed to the risk that its employees, independent contractors, consultants, service providers and licensors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional undertakings of unauthorized activities, or reckless or negligent undertakings of authorized activities, in each case on the Corporation's behalf or in its service that violate (i) various laws and regulations, including healthcare laws and regulations, (ii) laws that require the true, complete and accurate reporting of financial information or data, (iii) the terms of the Corporation's agreements with third parties. Such misconduct could expose the Corporation to, among other things, class actions and other litigation, increased regulatory inspections and related sanctions, and lost sales and revenue or reputational damage.

The precautions taken by the Corporation to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Corporation from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. Such misconduct may result in legal action, significant fines or other sanctions and could result in loss of any regulatory license held by the Corporation at such time.

The Corporation may be subject to security breaches at its facilities or in respect of electronic document or data storage, which could lead to breaches of applicable privacy laws and associated sanctions or civil or criminal penalties. Failure to comply with health and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on the Corporation's manufacturing operations. Events, including those beyond the control of the Corporation, which may risk breaches to various laws and regulations include, but are not limited to non-performance by third party contractors; breakdown or failure of equipment; failure of quality control processes; contractor or operator errors; and major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms. Such events risk damage to the Corporation's operations and may negatively affect demand for the Corporation's future products.

Conflicts of Interest

The Corporation may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. The Corporation's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Corporation. In some cases, the Corporation's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Corporation's business and affairs and that could adversely affect the Corporation's operations. These outside business interests could require significant time and attention of the Corporation's executive officers and directors.

In addition, the Corporation may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Corporation may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Corporation, and from time to time, these persons may be competing with the Corporation for available investment opportunities.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Corporation's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation.

Operating Risk and Insurance Coverage

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

Computer System Failures

The Corporation's current internal computer systems are managed by third party vendors, and are at risk of failure and vulnerable to damage from viruses, unauthorised access, natural disasters amongst others. Any system failure, accident or security breach may have material negative outcomes including delays and significant disruption on the advancement of development programmes and business operations as well as inappropriate disclosure of confidential or proprietary data. While the Corporation has not to date experienced a material system failure or security breach, for example the loss of clinical data in the future due to system failure could impact regulatory approval efforts of the Corporation's development programmes. Furthermore, rectifying any damages, disruptions or breaches may lead to the Corporation incurring additional financial costs.

Foreign Operations

The Corporation carries out operations primarily, but not exclusively, in the UK through SPL. As a result, the Corporation may be subject to political, economic and other uncertainties, including, but not limited to, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections.

Additional implications that may have a material impact on the Corporation's ability to operate in other jurisdictions include:

- differences in the regulatory requirements for drug approvals;
- differing requirements for securing, maintaining or obtaining freedom to operate;
- the potential for reduced protection for intellectual property rights;
- challenges with compliance to different regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;
- differing reimbursement regimes and price controls in certain international markets;
- differing labor relations that create challenges with staffing and managing international operations; and
- impacts on manufacturing capabilities leading to production shortages.

The Corporation's international operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with its foreign operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or enforcing Canadian judgments in foreign jurisdictions.

Dependence on Foreign Subsidiary

The Corporation is a holding company that conducts substantially all of its operations through its subsidiary, SPL, incorporated outside of Canada. The Corporation has no direct operations and no significant assets other than the shares of SPL and cash proceeds received from any financings, which cash is subsequently provided to SPL for operating expenses. Assuming this holding company structure remains, the Corporation will be dependent on the cash flows from its subsidiary to meet its obligations. The ability of SPL to provide the Corporation with payments may be constrained by the following factors: (i) the cash flows generated by operations, investment activities and financing activities; and (ii) the level of taxation, particularly corporate profits and withholding taxes.

Cash flows from SPL will depend, in the long term, on the subsidiary's ability to generate operating cash flows in excess of their own capital expenditures. In addition, SPL is a separate and distinct legal entity that could be precluded from making such cash distributions to the Corporation under certain circumstances, including as a result of legislation or regulation or in times of financial distress. The ability of the Corporation's subsidiary to make payments to the Corporation may be constrained by the level of taxation, particularly corporate profits and withholding taxes, in the jurisdictions in which they operate, and the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated.

On July 6, 2022, SPL incorporated a wholly-owned US subsidiary under the laws of the State of Delaware. This subsidiary does not currently carry on active operations.

Exchange Rate Fluctuations

Due to the international scope of the Corporation's current and future operations, the Corporation's assets, future earnings and cash flows may be influenced by movements in exchange rates of several currencies, particularly the British Pound, the US dollar, Canadian Dollar and Euro. The Corporation's reporting currency is denominated in Canadian dollars and the Corporation's functional currency is the British Pound and the majority of the Corporation's operating expenses are paid in British Pounds. The Corporation may also regularly acquire services, consumables and materials in British Pounds, US dollars, Canadian dollars and other currencies. Further, future revenue may be derived from abroad. As a result, the Corporation's business and the price of the Corporation's products may be affected by fluctuations in foreign exchange rates between the British Pound and other currencies, which may also have a significant impact on the Corporation's results of operations and cash flows from period to period. Currently, the Corporation does not have any exchange rate hedging arrangements in place.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with the IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Corporation bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Corporation's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause its operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Corporation. Significant assumptions and estimates will be used in preparing the financial statements including those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

Effects of Inflation

Global markets have recently experienced increased rates of inflation. Inflation itself, as well as certain governmental efforts to combat inflation, may have significant negative effects on any economy, which the Corporation does business. Past governmental efforts to curb inflation also involved other more drastic economic measures. Any future economic measures to curb inflation could be expected to have similar adverse effects on the level of economic activity in the market, which the Corporation does business and, in turn, on the operations of the Corporation.

Political and Economic Conditions

Political and economic conditions directly affect our business and can result in a material adverse effect on the Corporation. Macroeconomic policies imposed by foreign governments could have significant impact on the Corporation. As certain global markets experience increased inflation, certain government actions to control inflation may have significant impact on the Corporation.

The Corporation cannot control or predict foreign government implementation of changes to existing policies that may impact the Corporation's operations in foreign markets and, consequently, its business. The Corporation's business, operating results and financial condition and prospects, as well as the market price of its securities, may be adversely affected by changes in government public policies, whether federal, state or local, that affect, without limitation:

- inflation;
- fluctuations in exchange rates;
- exchange controls and restrictions on remittances abroad;
- interest rates and monetary policies;
- import and export controls;
- liquidity of domestic capital, credit and financial markets;
- expansion or contraction of foreign economies, as measured by rates of growth in gross domestic product, or GDP;
- fiscal policies; and
- other political, social and economic developments in or affecting foreign markets.

Government policies and measures to combat inflation, along with public speculation about such policies and measures, have often had adverse effects on global economies, have contributed to economic uncertainty and may increase volatility in foreign securities markets. Government action to control inflation may involve actions such as price and salary controls, currency devaluations, capital limitations, limits on imports and other actions which could significantly impact the operations of the Corporation.

Other policies and measures adopted by governments include interest rate adjustments, intervention in the currency markets or actions to adjust or fix the value of the local currency may adversely affect the target market's economy, the Corporation's business and results of operations.

Uncertainty over whether federal governments will implement reforms or changes in policy or regulation affecting these or other factors in the future may affect economic performance and contribute to economic uncertainty in markets that the Corporation operates or relies on, which may in turn have adverse effects on the Corporation's operations in the market and consequently on the results of its operations.

Cybersecurity and Privacy Risk

The Corporation's information systems and any third-party service providers and vendors are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapidly evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these systems through fraud or other means of deceiving third-party service providers, employees or vendors. The Corporation's operations depend, in part, on how well networks, equipment, IT systems and software are protected against damage from a number of threats. These operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. However, if the Corporation is unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Corporation's reputation and results of operations.

The Corporation may collect and store certain personal information about customers and are responsible for protecting such information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. In addition, theft of data is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such privacy breach or theft could have a material adverse effect on the Corporation's business, financial condition and results of operations.

In addition, there are a number of laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under various legislation governing personal health information protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If the Corporation were found to be in violation of the privacy or security rules under such legislation protecting the confidentiality of medical patients health information, the Corporation could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the Corporation's business, financial condition and results of operations.

Environmental Regulation and Risks

The Corporation's operations are subject to environmental regulations that mandate, among other things, the maintenance of air and water quality standards. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which could include stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Corporation may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Litigation

In the normal course of the Corporation's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. While the Corporation is not currently aware of any litigation, tax or regulatory proceedings pending or threatened, the outcome of any future proceedings cannot be predicted with certainty and may be determined to adversely to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition, and results of operations.

Anti-Corruption and Anti-Bribery Laws

The Corporation is subject to anti-corruption and anti-bribery laws, including the *U.S. Foreign Corrupt Practices* Act, the Canadian *Corruption of Foreign Public Officials Act*, as well as any other applicable domestic or foreign anti-corruption or anti-bribery laws. Any of the laws to which the Corporation is or may become subject generally prohibit corporations and individuals from engaging in certain activities to obtain or retain business or to influence a person working in an official capacity and requires companies to maintain accurate books and records and internal controls, including at foreign-controlled subsidiaries.

Compliance with these anti-corruption laws and anti-bribery laws may be expensive and difficult, particularly in countries in which corruption is a recognized problem, if the Corporation pursues activities in those countries.

The Corporation's internal control policies and procedures may not protect it from reckless or negligent acts committed by the Corporation's employees, representatives, agents, or other third parties. The Corporation can make no assurance that they will not engage in prohibited conduct, and the Corporation may be held liable for their acts under applicable anti-corruption and anti-bribery laws. Non-compliance with these laws could subject the Corporation to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension or debarment from contracting with certain persons, the loss of export privileges, whistleblower complaints, reputational harm, adverse media coverage, and other collateral consequences. Any investigations, actions or sanctions or other previously mentioned harm could have a material adverse effect on the Corporation's business, operating results, and financial condition.

Risks Pertaining to Regulatory Compliance

Products Subject to Controlled Substance Laws and Regulations

In the UK, certain psychedelic drugs, including DMT, are classified as Class A drugs under the MDA and as a Schedule 1 drug under the MDR and as such, medical and recreational use is illegal under UK laws. Similarly, in Canada, DMT is classified as a Schedule III drug under the CDSA and is illegal for medical and recreational use. In the US, DMT is strictly controlled under the CSA and is considered a Schedule 1 drug, which means that it currently has no accepted medical use in the US. As well, in the EU, DMT is illegal in EU member states according to the 1971 Convention on Psychotropic Substances of the United Nations and appears on the Green List of the International Narcotics Control.

All facilities engaged with such psychedelic substances, including DMT, by or on behalf of the Corporation do so under current licenses and permits issued by appropriate federal and local governmental agencies. While the Corporation is focused on clinical programs using psychedelic compounds, the Corporation does not have any direct or indirect involvement with the illegal selling, production or distribution of any substances in the jurisdictions in which it operates and does not intend to have any such involvement. However, a violation of any UK laws and regulations or Canadian federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either government entities in the jurisdictions in which the Corporation operates, or private citizens or criminal charges.

The loss of the necessary licenses and permits for scheduled controlled drugs could have an adverse effect on the Corporation's operations.

The psychedelic drug industry is a fairly new industry and the Corporation cannot predict the impact of the ever-evolving compliance regime in respect of this industry. Similarly, the Corporation cannot predict the time required to secure all appropriate regulatory approvals for future products, or the extent of testing and documentation that may, from time to time, be required by governmental authorities. The impact of compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, its business and products, and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Corporation.

The success of the Corporation's business is dependent on the reform of controlled substances laws pertaining to DMT. If controlled substances laws are not favourably reformed in the UK, Europe, the US, Canada, and other global jurisdictions, the commercial opportunity that the Corporation is pursuing may be highly limited.

Under the MDR, Schedule 1 drugs are considered to have no legitimate or medical use. At this point in time, the Corporation makes no medical or treatment claims about psychedelic-based treatments or the Corporation's proposed products. Statements regarding psychedelic-based treatments have not been evaluated by the MHRA, the EMA, the FDA, the PDD, if applicable, and other comparable foreign authorities, nor has the efficacy of psychedelic-based treatments been confirmed by MHRA, EMA, FDA or PDD, if applicable, approved research. There is no assurance that psychedelic-based treatments can be used to diagnose, treat, cure or prevent any disease or condition. Robust scientific research is needed. Any references to quality, consistency, efficacy and safety of potential products are not intended to imply that such claims have been verified in clinical trials or that the Corporation will be able to complete such trials.

Risks pertaining to legislation changes

Following the majority of approval of an exit from the EU, termed Brexit, on June 23, 2016, the UK's withdrawal from the EU became effective on January 31, 2020 with the transition period that ended on December 31, 2020.

Following this transition period, the UK is now subject to new negotiated regulations pertaining to financial laws and regulations, tax and free trade agreements, intellectual property rights, data protection laws, supply chain logistics, environmental, health and safety laws and regulations medicine licensing and regulations, immigration laws and employment laws. It still remains unclear how the laws and regulations post the Brexit transition period measure alongside EU laws and regulations and may ultimately lead to negative impacts including reducing foreign direct investment in the UK, increasing costs, depressing economic activity and restrictions on access to capital. The Corporation's headquarters are located in the UK and new laws and regulations may impact the free movement of employees to locations in Europe as well as the free movement of employees and health professions to the UK to support work on its clinical trials.

Given the unprecedented nature of such a withdrawal from the EU, the long term impacts on the UK are unclear and uncertain and subsequently it is unclear how changes to the commercial, legal and regulatory environment will impact the current and future operations of the Corporation, its third parties and contract manufacturers and its clinical activities in the UK. Any of these effects could have a negative impact on the operations of the Corporation.

Given that the approval of the Corporation's therapeutic candidates relies on the regulatory frameworks for medicinal products adopted in the jurisdictions in which they operate and/or intend to operate, Brexit may have a material impact on the future regulatory process required for the approval of its therapeutic candidates including delay or an inability to obtain regulatory approval which would delay or prevent the Corporation's ability to commercialize its therapeutic candidates in the UK and /or EU and consequently have a material impact on the Corporation.

Nature of Regulatory Approvals

The Corporation's development and commercialization activities and product candidates are significantly regulated by a number of governmental entities, including the MHRA, the EMA, the FDA, the PDD, and other comparable foreign authorities. Regulatory approvals are required prior to each clinical trial and the Corporation may fail to obtain the necessary approvals to commence or continue clinical testing. The Corporation must comply with regulations concerning the manufacture, testing, safety, effectiveness, labeling, documentation, advertising, and sale of products and product candidates and ultimately must obtain regulatory approval before it can commercialize a product candidate. The time required to obtain approval by such regulatory authorities is unpredictable but typically takes many years following the commencement of nonclinical studies and clinical trials. Any analysis of data from clinical activities the Corporation performs is subject to confirmation and interpretation by regulatory authorities, which could delay, limit or prevent regulatory approval. Even if the Corporation believes results from its sponsored clinical trials are favorable to support the marketing of its product candidates, the MHRA, the EMA, the FDA, the PDD, and other comparable foreign authorities may disagree. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. Such requirements for additional data may result in the Corporation incurring additional unanticipated costs in order to meet requirements for approval within such jurisdiction.

The Corporation has not obtained regulatory approval for any product candidate and it is possible that none of its product candidates will ever obtain regulatory approval. The Corporation could fail to receive regulatory approval for its product candidates for many reasons, including, but not limited to failure to demonstrate that a product candidate is safe and effective for its proposed indication, failure of clinical trials to meet the level of statistical significance required for approval, failure to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks, or deficiencies in the manufacturing processes or the failure of facilities of CMOs with whom the Corporation contracts for clinical and commercial supplies to pass a pre-approval inspection.

A regulatory authority may require more information, including additional nonclinical or clinical data to support approval, which may delay or prevent approval and the Corporation's commercialization plans, or the Corporation may decide to abandon the development program. If the Corporation were to obtain approval, regulatory authorities may approve any of its product candidates for fewer or more limited indications than the Corporation request, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Moreover, depending on any safety issues associated with the Corporation's product candidates that garner approval, the MHRA, the EMA, the FDA, the PDD, and other comparable foreign authorities may impose a REMS plan, thereby imposing certain restrictions on the sale and marketability of such products.

If there are changes in the application of legislation, regulations or regulatory policies, or if problems are discovered with the Corporation products, or if one of its distributors, licensees or co-marketers fails to comply with regulatory requirements, the regulators could take various actions. These include imposing fines on the Corporation, imposing restrictions on the Corporation's products or its manufacture and requiring the Corporation to recall or remove its products from the market. The regulators could also suspend or withdraw the Corporation's marketing authorizations, requiring it to conduct additional clinical trials, change its labeling or submit additional applications for marketing authorization. If any of these events occurs, the Corporation's ability to sell its products may be impaired, and it may incur substantial additional expense to comply with regulatory requirements, which could materially adversely affect its business, financial condition and results of operations.

Continued Regulatory Review and Obligations

If the MHRA, the EMA, the FDA, the PDD, or any other comparable regulatory authority approves any the Corporation therapeutic candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the therapy and underlying therapeutic substance will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs, and with good clinical practices, or GCPs, for any clinical trials that the Corporation conduct post-approval, all of which may result in significant expense and limit the Corporation's ability to commercialize such therapies. Later discovery of previously unknown problems with any approved therapeutic candidate, including adverse events of unanticipated severity or frequency, or with the Corporation's third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the labeling, distribution, marketing or manufacturing of any future therapeutic candidates, withdrawal of the product from the market, or product recalls;
- untitled and warning letters, or holds on clinical trials;
- refusal by the MHRA, the EMA, the FDA, the PDD, or other comparable foreign authorities to approve pending applications or supplements to approved applications the Corporation filed or suspension or revocation of license approvals;
- requirements to conduct post-marketing studies or clinical trials;
- restrictions on coverage by third-party payors;
- fines, restitution or disgorgement of profits or revenue;
- suspension or withdrawal of marketing approvals;
- product seizure or detention, or refusal to permit the import or export of the product; and
- injunctions or the imposition of civil or criminal penalties.

In addition, any regulatory approvals that the Corporation receive for any future therapeutic candidates may also be subject to limitations on the approved indicated uses for which the therapy may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase IV clinical trials, and surveillance to monitor the safety and efficacy of such therapeutic candidates.

If there are changes in the application of legislation, regulations or regulatory policies, or if problems are discovered with the Corporation's future products or the Corporation's manufacture of an underlying therapeutic substance, or if the Corporation or one of the Corporation's distributors, licensees or co-marketers fails to comply with regulatory requirements, the regulators could take various actions. These include imposing fines on the Corporation, imposing restrictions on the therapeutic or its manufacture and requiring the Corporation to recall or remove the therapeutic from the market. The regulators could also suspend or withdraw the Corporation's marketing authorizations, requiring the Corporation to conduct additional clinical trials, change the Corporation's therapeutic labeling or submit additional applications for marketing authorization. If any of these events occurs, the Corporation's ability to sell such therapy may be impaired, and the Corporation may incur substantial additional expense to comply with regulatory requirements, which could materially adversely affect the Corporation's business, financial condition and results of operations.

Failure to comply with health and data protection laws and regulations

The Corporation may be subject to the data protection laws and regulations surrounding privacy and data protection across the relevant jurisdictions. Within the EU and UK, the EU General Data Protection Regulation (the "**GDPR**"), and relevant national data protection legislation including the Data Protection Act 2018 in the UK, impose material requirements in relation to the processing (including collection, use, storage, disclosure and transfer) of personal data, and more importantly the processing of health and other sensitive data. Requirements include the need for individual consent for use/ processing of personal data, as well as certain disclosure to the individuals relating to data processing activities.

While the EU GDPR no longer applies to UK residents' personal data post Brexit transition period, amendments to the UK's Data Protection Act 2018 have established a new regime known as the UK GDPR which shows little material difference between the EU and UK GDPR. The GDPR imposes strict rules on the international transfer of personal data to countries outside the EEA, including the US and now including the UK, and permits data protection authorities to impose large penalties for violations of the GDPR. The Corporation are registered with the Information Commissioner's Office for data protection.

Expansion of clinical sites to additional jurisdictions including the US, EU and potentially Canada in the future will subject the Corporation to federal and state data protection laws and regulations, including in accordance with HIPAA, which govern the processing of health related, and other sensitive personal data.

As the sponsor of its clinical trials, the Corporation does not anticipate holding any personal data collected from subjects. All subject patient data is collected, stored and maintained by the study sites engaged by the Corporation to undertake its clinical trials.

Personal data collected from subjects from third party health or research institutions engaged by the Corporation are subject to local privacy and security requirements Selection of study sites, CROs and other institutions by the Corporation includes an assessment of each study site's and CRO's ability to comply and satisfy the requirements of local privacy and data protection laws and regulations.

Compliance with UK and foreign privacy and data protection laws and regulation may limit study sites affiliated with the Corporation to process sensitive patient identifiable information and impact its ability to operate in certain jurisdictions. Failure of the company, employees of third party collaborators to comply with the requirements of the data privacy and protection laws may result in litigation claims, which may be costly, time consuming and reputationally damaging.

Failure to comply with pharmaceutical industry standards

Various regional and national authorities govern or influence pharmaceutical industry standards. Numerous statutes and regulations govern the research and development and sale of pharmaceutical products where the Corporation intends to market its products, including but not limited to, GLP, GCP and GMP standards as well as country-specific pharmaceutical advertising laws and regulations. Such standards, laws and regulations govern, among other things, the approval of manufacturing facilities, testing procedures and controlled research, non-clinical and clinical data required prior to and after marketing approval, compliance with GMP affecting production and storage, the advertising, marketing and labelling of products, pharmacovigilance, record keeping, and distribution of the Corporation's products, including licenses.

Non-compliance with applicable legal and regulatory requirements or pharmaceutical industry standards may affect the Corporation's ability to progress development of its products by achieving jurisdictional approval which could impact future commercialization to promote and sell the Corporation's medicines in various jurisdictions. This can lead to a broad range of consequences which could have a material adverse effect on the Corporation's business, financial position and operating results. In the event that a regulatory authority revokes any clearances or approvals granted in respect of the Corporation's pharmaceutical products, the Corporation's business and financial condition could be adversely affected.

Failure to comply with statutes and regulations could result in warning letters, fines and other civil penalties, unanticipated expenditures, withdrawal of regulatory approval, delays in approving or refusing to approve a product, interruption of production, operating restrictions, injunctions or criminal sanctions. The Corporation and its manufacturers and suppliers are also subject to numerous regional laws relating to such matters as safe working conditions and manufacturing practices.

Furthermore, the global pharmaceutical regulatory environment continues to evolve with changes to regulations, rules, standards and guidelines and the establishment of new health authorities and/or mergers of divisions within them. The Corporation's existing or future regulatory clearances or approvals may be negatively affected as a result of such changes or reorganization.

Risks Pertaining to Clinical Development

Reliance on Third Parties for Clinical Development Activities

The Corporation relies and will continue to rely on third parties to conduct a significant portion of its nonclinical and clinical development activities. For example, clinical development activities include trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. If there is any dispute or disruption in its relationship with third parties, or if it is unable to provide quality services in a timely manner and at a feasible cost, the Corporation's active development programs will face delays. Further, if any of these third parties fails to perform as the Corporation expects or if their work fails to meet regulatory requirements, the Corporation's testing could be delayed, cancelled or rendered ineffective.

Risks Related to Third Party Relationships

The Corporation may enter into strategic alliances with third parties that the Corporation believes will complement or augment its proposed business or will have a beneficial impact on the Corporation. Strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Corporation's business, and may involve risks that could adversely affect the Corporation, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that the Corporation's existing strategic alliances will continue to achieve, the expected benefits to the Corporation's business or that the Corporation will be able to consummate future strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a material adverse effect on the Corporation's business, financial condition and results of operations.

In addition to the foregoing, the success of the Corporation's business may depend, in large part, on the Corporation's ability to enter into, and maintain collaborative arrangements with various participants in the psychedelic industry. There can be no assurance that the Corporation will be able to enter into collaborative arrangements in the future on acceptable terms, if at all. There can be no assurance that such arrangements will be successful, that the parties with which the Corporation has or may establish arrangements will adequately or successfully perform their obligations under such arrangements, that potential partners will not compete with the Corporation by seeking or prioritizing alternate, competitor products. The termination or cancellation of any such collaborative arrangement or the failure of the Corporation and/or the other parties to these arrangements to fulfill their obligations could have a material adverse effect on the Corporation's business, financial condition and results of operations. In addition, disagreements between the Corporation and any of its industry partners could lead to delays or time consuming and expensive legal proceedings, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Reliance on Contract Manufacturers

The Corporation relies on CMOs to manufacture its product candidates for nonclinical studies and clinical trials. The Corporation relies on CMOs for manufacturing, filling, packaging, storing and shipping of drug products in compliance with cGMP regulations applicable to its products. The MHRA ensures the quality of drug products by carefully monitoring drug manufacturers' compliance with cGMP regulations. The cGMP regulations for drugs describe the minimum requirements for the methods, facilities and controls used in manufacturing, processing and packing of a drug product. There can be no assurances that CMOs will be able to meet the Corporation's timetable and requirements. The Corporation has not contracted with alternate suppliers for drug substance production in the event that it experiences significant problems with its current supplier for its current needs. If the Corporation is unable to arrange for alternative third-party manufacturing sources on commercially reasonable terms or in a timely manner, the Corporation may be delayed in the development of its product candidates. Further, CMOs must operate in compliance with cGMP and ensure that their appropriate permits and licences remain in good standing and failure to do so could result in, among other things, the disruption of product supplies. In addition, the Corporation has not yet completed an assessment of a potential supplier to support the scale up production requirements for late stage and commercial use and will undertake a robust selection process to select an appropriate supplier at the appropriate time of development. The Corporation's dependence upon third parties for the manufacture of its products may adversely affect its profit margins and its ability to develop and deliver products on a timely and competitive basis.

Commercial Scale Product Manufacturing

The Corporation's products will be manufactured in small quantities for nonclinical studies and clinical trials by third party manufacturers. In order to commercialize its product, the Corporation needs to manufacture commercial quality drug supply for use in registration clinical trials. Most, if not all, of the clinical material used in Phase III/pivotal/registration studies must be derived from the defined commercial process including scale, manufacturing site, process controls and batch size. If the Corporation has not scaled up and validated the commercial production of its product prior to the commencement of pivotal clinical trials, it may have to employ a bridging strategy during the trial to demonstrate equivalency of early stage material to commercial drug product, or potentially delay the initiation or completion of the trial until drug supply is available. The manufacturing of commercial quality product may have long lead times, may be very expensive and requires significant efforts including, but not limited to, scale-up of production to anticipated commercial scale, process characterization and validation, analytical method validation, identification of critical process parameters and product quality attributes, and multiple process performance and validation runs. If the Corporation does not have commercial drug supply available when needed for pivotal clinical trials, the Corporation's regulatory and commercial progress may be delayed, and it may incur increased product development costs. This may have a material adverse effect on the Corporation's business, financial condition and prospects, and may delay marketing of the product.

In addition, during the development programme, manufacturing methods and formulations may alter in the attempt to optimise processes and results in preparation for commercial manufacture. Such changes may result in the therapeutic candidate performing differently, impacting the results of future and planned clinical trials. Significant changes to the manufacture processes may require additional testing, notification to the relevant regulatory authorities for approval and subsequently impact initiation of planned clinical trials, require the conduct of bridging clinical trials or repetition of previous trials. This may increase the costs and delay the overall development programme to market approval.

Safety and Efficacy of Products

Before obtaining marketing approval from regulatory authorities for the sale of the Corporation's product candidates, the Corporation must conduct nonclinical studies in animals and extensive clinical trials in humans to demonstrate the safety and efficacy of the product candidates. Clinical testing is expensive and difficult to design and implement, can take many years to complete and has uncertain outcomes. The outcome of nonclinical studies and early clinical trials may not predict the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials. The Corporation does not know whether the clinical trials it may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market any of its product candidates in any jurisdiction. A product candidate may fail for safety or efficacy reasons at any stage of the testing process. A major risk the Corporation faces is the possibility that none of its product candidates under development will successfully gain market approval from the MHRA, the EMA, the FDA, the PDD, if applicable, or other comparable foreign authorities, resulting in the Corporation (and its partners) being unable to derive any commercial revenue from them after investing significant amounts of capital in their development.

Clinical trials are conducted in representative samples of the potential patient population which may have significant variability. Clinical trials are by design based on a limited number of subjects and of limited duration for exposure to the product used to determine whether, on a potentially statistically significant basis, the planned safety and efficacy of any such product can be achieved. As with the results of any statistical sampling, the Corporation cannot be sure that all side effects of its products may be uncovered, and it may be the case that only with a significantly larger number of patients exposed to such products for a longer duration, may a more complete safety profile be identified. Further, even larger clinical trials may not identify rare serious adverse effects or the duration of such studies may not be sufficient to identify when those events may occur. There have been products that have been approved by the regulatory authorities but for which safety concerns have been uncovered following approval. Such safety concerns have led to labelling changes or withdrawal of such products from the market, and the Corporation's products may be subject to similar risks. The Corporation might have to withdraw or recall its products from the marketplace. The Corporation may also experience a significant drop in the potential future sales of its products if and when regulatory approvals for such products are obtained, experience harm to its reputation in the marketplace or become subject to lawsuits, including class actions. Any of these results could decrease or prevent any sales of the Corporation's products, or substantially increase the costs and expenses of commercializing and marketing its products.

Clinical Testing and Commercialization of Product Candidates

The Corporation cannot predict whether its proposed clinical trials will begin as planned, will need to be restructured, or will be completed on schedule, or at all. The Corporation's product development costs will increase if it experiences delays in clinical testing. Significant clinical trial delays could shorten any periods during which the Corporation may have the exclusive right to commercialize its product candidates or allow its competitors to bring products to market before the Corporation, which would impair the Corporation's ability to successfully commercialize its product candidates and may harm its financial condition, results of operations and prospects.

The commencement and completion of clinical trials for the Corporation's products may be delayed for a number of reasons, including but not limited, to:

- failure by regulatory authorities to grant permission to proceed or placing clinical trials on hold;
- suspension or termination of clinical trials by regulators for many reasons, including concerns about patient safety or failure of the Corporation's CMOs to comply with cGMP requirements;
- any changes to the Corporation's manufacturing process that may be necessary or desired, delays or failure to obtain clinical supply from CMOs of the Corporation's products necessary to conduct clinical trials;
- product candidates demonstrating a lack of safety or efficacy during clinical trials, reports of clinical testing on similar technologies and products raising safety or efficacy concerns;
- clinical investigators not performing the Corporation's clinical trials on their anticipated schedule, dropping out of a trial, or employing methods not consistent with the clinical trial protocol, regulatory requirements or other third parties not performing data collection and analysis in a timely or accurate manner;
- failure of the Corporation's contract research organizations to satisfy their contractual duties or meet expected deadlines;
- inspections of clinical trial sites by regulatory authorities;
- regulatory authorities or ethics committees finding regulatory violations that require the Corporation to undertake corrective action, resulting in suspension or termination of one or more sites or the imposition of a clinical hold on the entire study;
- delays in or failure to recruit a sufficient number of suitable patients to participate in a trial;

- availability of adequately trained therapists and appropriate third-party clinical trial sites for the conduct of the therapy sessions, including preparation, dosing and integration of the therapeutic experience;

- sufficiency of any supporting digital services that may form part of the preparation, integration or long-term follow-up relating to any therapy the Corporation develops;

- failure to have patients complete a trial or return for post-treatment follow-up;

- one or more regulatory authorities or ethics committees rejecting, suspending or terminating the study at an investigational site, precluding enrollment of additional subjects, or withdrawing its approval of the trial;

- failure to reach agreement on acceptable terms with prospective clinical trial sites; or

- business interruptions resulting from geo-political actions, including war and terrorism, natural disasters including earthquakes, typhoons, floods and fires, pandemics, or failures or significant downtime of the Corporation's information technology systems resulting from cyber-attacks on such systems or otherwise.

The Corporation's product development costs will increase if it experiences delays in testing or approval or if the Corporation needs to perform more or larger clinical trials than planned. Additionally, changes in regulatory requirements and policies may occur, and the Corporation may need to amend study protocols to reflect these changes. Amendments may require the Corporation to resubmit its study protocols to regulatory authorities or ethics committees for re-examination, which may impact the cost, timing or successful completion of that trial. Delays or increased product development costs may have a material adverse effect on the Corporation's business, financial condition and prospects.

Clinical Trial Publications

From time to time, the Corporation may publish interim, top-line or preliminary data from the Corporation's clinical trials. The Corporation may decide to conduct an interim analysis of the data after a certain number or percentage of subjects have been enrolled, but before completion of the trial. Similarly, the Corporation may report top-line or preliminary results of primary and key secondary endpoints before the final trial results are completed. Interim, top-line and preliminary data from the Corporation's clinical trials may change as more subject data or analyses become available. Preliminary, top-line or interim data from the Corporation's clinical trials are not necessarily predictive of final results. Interim, top-line and preliminary data are subject to the risk that one or more of the clinical outcomes may materially change as subject enrollment continues, more data become available and the Corporation issues the final clinical trial report. Interim, top-line and preliminary data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data the Corporation previously published. As a result, interim, top-line and preliminary data should be viewed with caution until the final data are available.

Further, others, including regulatory agencies, may not accept or agree with the Corporation's assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the chance of approval or commercialization of the particular therapeutic candidate and the Corporation's company in general; in addition certain regulatory agencies may request further data. If the top-line data that the Corporation reports differ from actual results, or if others, including regulatory authorities, disagree with the conclusions reached, the Corporation's ability to obtain approval for, and commercialize any future product candidate, the Corporation's business, operating results, prospects or financial condition may be harmed.

Completion of Clinical Trials

As the Corporation's product candidates advance from nonclinical testing to clinical testing, the latter through a series of progressively larger and more complex clinical trials, the Corporation will need to enroll an increasing number of patients that meet its eligibility criteria. There is significant competition for recruiting patients in clinical trials, and the Corporation may be unable to enroll the patients it needs to complete clinical trials on a timely basis or at all. The factors that affect the Corporation's ability to enroll patients are largely uncontrollable and include, but are not limited to the size and nature of the patient population, eligibility and exclusion criteria for the trial, design of the clinical trial, competition with other companies for clinical sites or patients, perceived risks and benefits of the product candidate, and the number, availability, location and accessibility of clinical trial sites.

Such delays in completing its clinical trials will likely increase costs as well as slow down the future development programme and path to approval. Depending on the nature of the delay, such factors may lead to the denial of regulatory approval or the Corporation's therapeutic candidates. Significant delays to the development programme may alternatively lead to additional competitors to bring their therapies to market ahead of the Corporation as well as reduce the duration to which it holds certain exclusive rights. Such occurrences may harm the overall business, financial status, prospect and reputation of the Corporation.

Although early nonclinical and clinical data supports the safety and low toxicity of DMT, any side effects identified throughout the development programme could lead to interruptions, delays or halting of the clinical trial. This could lead to denial of regulatory approval or the requirement for a more restrictive label or the need to implement a REMS plan to ensure therapy benefits outweigh the risks. The Corporation cannot make any assurance that its therapeutic candidates do not lead to any undesirable or unacceptable serious side effects, or even death. In the event of a serious side effect, it is likely the overseeing regulatory authority will order the Corporation to cease further development of or deny approval of the therapeutic candidate of any related candidate. It is possible that even after market approval, new side effects are uncovered as a result of exposure of therapeutic candidates to a much greater patient population for an extended duration. Should new safety concerns be uncovered following approval, the regulatory authorities may request new labelling changes, new/additional REMS strategies or even complete withdrawal of the candidate from the market. This could lead to significant impact on future sales on the therapeutic candidate, reputational harm and potential litigation risks.

Variability in the psychological experience encountered by subjects may lead to certain subjects encountering a negative experience. Such experience may result in liability claims or public reputational damage to the Corporation. Such occurrences may harm the overall business, financial status, prospect and reputation of the Corporation.

Later Stage Clinical Trials Failure

Therapeutic candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through nonclinical studies and initial clinical trials. Furthermore, there can be no assurance that any of the Corporation's clinical trials will ultimately be successful or support further clinical development of any future therapeutic candidates. There is a high failure rate for drugs proceeding through clinical trials. A number of companies in the pharmaceutical industry have suffered significant setbacks in clinical development even after achieving promising results in earlier studies.

R&D of drugs targeting the central nervous system is particularly difficult, which makes it difficult to predict and understand why the drug has a positive effect on some patients but not others.

Discovery and development of new drugs targeting central nervous system disorders are particularly difficult and time-consuming, evidenced by the higher failure rate for new drugs for central nervous system disorders compared with most other areas of drug discovery. Any such setbacks in the Corporation's clinical development could have a material adverse effect on the Corporation's business and operating results. In addition, the Corporation's later stage clinical trials may present challenges related to conducting adequate and well-controlled clinical trials, including designing an appropriate comparator arm in trials given the potential difficulties related to maintaining the blinding during the trial or placebo or nocebo effects.

Due to the complexity of the human brain and the central nervous system, it can be difficult to predict and understand why a drug may have a positive effect on some patients but not others and why some individuals may react to the drug differently from others.

Negative Results of External Clinical Trials or Studies

From time to time, studies or clinical trials on various aspects of biopharmaceutical products are conducted by academic researchers, competitors or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to the Corporation's product candidates, or the therapeutic areas in which the Corporation's product candidates compete could cause the Corporation or a partner licensee to delay or suspend its studies or clinical trials. Such negative results or delays in clinical trials could adversely affect the Corporation's share price and its ability to finance future development of its product candidates, and the Corporation's business and financial results could be materially and adversely affected.

Lack of Expedited Status

In October 2021, the MHRA granted an IPD for SPL026. This designation provides access to the ILAP, which accelerates time to market and facilitates patient access to emerging and novel treatments. The ILAP provides a single integrated platform for sustained collaborative working among the MHRA, its partners and the medicine developer, which potentially allows for enhanced coordination and monitoring of important product development activities culminating in market authorization. Under the ILAP, the Corporation has access to a toolkit to support all stages of the design, development and approvals process, as well as identify key areas for future engagement.

The Corporation may not elect, or be able to, take advantage of any expedited development or regulatory review and approval processes available to drug product candidates granted breakthrough therapy or fast track designation by the ILAP. The Corporation may also not be granted similar expedited status by regulatory agencies in other jurisdictions it intends to pursue operations, including the FDA in the US.

The Corporation's inability to achieve expedited status in all jurisdictions or benefit from the use of expedited status, such as the ILAP, in jurisdictions it has been granted such status may have a negative effect on the Corporation's clinical trials. This could have a material adverse effect on the Corporation's business, operating results, and financial condition, and delay completion of clinical trials.

Risks Related to Intellectual Property

Reliance on patents and other intellectual property rights

The Corporation's commercial success depends in part on obtaining and maintaining patents and other forms of intellectual property rights for its current and future therapeutic candidates and associated therapies, digital therapies, methods used to manufacture the underlying therapeutic substances, and the methods for treating patients using those substances and therapies, or on licensing in such rights. Failure to obtain, maintain, protect, enforce or extend adequate patent and other intellectual property rights could materially adversely affect the Corporation's ability to develop and market its current and future therapeutic candidates. The Corporation also relies on trade secrets and know-how to develop and maintain its proprietary and intellectual property position. Any failure to protect its trade secrets and know-how could adversely affect the Corporation's operations and prospects.

The Corporation cannot be certain that patents will be issued or granted with respect to patent applications that are currently pending, or that issued or granted patents will not later be found to be invalid or unenforceable. The patent position of companies like the Corporation is generally uncertain because it involves complex legal and factual considerations. The standards applied by the UK Intellectual Property Office, the European Patent Office, the USPTO, the CIPO and foreign patent offices in granting patents are not always applied uniformly or predictably. For example, there is no uniform worldwide policy regarding patentable subject matter or the scope of claims allowable in pharmaceutical patents. Consequently, patents may not issue from the Corporation's pending patent applications, and even if they do issue, such patents may not issue in a form that effectively prevents others from developing or commercializing competing therapies. As such, the Corporation does not know the degree of future protection that it will have on its proprietary therapies.

The patent prosecution process is expensive, complex and time-consuming, and the Corporation, its current or future third party partners, licensors, licensees, or collaboration partners may not be able to prepare, file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that the Corporation or its licensors, licensees or collaboration partners will fail to identify patentable aspects of inventions made in the course of research, development or commercialization activities before it is too late to pursue patent protection on them. In addition, although the Corporation enters into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of its R&D output, such as its employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors, and other third parties, any of these parties may breach the agreements and disclose such output before a patent application is filed, thereby jeopardizing the Corporation's ability to seek patent protection. Furthermore, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the UK and other jurisdictions are typically not published until 18 months after filing, or in some cases not published until and unless granted. Therefore, the Corporation cannot be certain that it is the first to make the inventions claimed in its patents or pending patent applications, or that it was the first to file for patent protection of such inventions. Similarly the Corporation cannot be certain that for any licensed patents or pending patent applications, the named applicant(s) were the first to make the inventions claimed in such patents or pending patent applications or that the named applicant(s) were the first to file for patent protection for such inventions.

Further, the issuance, scope, validity, enforceability and commercial value of the Corporation's and its current or future licensors', licensees' or collaboration partners' patent rights are highly uncertain. The Corporation and any potential licensors' pending and future patent applications may not result in patents being issued that protect the Corporation's therapies, in whole or in part, or that effectively prevent others from commercializing competitive technologies and therapies.

Moreover, in some circumstances, the Corporation may not have the right to control the preparation, filing and prosecution of patent applications, or to maintain such patents, should the Corporation's license technology from or to third parties and would be reliant on its licensors, licensees or collaboration partners. If the Corporation engages with licensors, licensees or collaboration partners and they fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced or eliminated. If such licensors, licensees or collaboration partners were not fully cooperative or disagree with the Corporation as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised.

The patent examination process may require the Corporation or its licensors, licensees or collaboration partners to narrow the scope of the claims of the Corporation or the Corporation's licensors', licensees' or collaboration partners' pending and future patent applications, which may limit the scope of patent protection that may be obtained. The Corporation cannot guarantee that all of the potentially relevant prior art relating to its patents and patent applications has been found. If such prior art exists, it can invalidate a patent or prevent a patent from issuing from a pending patent application.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and the Corporation's patents may be challenged in the courts or patent offices in the UK and abroad. Even if patents do successfully issue and even if such patents cover the Corporation's current and future therapeutic candidates, third parties may initiate an opposition, interference, re-examination, post-grant review, inter parties review, nullification or derivation proceedings in court or before patent offices, or similar proceedings challenging the validity, enforceability or scope of such patents, which may result in the patent claims being narrowed or invalidated.

The Corporation and the Corporation's licensors', licensees' or collaboration partners' patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications, and then only to the extent the issued claims cover the technology. In addition, patents and other intellectual property rights also will not protect the Corporation's current and any future therapeutic candidates if third parties, including the Corporation's competitors, design around the Corporation's protected technology and the Corporation's current and any future therapeutic candidates without infringing, misappropriating or otherwise violating the Corporation's patents or other intellectual property rights. Moreover, some of the Corporation's patents and patent applications may in the future be co-owned with third parties. If the Corporation is unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including the Corporation's competitors, and the Corporation's competitors could market competing therapies and technology. In addition, the Corporation may need the cooperation of any such co-owners of its patents in order to enforce such patents against third parties, and such cooperation may not be provided. Any of the foregoing could have a material adverse effect on the Corporation's competitive position, business, financial conditions, results of operations, and prospects.

Because patent applications are confidential for a period of time after filing, and some remain so until issued, the Corporation cannot be certain that the Corporation or its current or future licensors, licensees or collaborators were or will be the first to file any patent application related to a therapeutic candidate. Even where the Corporation has a valid and enforceable patent, it may not be able to exclude others from practicing the Corporation's invention where the other party can show that they used the invention in commerce before the Corporation's filing date or the other party benefits from a compulsory license. In addition, the Corporation may be subject to third-party challenges regarding the Corporation's exclusive ownership of the Corporation's intellectual property. If a third party were successful in challenging the Corporation's exclusive ownership of any of the Corporation's intellectual property, the Corporation may lose its right to use such intellectual property, such third party may be able to license such intellectual property to other third parties, including the Corporation's competitors, and the Corporation's competitors could market competing therapies and technology. Any of the foregoing could have a material adverse effect on the Corporation's competitive position, business, financial conditions, results of operations, and prospects.

Patent Litigation

Patent litigation is becoming widespread in the pharmaceutical industry and the Corporation cannot predict how this will affect its efforts to form strategic alliances, conduct clinical testing, or manufacture and market any of its product candidates that it may successfully develop. If the Corporation becomes involved in any litigation, interference, impeachment or other administrative proceedings, it will likely incur substantial expenses and the efforts of its technical and management personnel will be significantly diverted. The Corporation cannot make any assurances that it will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. Moreover, if the Corporation's products infringe patents, trademarks or proprietary rights of others, it could, in certain circumstances, become liable for substantial damages, which also could have a material adverse effect on the business of the Corporation, its financial condition and results of operation. Patent litigation is less likely during development as many jurisdictions contain exemptions from patent infringement for the purpose of obtaining regulatory approval of a product. Where there is any sharing of patent rights either through co-ownership or different licensed "fields of use", one owner's actions could lead to the invalidity of the entire patent. If the Corporation is unable to avoid infringing the patent rights of others, the Corporation may be required to seek a license, defend an infringement action or challenge the validity of the patents in court. Such results could have a material adverse effect on the Corporation. Regardless of the outcome, patent litigation is costly and time consuming. In some cases, the Corporation may not have sufficient resources to bring these actions to a successful conclusion, and, even if the Corporation is successful in these proceedings, it may incur substantial costs and divert management time and attention in pursuing these proceedings, which could have a material adverse effect on the Corporation.

Any infringement or misappropriation of the Corporation's intellectual property could damage its value and limit its ability to compete. In addition, the Corporation's ability to enforce and protect its intellectual property rights may be limited in certain countries outside the US, Canada, the EU or the UK, which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by the Corporation. Competitors may also harm the Corporation's sales by designing products that mirror the capabilities of its products or technology without infringing on its intellectual property rights. If the Corporation does not obtain sufficient protection for its intellectual property, or if it is unable to effectively enforce its intellectual property rights, its competitiveness could be impaired, which would limit its growth and future revenue. The Corporation may also find it necessary to bring infringement or other actions against third parties to seek to protect its intellectual property rights. Litigation of this nature, even if successful, is often expensive and time- consuming to prosecute and there can be no assurance that the Corporation will have the financial or other resources to enforce its rights or be able to enforce its rights or prevent other parties from developing similar technology or designing around its intellectual property.

Invalid or Unenforceable Patents

To protect the Corporation's competitive position, the Corporation may from time to time need to resort to litigation in order to enforce or defend any patents or other intellectual property rights owned by or licensed to the Corporation from time to time, or to determine or challenge the scope or validity of patents or other intellectual property rights of third parties. Enforcement of intellectual property rights is difficult, unpredictable and expensive, and many of the Corporation's or the Corporation's licensors' or collaboration partners' adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than the Corporation or the Corporation's licensors or collaboration partners can. Accordingly, despite the Corporation's or the Corporation's licensors' or collaboration partners' efforts, the Corporation or the Corporation's licensors or collaboration partners may not prevent third parties from infringing upon, misappropriating or otherwise violating intellectual property rights the Corporation own or control, particularly in countries where the laws may not protect those rights as fully as in the UK, EU, the US and Canada. The Corporation may fail in enforcing its rights, in which case the Corporation's competitors and other third parties may be permitted to use the Corporation's therapies without payment to the Corporation.

In addition, litigation involving the Corporation's licensed patents carries the risk that one or more of the Corporation's licensed patents will be narrowed, held invalid (in whole or in part, on a claim-by-claim basis) or held unenforceable. Such an adverse court ruling could allow third parties to commercialize the Corporation's therapies, and then compete directly with the Corporation, without payment to the Corporation.

If the Corporation were to initiate legal proceedings against a third party to enforce a patent covering one of the Corporation's investigational therapies, the defendant could counterclaim that the Corporation's patent is invalid or unenforceable. In patent litigation in the UK, EU, the US or Canada, defendant counterclaims alleging invalidity or unenforceability are commonplace. A claim for a validity challenge may be based on failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. A claim for unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the UK Intellectual Property Office, European Patent Office, the USPTO, the CIPO or made a misleading statement, during prosecution. Third parties may also raise challenges to the validity of the Corporation's patent claims before administrative bodies in the US or abroad, even outside the context of litigation. Such mechanisms include re-examination, post-grant review, inter partes review, interference proceedings, derivation proceedings, and equivalent proceedings in foreign jurisdictions (i.e., opposition proceedings). Such proceedings could result in the revocation of, cancellation of, or amendment to the Corporation's patents in such a way that they no longer cover the Corporation's current or any future therapeutic candidates. The outcome following legal assertions of invalidity and unenforceability during patent litigation or other proceedings is unpredictable. With respect to the validity question, for example, the Corporation cannot be certain that there is no invalidating prior art, of which the Corporation and the patent examiner were unaware during prosecution. If a defendant or third party were to prevail on a legal assertion of invalidity or unenforceability, the Corporation would lose at least part, and perhaps all, of the patent protection on the Corporation's current or one or more of any future therapeutic candidates. Such a loss of patent protection could have a material adverse impact on the Corporation's business financial condition, results of operations, and prospects. Further, litigation could result in substantial costs and diversion of management resources, regardless of the outcome, and this could harm the Corporation's business and financial results.

Compliance with Procedural Requirements

Periodic maintenance and annuity fees on any issued patent are due to be paid to the UK Intellectual Property Office, the European Patent Office, the USPTO, the CIPO and foreign patent agencies in several stages over the lifetime of the patent. The European Patent Office, the USPTO, the CIPO and various foreign governmental patent agencies also require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In certain circumstances, the Corporation may rely on collaboration partners to pay these fees due to US and comparable foreign patent agencies and take the necessary action to comply with such requirements with respect to the Corporation's intellectual property. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If the Corporation, its licensors or collaboration partners fail to maintain the patents and patent applications covering the Corporation's investigational therapies, third parties, including its competitors might be able to enter the market with similar or identical therapies or technologies, which would have a material adverse effect on the Corporation's business, financial condition, results of operations, and prospects.

Trade Secrets

The Corporation relies on third parties to develop its products and as a result, must share trade secrets with them. The Corporation seeks to protect its proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with its collaborators, advisors, employees and consultants prior to beginning research or disclosing proprietary information. These agreements typically restrict the ability of the Corporation's collaborators, advisors, employees and consultants to publish data potentially relating to its trade secrets. Its academic and clinical collaborators typically have rights to publish data, provided that the Corporation is notified in advance and may delay publication for a specified time in order to secure any intellectual property rights arising from the collaboration. In other cases, publication rights are controlled exclusively by the Corporation, although in some cases the Corporation may share these rights with other parties. The Corporation may also conduct joint R&D programs which may require it to share trade secrets under the terms of R&D collaboration or similar agreements. Despite the Corporation's efforts to protect its trade secrets, the Corporation's competitors may discover its trade secrets, either through breach of these agreements, independent development or publication of information. A competitor's discovery of the Corporation's trade secrets may impair its competitive position and could have a material adverse effect on its business and financial condition.

Trademark Protection

Failure to register trademarks for the Corporation or its products could require the Corporation to rebrand its products resulting in a material adverse impact on its business.

Intellectual Property Litigation Costs

Even if resolved in the Corporation's favour, litigation or other legal proceedings relating to intellectual property claims may cause the Corporation to incur significant expenses and could distract the Corporation's technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the Corporation. Such litigation or proceedings could substantially increase the Corporation's operating losses and reduce the Corporation's resources available for development and commercialization activities. The Corporation may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of the Corporation's competitors may be able to sustain the costs of such litigation or proceedings more effectively than the Corporation can because of their substantially greater financial resources. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Corporation's confidential information could be compromised by disclosure during this type of litigation. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on the Corporation's ability to compete in the marketplace.

Third-Party Licenses

If the Corporation obtains third-party licenses but fails to pay annual maintenance fees, development and sales milestones, or it is determined that the Corporation does not use commercially reasonable efforts to commercialize licensed products, the Corporation could lose those licenses which could have a material adverse effect on its business and financial condition.

In addition, a certain number of patents have already been issued to other biotechnology and pharmaceutical companies. To the extent that valid third-party patent rights cover the Corporation's products or services, the Corporation, the licensor of the Corporation's intellectual property rights, or its strategic collaborators would be required to seek licenses from the holders of these patents in order to manufacture, use or sell these products and services and payments under them would reduce the Corporation's profits from these products and services.

Third-party intellectual property right holders, including the Corporation's competitors, may actively bring infringement, misappropriation or violation claims against the Corporation based on existing or future intellectual property rights, regardless of their merit. The Corporation may not be able to successfully settle or otherwise resolve such infringement claims. If the Corporation is unable to successfully settle future claims on terms acceptable to the Corporation, the Corporation may be required to engage or continue costly, unpredictable and time-consuming litigation and may be prevented from or experience substantial delays in marketing the Corporation's therapies.

If the Corporation is unsuccessful defending in any such claim, in addition to being forced to pay damages, the Corporation or the Corporation's licensor or licensees may be temporarily or permanently prohibited from commercializing any of the Corporation's investigational therapies that were held to be infringing. If possible, the Corporation might be forced to redesign the Corporation's therapeutic candidates or any future therapeutic candidates so that the Corporation no longer infringe the intellectual property rights of third parties, or the Corporation may be required to seek a license to any such technology that the Corporation is found to infringe, which license may not be available on commercially reasonable terms or at all. Even if the Corporation or the Corporation's licensors or collaboration partners obtain a license, it may be non-exclusive, thereby giving the Corporation's competitors access to the same technologies licensed to the Corporation or the Corporation's licensors or collaboration partners and it could require the Corporation to make significant licensing and royalty payments. In addition, the Corporation could be found liable for significant monetary damages, including treble damages and attorneys' fees, if the Corporation is found to have willfully infringed a patent or other intellectual property right. Claims that the Corporation has misappropriated the confidential information or trade secrets of third parties could have a similar material adverse effect on the Corporation's business, financial condition, results of operations, and prospects. Any of these events, even if the Corporation were ultimately to prevail, could require the Corporation to divert substantial financial and management resources that the Corporation would otherwise be able to devote to the Corporation's business.

In addition, if the breadth or strength of protection provided by the Corporation's or the Corporation's licensors' or collaboration partners' patents and patent applications is threatened, it could dissuade companies from collaborating with the Corporation to license, develop or commercialize current or future investigational therapies. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Corporation's confidential information could be compromised by disclosure during this type of litigation.

Failure to Comply with Potential Future Intellectual Property or License Agreements

The Corporation may become a party to third-party agreements under which the Corporation grants or is granted rights to intellectual property that are potentially important to the Corporation's business and the Corporation expects that it may need to enter into additional license or collaboration agreements in the future. Future third party agreements undertaken by the Corporation may impose various obligations related to, among other things, therapeutic development and payment of royalties and fees based on achieving certain milestones. In addition, the Corporation may enter into collaboration agreements in which the Corporation is prohibited from developing and commercializing therapies that would compete with the therapies licensed under such agreements. If the Corporation were to fail to comply with the Corporation's obligations under these agreements, the Corporation's licensor or collaboration partner may have the right to terminate the agreement, including any licenses included in such agreement.

The termination of any license or collaboration agreements or failure to adequately protect such license agreements or collaboration could prevent the Corporation from commercializing the Corporation's therapeutic candidates or any future therapeutic candidates covered by the agreement or licensed intellectual property. For example, the Corporation may rely on license agreements which grant the Corporation rights to certain intellectual property and proprietary materials that the Corporation use in connection with the development of the Corporation's therapies. If such an agreement were to terminate, the Corporation would be unable to timely license similar intellectual property and proprietary materials from an alternate source, on commercially reasonable terms or at all, and may be required to conduct additional bridging studies on the Corporation's therapeutic candidates or any future therapeutic candidates, which could delay or otherwise have a material adverse effect on the development and commercialization of the Corporation's therapeutic candidates or any future therapeutic candidates.

The Corporation may enter into license agreements which are sublicenses from third parties which are not the original licensor of the intellectual property at issue. Under such agreements, the Corporation must rely on the Corporation's licensor to comply with its obligations under the primary license agreements under which such third party obtained rights in the applicable intellectual property, where the Corporation may have no relationship with the original licensor of such rights. If the licensors fail to comply with their obligations under these upstream license agreements, the original third-party licensor may have the right to terminate the original license, which may terminate the sublicense. If this were to occur, the Corporation would no longer have rights to the applicable intellectual property and, in the case of a sublicense, if the Corporation were not able to secure the Corporation's own direct license with the owner of the relevant rights, which it may not be able to do at a reasonable cost or on reasonable terms, it may adversely affect the Corporation's ability to continue to develop and commercialize the Corporation's therapeutic candidates or any future therapeutic candidates incorporating the relevant intellectual property.

Disputes may arise regarding intellectual property subject to a license or collaboration agreement, including the following:

- the scope of rights granted under the agreement and other interpretation-related issues;
- the extent to which the Corporation's technology and processes infringe on intellectual property of the licensor or collaboration partner that is not subject to the agreement;
- the sublicensing of patent and other rights under any current or future collaboration relationships;
- the Corporation's diligence obligations under the agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by the Corporation's licensors and the Corporation and the Corporation's collaboration partners; and
- the priority of invention of patented technology.

In addition, the Corporation's third-party agreements are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what the Corporation believes to be the scope of the Corporation's rights to the relevant intellectual property or technology, or increase what the Corporation believes to be the Corporation's financial or other obligations under the relevant agreement, either of which could have a material adverse effect on the Corporation's business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that the Corporation has licensed prevent or impair the Corporation's ability to maintain the Corporation's current licensing arrangements on commercially acceptable terms, the Corporation may be unable to successfully develop and commercialize the affected therapeutic candidate, which could have a material adverse effect on the Corporation's business, financial conditions, results of operations, and prospects

Intellectual Property Rights May Fail to Protect Competitive Advantage

The degree of future protection afforded by the Corporation's intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect the Corporation's business, or permit the Corporation to maintain the Corporation's competitive advantage. The following examples are illustrative:

- others may be able to make compounds or develop digital assets that are the same as or similar to the Corporation's future therapeutic candidate, any future therapeutic candidates and digital assets but that are not covered by the claims of the patents that the Corporation owns or control;
- the patents of third parties may have an adverse effect on the Corporation's business;
- the Corporation or the Corporation's licensors or any current or future collaboration partners might not have been the first to conceive or reduce to practice the inventions covered by the issued patent or pending patent application that the Corporation own or control;
- the Corporation or the Corporation's licensors or any current or future collaboration partners might not have been the first to file patent applications covering certain of the Corporation's inventions;
- others may independently develop similar or alternative technologies or duplicate any of the Corporation's technologies without infringing misappropriating or otherwise violating the Corporation's intellectual property rights;
- issued patents that the Corporation may exclusively license may not provide the Corporation with any competitive advantage, or may be held invalid or unenforceable, as a result of legal challenges by third parties;
- the Corporation's competitors might conduct R&D activities in countries where the Corporation do not have patent rights and then use the information learned from such activities to develop competitive therapies for sale in the Corporation's major commercial markets;
- third parties performing manufacturing or testing for the Corporation using the Corporation's therapies or technologies could use the intellectual property of others without obtaining a proper license;
- the Corporation may not develop additional technologies that are patentable; and
- the Corporation may choose not to file a patent in order to maintain certain trade secrets or know-how, and a third party may subsequently file a patent covering such intellectual property, or otherwise develop similar know-how.

Should any of these events occur, they could have a material adverse effect on the Corporation's business, financial condition, results of operations, and prospects.

Employee Patent Claim Liability

Some of the Corporation's present and future consultants, advisors and employees, including the Corporation's senior management, may have previously been employed at other biotechnology or pharmaceutical companies, including the Corporation's competitors and potential competitors. Some of these individuals executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although the Corporation intends that the Corporation's consultants, advisors and employees do not use proprietary information or know-how of their former employers while working for the Corporation, the Corporation may be subject to claims that the Corporation or these individuals have used or disclosed confidential information or intellectual property, including trade secrets or other proprietary information, of any such individual's former employer. Litigation may be necessary to defend against these claims.

If the Corporation fails in prosecuting or defending any such claims, in addition to paying monetary damages, the Corporation may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party, and the Corporation could be required to obtain a license from such third party to commercialize the Corporation's therapies. Such a license may not be available on commercially reasonable terms or at all. Even if the Corporation successfully prosecute or defend against such claims, litigation could result in substantial costs and distract the Corporation's management from its day-to-day activities.

In addition, while it is the Corporation's policy to require the Corporation's employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to the Corporation, the Corporation may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that the Corporation regards as the Corporation's own. The assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, and the Corporation may be forced to bring claims against third parties, or defend claims that they may bring against the Corporation, to determine the ownership of what the Corporation regards as the Corporation's intellectual property. Such claims could have a material adverse effect on the Corporation's business, financial condition, results of operations, and prospects.

Intellectual Property Rights of Third Parties

The Corporation's commercial success depends upon its ability and the ability of any future collaborators to develop, manufacture, market, and sell any investigational therapies that the Corporation may develop and use its proprietary technologies without infringing, misappropriating or otherwise violating the intellectual property and proprietary rights of third parties. The various markets in which the Corporation plans to operate are subject to frequent and extensive litigation regarding patents and other intellectual property rights. In the future, the Corporation may become party to, or threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to its current or any future therapeutic candidates. If the outcome of any such proceeding or litigation is adverse to the Corporation, it may affect the Corporation's ability to compete effectively.

Additionally, the Corporation's competitive position may suffer if patents issued to third parties or other third-party intellectual property rights cover the Corporation's therapies or elements thereof, the Corporation's manufacture or uses relevant to its development plans, the targets of the Corporation's current or any future therapeutic candidates, or other attributes of the Corporation's current or any future therapeutic candidates. In such cases, the Corporation may not be in a position to develop or commercialize such therapeutic candidates unless the Corporation successfully pursues litigation to nullify or invalidate the third-party intellectual property right concerned, or enter into a license agreement with the intellectual property right holder, which may not be available on commercially reasonable terms or at all. In the event that a patent has not expired at the time of approval of such investigational therapies or therapeutic candidate and the patent owner were to bring an infringement action against the Corporation, the Corporation may have to argue that its investigational therapies or the manufacture or use of the underlying therapeutic substances do not infringe a valid claim of the patent in question. Alternatively, if the Corporation were to challenge the validity of any issued US patent in court, the Corporation would need to overcome a statutory presumption of validity that attaches to every US patent. This means that in order to prevail, the Corporation would need to present clear and convincing evidence as to the invalidity of the patent's claims. The same applies to other jurisdictions. Even if the Corporation believe third-party intellectual property claims are without merit, there is no assurance that a court would find in the Corporation's favor on questions of infringement, validity, enforceability, or priority. In the event that a third party successfully asserts its patent against the Corporation such that such third party's patent is found to be valid and enforceable and infringed by the Corporation's investigational therapies, unless the Corporation obtains a license to such patent, which may not be available on commercially reasonable terms or at all, the Corporation could be prevented from continuing to develop or commercialize the Corporation's investigational therapies. There can be no assurance any such patents will not be asserted against the Corporation or that the Corporation will not need to seek licenses from such third parties. The Corporation may not be able to secure such licenses on acceptable terms, or at all, and any such litigation would be costly and time-consuming.

It is possible that the Corporation has failed, and in the future may fail, to identify relevant patents or applications that may be asserted against the Corporation. For example, certain US applications filed after November 29, 2000 can remain confidential until and unless issued as patents, provided that inventions disclosed in the applications have not and will not be the subject of a corresponding application filed outside the US In general, patent applications in the US and elsewhere are published approximately 18 months after the earliest filing for which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Therefore, patent applications covering the Corporation's therapies could have been filed by others without the Corporation's knowledge. Furthermore, the Corporation operates in a highly competitive field, and given its limited resources, it is unreasonable to monitor all patent applications in the areas in which they are active. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover the Corporation's therapies or the use of the Corporation's therapies.

Third-party intellectual property right holders, including the Corporation's competitors, may actively bring infringement, misappropriation or violation claims against the Corporation based on existing or future intellectual property rights, regardless of their merit. The Corporation may not be able to successfully settle or otherwise resolve such infringement claims. If the Corporation are unable to successfully settle future claims on terms acceptable to it, the Corporation may be required to engage or continue costly, unpredictable and time-consuming litigation and may be prevented from or experience substantial delays in marketing its therapies.

If the Corporation is unsuccessful in defending any such claim, in addition to being forced to pay damages, the Corporation or its licensees may be temporarily or permanently prohibited from commercializing any of its investigational therapies that were held to be infringing. If possible, the Corporation might be forced to redesign its current or any future therapeutic candidates so that the Corporation no longer infringes the intellectual property rights of third parties, or the Corporation may be required to seek a license to any such technology that it is found to infringe, which license may not be available on commercially reasonable terms or at all. Even if the Corporation or any potential future licensor or collaboration partners obtain a license, it may be non-exclusive, thereby giving the Corporation's competitors access to the same technologies licensed to the Corporation or its licensors or collaboration partners and it could require the Corporation to make significant licensing and royalty payments. In addition, the Corporation could be found liable for significant monetary damages, including treble damages and attorneys' fees, if the Corporation is found to have willfully infringed a patent or other intellectual property right. Claims that the Corporation have misappropriated the confidential information or trade secrets of third parties could have a similar material adverse effect on the Corporation's business, financial condition, results of operations, and prospects. Any of these events, even if the Corporation were ultimately to prevail, could require the Corporation to divert substantial financial and management resources that the Corporation would otherwise be able to devote to its business.

In addition, if the breadth or strength of protection provided by the Corporation or the Corporation's potential future licensors' or collaboration partners' patents and patent applications is threatened, it could dissuade companies from collaborating with the Corporation to license, develop or commercialize current or future investigational therapies. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Corporation's confidential information could be compromised by disclosure during this type of litigation.

Obtaining or Maintaining Necessary Rights For Current or Future Therapeutic Candidates Through Acquisitions and In-Licenses

In the future, the Corporation's programs may require the use of proprietary rights held by third parties, and the growth of the Corporation's business will likely depend in part on its ability to acquire, in-license, maintain or use these proprietary rights. In addition, with respect to any patents the Corporation co-owns with third parties, the Corporation may require licenses to such co-owners' interest in such patents. The Corporation may be unable to acquire or in-license any compositions, methods of use, processes, or other third-party intellectual property rights from third parties that the Corporation identifies as necessary for its current or any future therapeutic candidates. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies may pursue strategies to license or acquire third-party intellectual property rights that the Corporation may consider attractive or necessary. These established companies may have a competitive advantage over the Corporation due to their size, cash resources and greater clinical development and commercialization capabilities. In addition, companies that perceive the Corporation to be a competitor may be unwilling to assign or license rights to the Corporation. If the Corporation is unable to successfully obtain a license to third-party intellectual property rights necessary for the development of an investigational therapy or program, the Corporation may have to abandon development of that investigational therapy or program, which could have a material adverse effect on the Corporation's business, financial condition, results of operations, and prospects.

Patent Law Reform

As is the case with other biotechnology and pharmaceutical companies, the Corporation's success is heavily dependent on intellectual property rights, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry is a technologically and legally complex process, and obtaining and enforcing biopharmaceutical patents is costly, time consuming and inherently uncertain. Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of the Corporation's and its licensors' or collaborators' patent applications and the enforcement or defense of the Corporation or its licensors' or collaborators' issued patents.

Difficulties Securing Jurisdictional Intellectual Property Rights

Filing, prosecuting and defending patents on therapeutic candidates in all countries and jurisdictions throughout the world would be prohibitively expensive and the Corporation's intellectual property rights in some countries outside of Canada, the EU, the US, and the UK, could be less extensive than those in Canada, the EU, the US, and the UK, assuming that rights are obtained in Canada, the EU, the US, and the UK. Consequently, the Corporation may not be able to prevent third parties from practicing the Corporation's inventions in all countries outside Canada, the EU, the US, and the UK, or from selling therapies or importing therapeutic substances made using the Corporation's inventions in and into Canada, the EU, the US, and the UK, or other jurisdictions. In addition, the Corporation may decide to abandon national and regional patent applications before grant. Finally, the grant proceeding of each national/regional patent is an independent proceeding which may lead to situations in which applications might in some jurisdictions be refused by the relevant patent offices, while granted by others. It is also quite common that depending on the country, the scope of patent protection may vary for the same therapeutic candidate or technology.

Competitors may use the Corporation's and the Corporation's licensors' or collaboration partners' technologies in jurisdictions where the Corporation has not obtained patent protection to develop their own therapies and, further, may export otherwise infringing therapies to territories where the Corporation and the Corporation's licensors or collaboration partners have patent protection, but enforcement is not as strong as that in Canada, the EU, the US, and the UK. These therapies may compete with future therapeutic candidates, and the Corporation's and the Corporation's licensors' or collaboration partners' patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

The laws of some jurisdictions do not protect intellectual property rights to the same extent as the laws in Canada, the EU, the US, and the UK, and companies have encountered significant difficulties in protecting and defending such rights in such jurisdictions. If the Corporation or the Corporation's licensors encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for the Corporation's business in such jurisdictions, the value of these rights may be diminished and the Corporation may face additional competition from others in those jurisdictions.

Some countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, some countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If the Corporation or any of the Corporation's licensors or collaboration partners is forced to grant a license to third parties with respect to any patents relevant to the Corporation's business, the Corporation's competitive position may be impaired and the Corporation's business and results of operations may be adversely affected.

Proceedings to enforce the Corporation's and the Corporation's licensors' or collaboration partners' patent rights in foreign jurisdictions could result in substantial costs and divert the Corporation's and the Corporation's licensors' or collaboration partners' efforts and attention from other aspects of the Corporation's business, regardless of whether the Corporation or the Corporation's licensors or collaboration partners are successful, and could put the Corporation's and the Corporation's licensors' or collaboration partners' patents at risk of being invalidated or interpreted narrowly. In addition, such proceedings could put the Corporation's and the Corporation's licensors' or collaboration partners' patent applications at risk of not issuing and could provoke third parties to assert claims against the Corporation or the Corporation's licensors or collaboration partners. The Corporation or the Corporation's licensors or collaboration partners may not prevail in any lawsuits that the Corporation or the Corporation's licensors or collaboration partners initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Any of the foregoing could have a material adverse effect on the Corporation's business, financial condition, results of operations, and prospects.

Risks Related to the Common Shares

Substantial Number of Authorized but Unissued Common Shares

The Corporation has a class of authorized capital consisting of an unlimited number of Common Shares that may be issued by the board without further action or approval of shareholders. While the Corporation's board will be required to fulfill its fiduciary obligations in connection with the issuance of such Common Shares, Common Shares may be issued in transactions with which not all shareholders agree, and the issuance of such Common Shares will cause dilution to the ownership interests of shareholders.

Dilution

The financial risk of the Corporation's future activities will be borne to a significant degree by its shareholders. If additional Common Shares are issued from treasury for financing purposes, control of the Corporation may change and purchasers may suffer additional dilution.

Market for the Common Shares

There can be no assurance that an active trading market for the Common Shares will develop or, if developed, that any market will be sustained. The Corporation cannot predict the prices at which the Common Shares will trade in the future. Fluctuations in the market prices of Common Shares could cause an investor to lose all or part of its investment in the Corporation. Factors that could cause fluctuations in the trading price of the Common Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events the Corporation or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of psychedelic companies; (iv) fluctuations in the trading volume of the Common Shares or the size of the Corporation's public float; (v) actual or anticipated changes or fluctuations in the Corporation's results of operations; (vi) whether the Corporation's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving the Corporation, its industry, or both; (ix) regulatory developments; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the Common Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on the Corporation from any of the other risks cited herein.

Volatile Market Price for the Common Shares

The securities market in Canada experiences, from time to time, a high level of price and volume volatility, and the market prices of securities of many companies may experience wide fluctuations in price which are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Corporation. The value of the Common Shares distributed by the Corporation have been affected by such volatility.

The volatility of the Common Shares may affect the ability of holders to sell the Common Shares at an advantageous price or at all. Market price fluctuations in the Common Shares may be adversely affected by a variety of factors relating to the Corporation's business, including fluctuations in the Corporation's operating and financial results, such results failing to meet the expectations of securities analysts or investors and downward revisions in securities analysis' estimates in connection therewith, sales of additional Common Shares, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under the heading "*Cautionary Note Regarding Forward-Looking Statements*". In addition, the market price for securities on stock markets, including the TSXV, is subject to significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may materially adversely affect the market price of the Corporation.

Additionally, the value of the Common Shares are subject to market value fluctuations based upon factors that influence the Corporation's operations, such as legislative or regulatory developments, competition, technological change and changes in interest rates or foreign exchange rates. There can be no assurance that the market price of the Common Shares will not continue to experience significant fluctuations in the future, including fluctuations that are unrelated to the Corporation's performance.

Significant Sales of Common Shares

Sales of a substantial number of the Common Shares in the public market by the Corporation's directors, executive officers, control persons and certain other securityholders, including any holders of greater than 10% of the issued and outstanding Common Shares, or the perception that these sales could occur, could adversely affect the market price of the Common Shares and may make it more difficult for investors to sell Common Shares at a favourable time and price.

Tax Issues

There may be income tax consequences in relation to the Common Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

Discretion Over the Use of Proceeds

The Corporation will in most cases have discretion concerning the use of the net proceeds of any financings by the Corporation as well as the timing of their expenditures. The results and the effectiveness of the application of the net proceeds are uncertain. If the net proceeds are not applied effectively, the Corporation's business, prospects, financial position, financial condition or results of operations may suffer.

No Dividends

The Corporation's current policy is, and will be, to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Corporation. Therefore, the Corporation does not anticipate paying cash dividends on the Common Shares in the foreseeable future. The Corporation's dividend policy will be reviewed from time to time by the Board in the context of its earnings, financial condition and other relevant factors. Until the time that the Corporation does pay dividends, which it might never do, its shareholders will not be able to receive a return on their Common Shares unless they sell them.

Enforcement of Legal Rights

The Corporation's subsidiary and the majority of the Corporation's assets are located outside of Canada in the UK. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Corporation, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws or otherwise. Consequently, investors may be effectively prevented from pursuing remedies against the Corporation under Canadian securities laws or otherwise.

A number of directors and officers of the Corporation reside outside of Canada. It may not be possible for shareholders to effect service of process outside of Canada against the directors and officers of the Corporation, and independent qualified persons engaged by the Corporation, who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of such persons for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against persons not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law or other claims in original actions instituted in the UK. Courts in the UK may refuse to hear a claim based on a violation of Canadian securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

Principal Shareholder Risk

According to the public record, Mr. Peter Rands, a former director, officer and promoter of the Corporation, and his spouse, collectively own or control 85,331,724 Common Shares, representing approximately 26.30% of the Corporation's issued and outstanding Common Shares. By virtue of his status as the principal shareholder of the Corporation, Mr. Rands has the power to exercise significant influence over all matters requiring shareholder approval, including the election of directors, amendments to the Corporation's constating documents and strategic transactions, including mergers, acquisitions, business combinations, including the Arrangement, and the sale of substantially all of the Corporation's assets.

DIVIDENDS AND DISTRIBUTIONS

The Corporation has never declared nor paid dividends on the Common Shares. Currently, the Corporation intends to retain its future earnings, if any, to fund the development and growth of its business, and the Corporation does not anticipate declaring or paying any dividends on the Common Shares in the near future, although the Corporation reserves the right to pay dividends if and when it is determined to be advisable by the board of directors of the Corporation. As a result, shareholders will have to rely on capital appreciation, if any, to earn a return on investment in the Common Shares in the foreseeable future. See "*Risk Factors - Risks Related to the Common Shares - No Dividends*".

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

As of the date of this AIF, the authorized share capital of the Corporation consists of an unlimited number of Common Shares, of which 324,453,787 are issued and outstanding.

Each Common Share entitles the holder thereof to one vote at meetings of shareholders of the Corporation other than meetings of the holders of another class of shares. Each holder of Common Shares is also entitled to receive dividends if, as and when declared by the board of directors of the Corporation. Holders of Common Shares are entitled to participate in any distribution of the Corporation's net assets upon liquidation, dissolution or winding-up on an equal basis per Common Share. There are no pre-emptive, redemption, retraction, purchase or conversion rights attaching to the Common Shares.

For additional information, see "*Promoters*".

Options

The shareholders of the Corporation have approved a 10% rolling stock option plan for the Corporation (the **"Plan"**). The Plan authorizes the board of directors, or a committee thereof, from time to time and at their discretion, to grant officers, directors, employees and consultants stock options (**"Options"**) exercisable into Common Shares. The purpose of the Plan, pursuant to which the Corporation may grant Options, is to promote the profitability and growth of the Corporation by facilitating the efforts of the Corporation to obtain and retain key individuals. The Plan provides an incentive for and encourages ownership of the Common Shares by its key individuals so that they may increase their stake in the Corporation and benefit from increases in the value of the Common Shares. Pursuant to the Plan, the maximum number of Common Shares reserved for issuance in any 12 month period to any one optionee other than a consultant may not exceed 5% of the issued and outstanding Common Shares at the date of the grant. The maximum number of Common Shares reserved for issuance in any 12 month period to any consultant may not exceed 2% of the issued and outstanding Common Shares at the date of the grant and the maximum number of Common Shares reserved for issuance in any 12 month period to all persons engaged in investor relations activities may not exceed 2% of the issued and outstanding number of Common Shares at the date of the grant. The price at which an optionee may purchase a Common Share upon the exercise of an option granted pursuant to the Plan shall not be less than the market price of the Common Shares as of the date of grant. As of the date of this AIF, 22,211,350 Common Shares are issuable pursuant to Options granted under the Plan. See also "*Market for Securities - Prior Sales*".

Warrants

As of the date of this AIF, there are nil Compensation Warrants outstanding, as the Compensation Warrants to purchase 3,947,547 Common Shares at $0.96 per Common Share that were issued in connection with the Brokered Offering expired on April 29, 2023 without exercise.

Pursuant to the Base Shelf Prospectus, warrants may be offered separately or together with other securities, as the case may be. Each series of warrants may be issued under a separate warrant indenture or warrant agency agreement to be entered into between the Corporation and one or more banks or trust companies acting as warrant agent or may be issued as stand-alone contracts. The applicable prospectus supplement (the **"Prospectus Supplement"**) will include details of the warrant agreements, if any, governing the warrants being offered. The warrant agent, if any, will be expected to act solely as the agent of the Corporation and will not assume a relationship of agency with any holders of warrant certificates or beneficial owners of warrants. The specific terms of the warrants, and the extent to which the general terms described in this section apply to those warrants, will be set forth in the applicable Prospectus Supplement. Refer to the Base Shelf Prospectus for additional information.

Units

Pursuant to the Base Shelf Prospectus, the Corporation may issue units comprised of one or more of the other securities of the Corporation (the **"Units"**). Each Unit may be issued so that the holder of the Unit is also the holder of each security included in the Unit; thus, the holder of a Unit may have the rights and obligations of a holder of each included security. Any Unit agreement under which a Unit may be issued may provide that the securities included in the Unit may not be held or transferred separately at any time or at any time before a specified date. Refer to the Base Shelf Prospectus for additional information.

Debt Securities

Pursuant to the Base Shelf Prospectus, debt securities may be issued by the Corporation, which may be convertible or exchangeable into other securities of the Corporation. Any debt securities issued will be senior or subordinated unsecured indebtedness of the Corporation, which must be governed by an indenture. Refer to the Base Shelf Prospectus for additional information.

Subscription Receipts

Pursuant to the Base Shelf Prospectus, Subscription receipts may be offered by the Corporation. Subscription receipts may be issued under a subscription receipt agreement. Refer to the Base Shelf Prospectus for additional information.

ESCROWED SECURITIES

Escrow

As of the date of this AIF, to the Corporation's knowledge, no securities of the Corporation are held in escrow.

Contractual Restrictions on Transfer

In connection with the Arrangement, each of the Corporation's directors and officers, and its largest shareholder (the "**Supporting Shareholders**"), have entered into voting and support agreements with Cybin (the "**Support Agreements**"), pursuant to which each of the Supporting Shareholders has agreed, among other things, and subject to customary carve-outs and certain exceptions, from the date of execution of the Support Agreements until the termination of the Support Agreements, to vote their Common Shares (including any Common Shares issued pursuant to the exercise of Options) in favour of the Arrangement at the Corporation Meeting. Each Supporting Shareholder has also made various covenants regarding restrictions as to their ability to perform certain actions.

In connection with the Support Agreements, the Supporting Shareholders have also agreed, that, subject to limited exceptions, they are restricting from selling, transferring, gifting, assigning, or taking similar actions regarding any Common Shares or Options, without the prior consent of Cybin, acting reasonably. However, an aggregate of 8,500,000 of the Common Shares held by Small Pharma's largest shareholder, including those Common Shares beneficially held, directed, or controlled by, directly or indirectly, such shareholder, may be offered and sold in transactions through the facilities of the TSXV, in accordance with applicable securities laws and stock exchange policies, between the first day following the date on which the annual general and special meeting circular for the Corporation Meeting is filed on SEDAR+ and the closing of the Arrangement transaction.

As a result, as of the date of this AIF, to the Corporation's knowledge, there are 93,341,668 Common Shares and 16,761,300 Options that are subject to a contractual restriction on transfer, representing approximately 28.77% and 75.46% of the issued and outstanding securities of each class, respectively.

Other than the Support Agreements, there are no other agreements imposing contractual restrictions on transfer on any securities of the Corporation.

MARKET FOR SECURITIES

Trading Price and Volume

Prior to the completion of the Qualifying Transaction, the Common Shares of the Corporation (formerly Unilock), traded on the TSXV under the stock symbol **"UUU.P"** on November 16, 2018.

The Common Shares commenced trading on the TSXV following the completion of the Qualifying Transaction on a post-Consolidation basis under the stock symbol "DMT" on May 6, 2021. The following table sets forth, for the periods indicated, being the most recent financial year of the Corporation, the reported high and low prices and the trading volume of the Common Shares on the TSXV:

Month	High ($)	Low ($)	Volume
March 2022	0.300	0.20	1,736,047
April 2022	0.215	0.16	5,140,295
May 2022	0.215	0.145	1,192,276
June 2022	0.185	0.10	1,647,562
July 2022	0.135	0.085	1,066,214
August 2022	0.35	0.10	3,260,308
September 2022	0.395	0.145	3,453,831
October 2022	0.22	0.15	2,328,397
November 2022	0.195	0.095	3,024,688
December 2022	0.115	0.075	2,182,824
January 2023	0.155	0.085	8,405,864
February 2023	0.135	0.075	4,475,237
March 2023	0.075	0.070	6,494,643
April 2023	0.085	0.076	1,890,459
May 2023	0.105	0.060	2,844,553
June 2023	0.080	0.065	2,028,674
July 2023	0.080	0.060	2,269,442
August 2023(1)	0.095	0.060	4,014,869
September 1-12, 2023	0.095	0.080	8,449,427

Notes:

(1) On August 28, 2023, the Common Shares were briefly halted on the TSXV in connection with the announcement of the Arrangement.

(2) Source: TMX Money as of the date of this AIF.

Prior Sales

The following table sets forth the details regarding all issuances of securities of the Corporation that are outstanding but not listed or quoted on a marketplace, including issuances of all securities convertible or exchangeable into Common Shares, during the most recently completed financial year and up to the date of this AIF:

Date Issued	Number of Securities Issued(2)	Type	Price per Share/ Exercise Price	Nature of Consideration
April 18, 2022	912,500	Common Shares	£0.0101 ($0.0175)	Exercise of Options
June 8, 2022	6,300,000	Options	$0.175	N/A
June 14, 2022	1,050,000	Common Shares	£0.0101 ($0.0175)	Exercise of Options
June 21, 2022	912,500	Common Shares	£0.0101 ($0.0175)	Exercise of Options
July 18, 2022	1,000,000	Options	$0.105	N/A
July 26, 2022	850,000	Common Shares	£0.0101 ($0.0175)	Exercise of Options
March 1, 2023	3,725,000(1)	Options	$0.09	N/A
August 8, 2023	2,891,300	Common Shares	£0.002025 ($0.0035)	Exercise of Options

Notes:

(1) As of the date of this AIF, as a result of certain resignations and employee headcount reductions, 2,668,750 Options issued on March 1, 2023 remain issued and outstanding.

(2) In addition to the above issuances, from September 6, 2022 to December 7, 2022, the Corporation cancelled an aggregate of 1,788,000 pursuant to purchases made under the Corporation's normal course issuer bid.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the name, province of residence and position held with the Corporation of each director and executive officer effective as of the date of this AIF. All directors hold office until the next annual meeting of shareholders of the Corporation or until their successors are elected or appointed.

Name and Residence	Current Positions(s) with the Corporation	Principal Occupation for the Past Five Years
Lyne Fortin(1) Sainte Marguerite du Lac Masson, Quebec, Canada	Independent Director since: April 29, 2021 Chair of the Board since: August 26, 2021 Committee Membership: ▪ Audit ▪ Corporate Governance & Nominating (Chair) ▪ Compensation	From December 2013 to October 2018, Ms. Fortin was the Chief Commercial Officer at Theratechnologies. Ms. Fortin joined the Corporation as an independent director in April 2021 and was appointed as Chair of the Board in August 2021.
Marie Layzell(2) Surrey, UK	Chief Manufacturing and Development Officer and Director Director since: April 29, 2021	Ms. Layzell worked as a consultant for the Corporation in 2015 and in May 2016, assumed the role of a Senior Research Manager, heading up CMC activities. In July 2020, she became Chief Operating Officer and Head of CMC. In May 2022, she was appointed as Chief Manufacturing and Development Officer.
Paul Maier(3) Williamsburg, Virginia, United States	Independent Director since: November 18, 2021 Committee Membership: ▪ Audit ▪ Corporate Governance & Nominating ▪ Compensation (Chair)	Mr. Maier currently serves on the board of Ambrx Biopharma Inc (NYSE: AMAM), Eton Pharmaceuticals, Inc. (NASDAQ: ETON), Biological Dynamics, and International Stem Cell Corporation (OTCBB: ISCO). He is also Immediate Past Chairman of the Board of Lackey Clinic, a Free and Charitable Healthcare Center providing services to those without insurance.
Dr. Alastair Riddell(4)(5) Wellington, Somerset, UK	Chief Operating Officer	Since August 2009, Dr. Riddell has been the Managing Director of AJR & Associates Ltd, a consulting firm to the biopharmaceutical industry and served as Chairman and Non-Executive Director of several public and private biotechnology companies. Dr. Riddell currently serves as non-executive director of First Wave Bio (formerly AzurRx Biopharma) (NASDAQ: FWBI) and Nemesis Biosciences Ltd, a private UK biotechnology company. Mr. Riddell also previously served as Chairman of South West Academic Health Science Network, UK from January 2016 to October 2021 and Nuformix plc from May 2021 to May 2022. Dr. Riddell joined the Corporation as a consultant in December 2021 and was appointed as Chief Operating Officer in June 2022.

Dr. Carol Routledge(6) Cambridge, UK	Chief Medical and Scientific Officer	From May 2015 to June 2020, Dr. Routledge was the Director of Research at Alzheimer's Research UK, a not-for-profit funder and research collaborator. She was also appointed as Managing Director of Early detection of Neurodegenerative Diseases, a subsidiary of Alzheimer's Research UK, from December 2018 to December 2020. In July 2020, Dr. Routledge joined the Corporation as Chief Medical and Scientific Officer. Dr. Routledge also serves as a non-executive director for Alzinova AB in Sweden and as an advisor to Cognetivity Ltd and Ro5 in the UK.
David Steel(7) London, UK	Chief Financial Officer	Mr. Steel was the CFO at Feronia Inc. from June 2013 to June 2019, a TSXV listed African agribusiness. From July 2019 to January 2021, Mr. Steel consulted for various companies in the recruitment sector. In January 2021, Mr. Steel joined the Corporation as CFO.
George Tziras(8) London, UK	Chief Executive Officer and Director Director since: April 29, 2021	From May 2017 to December 2020, Mr. Tziras was an Executive Director at Goldman Sachs, an investment bank. In 2021, Mr. Tziras joined the Corporation as Chief Business Officer and on July 20, 2022, transitioned to Chief Executive Officer. Mr. Tziras has been a director of SPL since 2015.
Michael Wolfe(9) Toronto, Ontario, Canada	Independent Director since: April 29, 2021 Committee Membership: ▪ Audit (Chair) ▪ Corporate Governance & Nominating ▪ Compensation	From July 2015 to July 2017, Mr. Wolfe was a principal at the CFO Centre. From July 2017 to April 2021, Mr. Wolfe was CFO of Baylin Technologies Inc. (TSX: BYL). From April 2021 to August 2023, Mr. Wolfe was the CFO of Mind Cure Health Inc. (CSE: MCUR). Mr. Wolfe currently provides CFO services to North American-based companies.

Notes:

(1) Ms. Fortin holds, or has control or direction over, directly or indirectly, 200,000 Common Shares, representing <1% of the issued and outstanding Common Shares on a non-diluted basis, and Options exercisable into 570,000 Common Shares, representing 2.57% of the issued and outstanding Options.

(2) Ms. Layzell holds, or has control or direction over, directly or indirectly, 2,891,300 Common Shares, representing <1% of the issued and outstanding Common Shares on a non-diluted basis, and Options exercisable into 2,891,300 Common Shares, representing 13.02% of the issued and outstanding Options.

(3) Mr. Maier holds, or has control or direction over, directly or indirectly, nil Common Shares and Options exercisable into 180,000 Common Shares, representing <1% of the issued and outstanding Options.

(4) On July 3, 2023, it was determined that Dr. Alastair Riddell will leave his role as Chief Operating Officer. Dr. Riddell will formally leave his role upon the completion of the working notice period set out in his employment agreement.

(5) Dr. Riddell holds, or has control or direction over, directly or indirectly, 59,000 Common Shares, representing <1% of the issued and outstanding Common Shares on a non-diluted basis, and Options exercisable into 2,500,000 Common Shares, representing 11.26% of the issued and outstanding Options.

(6) Dr. Routledge holds, or has control or direction over, directly or indirectly, nil Common Shares and Options exercisable into 5,300,000 Common Shares, representing 23.86% of the issued and outstanding Options.

(7) Mr. Steel holds, or has control or direction over, directly or indirectly, 94,785 Common Shares, representing <1% of the issued and outstanding Common Shares on a non-diluted basis, and Options exercisable into 1,850,000 Common Shares, representing 8.33% of the issued and outstanding Options.

(8) Mr. Tziras holds, or has control or direction over, directly or indirectly, 5,131,300 Common Shares, representing 1.58% of the issued and outstanding Common Shares on a non-diluted basis, and Options exercisable into 3,200,000 Common Shares, representing 14.41% of the issued and outstanding Options.

(9) Mr. Wolfe holds, or has control or direction over, directly or indirectly, 100,000 Common Shares, representing <1% of the issued and outstanding Common Shares on a non-diluted basis, and Options exercisable into 270,000 Common Shares, representing 1.22% of the issued and outstanding Options.

(10) Securityholding information in these footnotes have been calculated based on 324,453,787 Common Shares and 22,211,350 Options issued and outstanding as of the date of this AIF.

As of the date of this AIF, as a group, the directors and officers of the Corporation hold, or have control or direction over, directly or indirectly, 8,476,385 Common Shares, representing 2.61% of the total issued and outstanding Common Shares of the Corporation on a non-diluted basis, and Options exercisable into 16,761,300 Common Shares, representing 75.46% of the total issued and outstanding Options of the Corporation.

The following is a brief description of each of the directors and members of management of the Corporation, including details regarding their principal occupations for the last five years:

Lyne Fortin - Chair of the Board, Age 64

Ms. Fortin has over 35 years experience in the pharmaceutical industry including positions at the executive or Board levels for biotechnology and small and large publicly listed companies. Her most recent roles included Senior Vice-President and Chief Commercial Officer at Theratechnologies Inc. (TSX: TH, NASDAQ: THTX), a member of the Board of Directors at Telesta Therapeutics Inc. (TSX: TST), as well as Vice-President and Board of Directors of Merck Canada where she worked most of her career. Her experience spans internationally where she worked in Canada and the US, managed pharmaceutical assets in the US market and was involved with various European initiatives. Ms. Fortin brings a broad expertise and experience in the commercialization of pharmaceutical assets and in business development arrangements with a particular interest in innovation addressing unmet medical needs. She is currently involved on the Board of Directors of a non-for-profit US organization, ADAP Advocacy. Ms. Fortin holds a certificate in Chemistry and a bachelor degree in Pharmacy from the University of Montreal, as well as an MBA from Concordia University.

Marie Layzell, Chief Manufacturing and Development Officer and Director, Age 46

Ms. Layzell has over 20 years' experience in the pharmaceutical industry as an analytical scientist and consultant, and has advised multiple large pharmaceutical projects on CMC drug development. Ms. Layzell graduated from the University of Hertfordshire in 1998 with a degree in human biology, following which she worked in numerous Contract Development Organizations including Prova (R&D) Ltd, Bodycote Testing and Exova Group. During this time, Ms. Layzell managed the CMC development for numerous small molecules and biological entities; supervising teams of analysts and working with formulators to progress development.

Since 2011, Ms. Layzell worked as an analytical consultant at Eviva Pharma. Ms. Layzell has worked with Small Pharma since 2015 and assumed the role of Senior Research Manager heading up CMC activities in May 2016. In July 2020, she became Chief Operating Officer and Head of CMC. In June 2022, Ms. Layzell was appointed as Chief Manufacturing and Development Officer.

Paul Maier - Director, Age 75

Mr. Maier has over 35 years' experience in senior executive roles across the biopharmaceutical and biotech industry. He has a successful track record at US publicly listed biotech companies, raising over US$1.5bn in equity and debt financing across his career, as well as extensive expertise in company and product acquisitions and IPOs. Mr. Maier has served as Chief Financial Officer at Sequenom, Inc. and Ligand Pharmaceuticals, Inc. He currently serves on the board of Ambrx Biopharma Inc (NYSE: AMAM), Eton Pharmaceuticals, Inc. (NASDAQ: ETON), Biological Dynamics, and International Stem Cell Corporation (OTCBB: ISCO). He previously served on the board of other publicly listed companies, including Ritter Pharmaceuticals, Inc., Apricus Biosciences, Inc., MabVax Therapeutics Holdings, Inc and 4D pharma plc. Mr. Maier holds an MBA from the Harvard Graduate School of Business and a BS in Business Logistics from Pennsylvania State University.

Dr. Alastair Riddell - Chief Operating Officer, Age 74

Dr. Riddell has over 30 years of international leadership experience in the pharmaceutical, life science and biotech industries. In his roles as CEO of Pharmagene plc, Paradigm Therapeutics and Stem Cell Sciences as well as Chairman of Feedback plc, Dr. Riddell led significant fundraises, including an IPO on the London Stock Exchange and trade sales to Takeda in Japan and Stem Cells, Inc. in the US. In companies now acquired by Pfizer, J&J and GE Healthcare, Dr. Riddell, as medical director, oversaw all phases of clinical trials of novel anti-inflammatory, anti-infective and oncology products before moving to international sales and marketing. Dr. Riddell has been Chairman and non-executive director of several private and public biotech companies in UK, US and NL and was recently Chairman of the South-West Academic Health Science Network, which fosters links between the National Health Service, industry and universities. He is non-executive director of one public US company, First Wave Bio (formerly AzurRx Biopharma) (NASDAQ: FWBI).

Dr. Carol Routledge, Chief Medical and Scientific Officer, Age 61

Dr. Routledge is a dynamic R&D professional and drug development expert with over 30 years of experience within UK and US based pharmaceutical and biotechnology companies and the non-profit sector with a focus on drug acquisition and profiling of NCEs and biologics. She has held multiple leadership roles across drug discovery and development.

Dr. Routledge's preclinical and clinical experience spans both psychiatric and neurological indications, with a strong focus on understanding and treating mental health disorders. Roles in Syntex, Wyeth, BTG and GlaxoSmithKline include leading drug discovery and development activities across several therapeutic areas but focusing strongly on neuroscience diseases and with an emphasis on translational medicine.

Dr. Routledge also has experience managing and sourcing opportunities at a semi-philanthropic dementia discovery fund. Other recent expertise includes leading the preclinical and clinical research strategy across Alzheimer's Research UK for response-mode, strategic funding and for global projects. Dr. Routledge built and led, as Managing Director, an independent and global initiative focused on the early detection of neurodegenerative diseases (EDoN). Dr. Routledge has a 1st Class Honors degree in Zoology and a PhD in neuropharmacology.

Dr. Routledge joined the Corporation in July 2020 as Chief Medical and Scientific Officer. Dr. Routledge also serves as a non-executive director for Alzinova AB in Sweden and as an advisor to Cognetivity Ltd and Ro5 in the UK.

David Steel, Chief Financial Officer, Age 62

Mr. Steel is a Chartered Accountant with extensive international and capital markets experience gained from senior finance roles in both large multinational and SME organizations. Prior to joining Small Pharma, Mr. Steel spent six years as Chief Financial Officer of Feronia Inc., a TSXV listed African agribusiness, where he led successful debt and equity financings of over US$140 million. Previously, Mr. Steel was Director of Finance for Misys plc, a multinational technology business supplying software to the global financial services sector, where he managed a global finance team of 70+ people located in 11 countries. As well as managing the global finance function, Mr. Steel played an active operational role and managed the integration of a £365 million multinational acquisition. Mr. Steel's other roles include Group Financial Controller for Fuller, Smith & Turner plc, a UK listed brewer and pub company, and head of Financial Planning and Analysis and Financial Systems at Inchcape plc, a leading global premium automotive group. David holds a BA degree from Abertay University in Scotland and is qualified as a Chartered Accountant in Edinburgh.

George Tziras, Chief Executive Officer and Director, Age 42

Mr. Tziras has over 15 years of experience in investment banking and international capital markets having worked at a number of global financial institutions including Goldman Sachs, Credit Suisse, Nomura, Lehman Brothers and CIBC. Mr. Tziras has worked on a broad range of transactions including debt and equity financings; mergers, disposals and acquisitions; private equity buyouts and debt restructurings. He has also worked across a number of industries, including healthcare. Mr. Tziras holds a BA degree from the University of Oxford and a MA degree from the Johns Hopkins School of Advanced International Studies.

From May 2017 to December 2020, Mr. Tziras was an Executive Director at Goldman Sachs. In 2021, Mr. Tziras joined the Corporation as Chief Business Officer and on July 20, 2022, transitioned to Chief Executive Officer. Mr. Tziras has been a director of Small Pharma Ltd since 2015.

Michael Wolfe - Director, Age 57

Mr. Wolfe has over 30 years' experience in finance, accounting, private equity and business valuation. He currently provides fractional CFO services to North American-based companies. Previously, Michael was the Chief Financial Officer of several mid-market Canadian companies including Mind Cure Health Inc., a CSE-listed company that focused on developing digital therapeutics technology and researching psychedelic compounds, Baylin Technologies Inc., a TSX listed company in the wire communications industry, and Masstech Group Inc., a software company in the broadcast industry. As a General Partner at VenGrowth Capital Partners Inc., Michael had a successful track record in acquisitions, management buyouts, growth financings and recapitalizations in diverse industries such as cable, broadcast, manufacturing, insurance, oil field services and global logistics. Michael has also served as a director for several private and public companies, including as a member of audit and other independent committees. He earned a CPA, CA designation, a Chartered Business Valuator designation, an MBA from McMaster University and a BA (Business and Economics) from the University of Western Ontario.

PROMOTERS

Peter Rands, a former director and officer of the Corporation, is considered to be a promoter of the Corporation within the meaning of applicable Canadian securities laws as he directly took the initiative in founding and organizing the Corporation and, in connection with the founding and organizing of the Corporation, received more than 10% of the issued and outstanding Common Shares.

As of the date of this AIF, to the Corporation's knowledge, Mr. Rands holds, or has control or direction over, directly or indirectly, 85,331,724 Common Shares, representing 26.30% of the issued and outstanding Common Shares on a non-diluted basis.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the Corporation, no director or executive officer of the Corporation is, as at the date of this AIF, or has been within the last ten years, a director, chief executive officer or chief financial officer of any Corporation (including the Corporation) that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant Corporation access to any exemption under securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an **"Order"**), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such Corporation; or

(b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such Corporation.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the respective directors and officers.

To the knowledge of the Corporation, no director or executive officer of the Corporation or any shareholder holding a sufficient number of Common Shares to affect materially the control of the Corporation:

(a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;

(c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Mr. Wolfe was an officer of Masstech Group Inc. until June 2015. In August 2015, Masstech Group Inc. filed an assignment under section 49 of the Bankruptcy and Insolvency Act (Canada). The assets were acquired by Masstech Innovations Inc., a company owned by Covington Fund II Inc.

Mr. Maier was a director of MabVax Therapeutics Holdings until July 2018. In March 2019, MabVax Therapeutics Holdings filed a petition for relief under chapter 11 in the Bankruptcy Court for the District of Delaware. The assets were sold out of bankruptcy and all bank debts were repaid.

On June 24, 2022, while Mr. Maier was serving as a non-executive a director of 4D pharma plc, 4D pharma plc was placed in Administration under English law upon instruction from its lender for failure to repay a senior secured facility for up to US$30 million to the lender on demand. Interpath Advisory has been appointed as administrator to 4D pharma plc and 4D pharma plc intends to work with Interpath Advisory on proposals to rescue the company. Interpath Advisory has taken control of the company's assets and is in the process of liquidating, refinancing or otherwise taking steps to repay creditors. In connection with the Administration, the company requested an immediate trading halt in the company's ordinary shares on the London Stock Exchange, which took effect on June 24, 2022. The company's securities were also delisted from The Nasdaq Stock Market LLC on July 7, 2022 for a failure to meet the listing requirements due to the Administration.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the respective directors and officers.

CONFLICTS OF INTEREST

To the best of the Corporation's knowledge, other than as disclosed herein, there are no known existing or potential material conflicts of interest between the Corporation and any directors or officers of the Corporation, except that certain of the directors and officers serve as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Corporation and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Corporation are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Corporation will rely upon such laws in respect of any directors and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBA and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the Corporation's knowledge, there are no legal proceedings or regulatory actions material to the Corporation to which it is a party, or has been a party to, or of which any of its property is or was the subject matter, and no such proceedings or actions are known by the Corporation to be contemplated.

There have been no penalties or sanctions imposed against the Corporation by a court or regulatory authority, and the Corporation has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, in the three years prior to the date of this AIF.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below and elsewhere in this AIF, no director, executive officer or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the voting securities of the Corporation, or any of their respective associates or affiliates (as defined in the BCBCA), has any material interest, direct or indirect, in any transaction within the three years before the date of this AIF which has materially affected or is reasonably expected to materially affect the Corporation or a subsidiary of the Corporation.

AUDITOR, TRANSFER AGENT AND REGISTRAR

MNP LLP, Chartered Professional Accountants of Ontario, at its office in Calgary, Alberta acts as the Corporation's auditor. MNP LLP has confirmed that it is independent of the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation and regulations.

Odyssey Trust Company, located at Suite 323 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2, acts as the Corporation's transfer agent and registrar.

MATERIAL CONTRACTS

Material contracts of the Corporation, other than contracts entered into in the ordinary course of business, that were entered into within the last financial year or before the last financial year but are still in effect:

(a) the Offer; and

(b) the Arrangement Agreement.

The Corporation's material contracts described above are filed under the Corporation's profile on SEDAR+ at www.sedarplus.ca.

INTERESTS OF EXPERTS

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF holds any beneficial interest, direct or indirect, in any securities or property of the Corporation or of an associate or affiliate of the Corporation and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Corporation or of an associate or affiliate of the Corporation and no such person is a promoter of the Corporation or an associate or affiliate of the Corporation. MNP LLP is independent of the Corporation in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of Ontario.

AUDIT COMMITTEE

Audit Committee's Charter

The charter (the **"Charter"**) of the Corporation's Audit Committee is reproduced as Exhibit "A".

Composition of Audit Committee

The Audit Committee is composed of Lyne Fortin, Paul Maier and Michael Wolfe (Chair), each of whom is a director of the Corporation. In accordance with Exchange Policy 3.1, the majority of the Audit Committee are not employees, Control Persons (as defined by the rules and policies of the Exchange) or officers of the Corporation.

All of the members of the Audit Committee are "independent" as such term is defined in National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). The Corporation is of the opinion that all three members of the Audit Committee are "financially literate" as such term is defined in NI 52-110.

Relevant Education and Experience

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements.

See *"Directors and Executive Officers"* for a brief description of the biographical profiles, including the relevant education and practical experience, of each member of the Audit Committee.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and/or compensation of the Corporation's external auditors not been adopted by the board of directors.

Pre-Approval Policies and Procedures

Pursuant to the terms of the Audit Committee Charter, the Audit Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor.

External Auditor Service Fees (By Category)

Saturna Group, Chartered Professional Accountants, was the Corporation's auditor until March 25, 2021, at which time MNP LLP was appointed as the Corporation's current auditor in connection with the Qualifying Transaction.

The following tables set forth, by category, the fees for all services rendered by Saturna Group and MNP LLP for the two most recent fiscal years ended February 28, 2022 and February 28, 2023.

Saturna Group[5]	**Year Ended Feb 28, 2023 ($)[5]**	**Year Ended Feb 28, 2022 ($)[5]**
Audit Fees[1]	-	6,825
Audit-Related Fees[2]	-	-
Tax Fees[3]	-	2,000
All Other Fees[4]	-	26,800

MNP LLP	**Year Ended Feb 28, 2023[5]**	**Year Ended Feb 28, 2022[5]**
Audit Fees[1]	165,838	95,498
Audit-Related Fees[2]	11,235	56,175
Tax Fees[3]	23,807	-
All Other Fees[4]	2,525	22,470

Notes:

(1) "**Audit Fees**" includes fees necessary to perform the annual audit of the Corporation's financial statements. These services include reviewing interim financial statements and disclosure documents related to financings and other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "**Audit-Related Fees**" include services that are traditionally performed by the auditor.

(3) "**Tax Fees**" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

(4) "**All Other Fees**" include all other non-audit services, the aggregate fees billed for products and services, other than the services reported under notes (1), (2) and (3) above.

(5) The fees included in this table relate to the aggregate fees invoiced to date by the Corporation's external auditor for the years ended February 28, 2023 and 2022.

COMPLIANCE PROGRAM

The Corporation oversees, monitors and ensures compliance with applicable laws in each jurisdiction in which it operates. In addition, the Corporation's senior executives and the employees are responsible for overseeing compliance. The Corporation has received legal opinions or advice in each jurisdiction where it currently operates clinical trials regarding (a) compliance with applicable regulatory framework, and (b) potential exposure and implications arising from applicable laws. The Corporation has also obtained third party regulatory and compliance support with respect to the jurisdictions in which the Corporation currently conducts clinical trials. The Corporation has also initiated obtaining similar opinions and advice in the US and EU in anticipation of a Phase II clinical trial in 2024 for at least one of its clinical stage assets in such jurisdictions.[26] The Corporation will obtain any additional relevant and necessary opinions, advice and/or support in order to ensure compliance is met for future clinical trials it plans to operate.

The Corporation as well as right parties in which it engages, require regulatory licensing to handle scheduled drugs. The Corporation continuously updates its compliance program to maintain regulatory standards set for drug development. The Corporation also works with clinical research organizations who maintain records and data storage for the Corporation's clinical programs.

Additionally, the Corporation has established advisors and third parties providing medical & clinical advisory services, research, clinical regulatory support and government relations with cross-functional expertise across business, regulations, pharmaceutical drug development, mental health and psychedelics to advise management.

In conjunction with the Corporation's human resources, quality systems and operations, the Corporation oversees and implements training on the Corporation's protocols. The Corporation will continue to work closely with external counsel and other compliance experts, and will continue to evaluate the future need to engage with additional 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 Corporation operates.

The programs currently in place include oversight by executives of the Corporation to ensure that operations conform to and comply with required laws, regulations and operating procedures. The Corporation is currently in compliance with the laws and regulations in all jurisdictions and the related licencing framework applicable to its business activities.

The Corporation and, to its knowledge, each of its third-party researchers, suppliers and manufacturers have not received any non-compliance, citations or notices of violation which may have an impact on the Corporation's licences, business activities or operations.

The Corporation conducts due diligence on third-party researchers, medical professionals, clinics, CROs, consultants and others as applicable, with whom it engages. Such due diligence includes, but is not limited to, the review of necessary licenses and the regulatory framework enacted in the jurisdiction of operation. Further, the Corporation 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.

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[26] Refer to footnote 2.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found under the Corporation's profile on SEDAR+ at www.sedarplus.ca. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under the Plan, as applicable, will be contained in the management information circular for the annual meeting for the year ended February 28, 2023, which will be filed on SEDAR+. Additional information is also contained in the Corporation's audited financial statements and related MD&A for the Corporation's financial year ended February 28, 2023 and unaudited interim financial statements and related MD&A for the first quarter ended May 31, 2023, all of which are available on SEDAR+ at www.sedarplus.ca.

Exhibit "A"
AUDIT COMMITTEE CHARTER

(Implemented pursuant to National Instrument 52-110 - *Audit Committees*)

National Instrument 52-110 - *Audit Committees* (the **"Instrument"**) relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every TSX Venture Exchange (**"TSXV"**) listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors. The Corporation, as a TSXV listed company is, however, exempt from certain requirements of the Instrument.

This Charter has been adopted by the board of directors in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the accounting, financial reporting process and the audits of the Corporation. Nothing in this Charter is intended to restrict the ability of the board of directors or Committee to alter or vary procedures in order to comply more fully with the Instrument or any other such requirement of the TSXV, as amended from time to time.

Part 1

Purpose:

The purpose of the Committee is to:

a) improve the quality of the Corporation's financial reporting;

b) assist the board of directors to properly and fully discharge its responsibilities;

c) provide an avenue of enhanced communication between the directors and external auditors;

d) enhance the external auditor's independence;

e) ensure the credibility and objectivity of financial reports; and

f) strengthen the role of the directors by facilitating in depth discussions between directors, management and external auditors.

1.1 Definitions

"accounting principles" has the meaning ascribed to it in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"Affiliate" means a Corporation that is a subsidiary of another Corporation or companies that are controlled by the same entity;

"audit services" means the professional services rendered by the Corporation's external auditor for the audit and review of the Corporation's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

"Charter" means this audit committee charter;

"Committee" means the committee established by and among certain members of the board of directors for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

"Control Person" means any individual or company that holds or is one of a combination of individuals or companies that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the Corporation;

"financially literate" has the meaning set forth in Section 1.2;

"immediate family member" means an individual's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the individual or the individual's immediate family member) who shares the individual's home;

"independent" means independent only as determined by both the Instrument and the TSX Venture Exchange Corporate Finance Manual;

"Instrument" means National Instrument 52-110 - *Audit Committees*;

"MD&A" has the meaning ascribed to it in National Instrument 51-102;

"Member" means a member of the Committee;

"National Instrument 51-102" means National Instrument 51-102 - Continuous Disclosure Obligations; and

"non-audit services" means services other than audit services.

1.2 Meaning of Financially Literate

For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Part 2

2.1 Audit Committee

The board of directors has hereby established the Committee for, among other purposes, compliance with the Instrument.

2.2 Relationship with External Auditors

The Corporation will require its external auditor to report directly to the Committee and the Members shall ensure that such is the case.

Each Member shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives information, and the accuracy of the information provided to the Corporation by such other persons or organizations.

2.3 Committee Responsibilities

1. The Committee shall be responsible for making the following recommendations to the board of directors:

   a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and

   b) the compensation of the external auditor.

2. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:

   a) reviewing the audit plan with management and the external auditor;

   b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;

   c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

   d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

   e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtaining an explanation from management of all significant variances between comparative reporting periods;

   f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;

   g) reviewing interim unaudited financial statements before release to the public;

   h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report and management's discussion and analysis;

   i) reviewing the evaluation of internal controls by the external auditor, together with management's response;

   j) reviewing the terms of reference of the internal auditor, if any;

   k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses;

l) reviewing the appointments of the chief financial officer, the Corporation's head of internal audit, if any, and any key financial executives involved in the financial reporting process, as applicable;

m) reviewing annually the Charter and annually obtain approval from the board of directors; and

n) if an internal auditor is appointed, reviewing and annually approving the internal audit charter and the risk based internal audit plan.

3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.

4. The Committee shall review the Corporation's financial statements, MD&A, and annual and interim earnings press releases before the Corporation publicly discloses this information.

5. The Committee shall review and discuss the quality of the Corporation's accounting principles, internal controls, and financial statements.

6. The Committee shall review and assess the adequacy of risk management policies, procedures, and processes and review updates on risks.

7. The Committee shall ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and shall periodically assess the adequacy of those procedures.

8. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102, and the planned steps for an orderly transition.

9. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102, on a routine basis, whether or not there is to be a change of auditor.

10. The Committee shall, as applicable, establish procedures for:

a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

11. As applicable, the Committee shall establish, periodically review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.

12. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities, including but not limited to the review the materiality levels proposed by external auditors, the viability as a going concern, the status of financial instruments, review of the budget and financial forecasts prepared by management linked to the Corporation's development projects, oversight of tax services provided to the Corporation and selection who shall review (for approval) the expenses of the Chief Executive Officer.

13. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations, each of which is the responsibility of management and the Corporation's external auditors.

2.4 De Minimis Non-Audit Services

The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

a) the Corporation or the subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

b) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its Members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 Delegation of Pre-Approval Function

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).

2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 2.5(1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

Part 3

3.1 Composition

1. The Committee shall be composed of a minimum of three Members.

2. The Board shall elect a Chair of the Committee, who must be **"Independent"** (as such term is defined in National Policy 58-201 - Corporate Governance Guidelines).

3. Every Member shall be a director of the issuer.

4. A majority of the Members must not be executive officers, employees or control persons of the Corporation.

5. Every Member shall be financially literate.

6. The board of directors of the Corporation shall appoint or re-appoint the Members after each annual meeting of shareholders of the Corporation.

Part 4

4.1 Authority

Until the replacement of this Charter, the Committee shall have the authority to:

a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

b) set and pay the compensation for any advisors employed by the Committee;

c) communicate directly with the internal and external auditors; and

d) recommend the amendment or approval of audited and interim financial statements to the board of directors.

5.1 Required Disclosure

The Corporation must include in its Annual Information Form the disclosure required by Form 52-110F2.

5.2 Disclosure in Information Circular

If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors, the Corporation shall include in its management information circular a cross-reference to the sections in the Corporation's Annual Information Form that contain the information required by section 5.1.

Part 5

6.1 Meetings

1. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.

2. Opportunities shall be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.

3. Minutes shall be kept of all meetings of the Committee.

4. The Committee shall meet separately with external auditors at every meeting where the external auditors are present.

5. The quorum for meetings shall be a majority of the Members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to and to hear each other. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present.

SMALL PHARMA INC.

(formerly, Unilock Capital Corp.)

Consolidated Financial Statements

Years ended February 28, 2023 and 2022

(Expressed in Canadian Dollars)

SMALL PHARMA INC.

(formerly, Unilock Capital Corp.)

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Independent Auditor's Report

To the Shareholders of Small Pharma Inc. (formerly, Unilock Capital Corp.):

Opinion

We have audited the consolidated financial statements of Small Pharma Inc. (formerly, Unilock Capital Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2023 and February 28, 2022, and the consolidated statements of operations and comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 28, 2023 and February 28, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

MNP LLP
1 Adelaide Street East, Suite 1900, Toronto ON, M5C 2V9 1.877.251.2922 T: 416.596.1711 F: 416.596.7894

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ajmer Singh Sran.

/s/ MNP LLP
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 28, 2023

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SMALL PHARMA INC.
(formerly, Unilock Capital Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	February 28, 2023 $	February 28, 2022 $
ASSETS		
Current assets		
Cash	18,536,958	40,656,069
Trade and other receivables (Note 13)	800,173	1,213,906
Prepaid expenses (Note 9)	987,114	1,142,118
Total current assets	20,324,245	43,012,093
Non-current assets		
Property and equipment (Note 4)	54,341	61,789
Right-of-use asset (Note 4)	605,233	-
Restricted cash (Note 5)	-	2,500,000
Total non-current assets	659,574	2,561,789
Total assets	20,983,819	45,573,882
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities (Note 9 & 13)	3,217,785	4,497,271
Lease liabilities (Note 6)	303,650	-
Total current liabilities	3,521,435	4,497,271
Non-current liabilities		
Lease liabilities (Note 6)	305,903	-
Total non-current liabilities	305,903	-
Total liabilities	3,827,338	4,497,271
Shareholders' equity (deficit)		
Share capital (Note 10)	69,722,807	69,970,184
Share-based payment reserve (Note 11 & 12)	4,117,212	3,009,042
Accumulated other comprehensive loss	(2,043,011)	(193,657)
Deficit	(54,640,527)	(31,708,958)
Total shareholders' equity (deficit)	17,156,481	41,076,611
Total liabilities and shareholders' equity (deficit)	20,983,819	45,573,882

Commitments (Note 14)
Subsequent events (Note 17)

Approved and authorized for issuance on behalf of the board of directors on June 28, 2023**:**

/s/ Michael Wolfe
Michael Wolfe, Director

/s/ George Tziras
George Tziras, Director

The accompanying notes are an integral part of these consolidated financial statements

SMALL PHARMA INC.
(formerly, Unilock Capital Corp.)
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended February 28, 2023 $	Year ended February 28, 2022 $
Revenue	-	-
Expenses		
Investor and public relations	1,240,507	2,196,210
Consulting fees	482,239	120,083
Depreciation	48,441	20,486
Directors' fees	344,739	185,832
Foreign exchange loss	41,341	184,713
Office and miscellaneous	863,929	263,516
Professional fees	2,897,993	2,482,712
Occupancy costs	199,032	153,015
Research and development	11,382,096	4,828,057
Salaries and benefits (Note 9)	5,875,166	6,806,694
Share-based payment expense (Note 12)	1,188,611	703,845
Transfer agent and filing fees	178,336	191,803
Total expenses	24,742,430	18,136,966
Loss before other items	(24,742,430)	(18,136,966)
Other items		
Accretion discounts on notes payable (Note 7)	-	(372,759)
Loss on change in fair value of derivative liabilities (Note 8)	-	(1,930,416)
Interest income (expense) (Note 6 & 7)	21,021	(60,973)
Listing costs (Note 3)	-	(2,419,736)
Total other items	21,021	(4,783,884)
Net loss for the year before income taxes	(24,721,409)	(22,920,850)
Income tax recovery (Note 16)	1,885,196	655,166
Net loss for the year	(22,836,213)	(22,265,684)
Other comprehensive income (loss)		
Foreign currency translation loss	(1,849,354)	(12,973)
Comprehensive loss for the year	(24,685,567)	(22,278,657)
Net loss per share, basic and diluted (Note 10 (e))	(0.07)	(0.07)
Weighted average shares outstanding (Note 10 (e))	321,470,166	311,599,658

The accompanying notes are an integral part of these consolidated financial statements

SMALL PHARMA INC.
(formerly, Unilock Capital Corp.)
Consolidated Statements of Changes in Equity (Deficit)
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' equity (deficit)
	Number of shares	Amount				
		$	$	$	$	$
Balance, March 1, 2022	319,625,487	69,970,184	3,009,042	(193,657)	(31,708,958)	41,076,611
Shares issued pursuant to exercise of stock options	3,725,000	140,307	(80,441)	-	-	59,866
Purchase of shares through normal course issuer bid for cancellation (Note 10 (b))	(1,788,000)	(387,684)	-	-	(95,356)	(483,040)
Share-based payment expense	-	-	1,188,611	-	-	1,188,611
Foreign currency translation loss	-	-	-	(1,849,354)	-	(1,849,354)
Net loss for the year	-	-	-	-	(22,836,213)	(22,836,213)
Balance, February 28, 2023	321,562,487	69,722,807	4,117,212	(2,043,011)	(54,640,527)	17,156,481

The accompanying notes are an integral part of these consolidated financial statements

SMALL PHARMA INC.
(formerly, Unilock Capital Corp.)
Consolidated Statements of Changes in Equity (Deficit)
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' equity (deficit)
	Number of shares	Amount $	$	$	$	$
Balance, February 28, 2021	228,621,500	3,244,312	609,564	(180,684)	(9,443,274)	(5,770,082)
Shares issued pursuant to exercise of stock options	15,121,400	463,464	(372,120)	-	-	91,344
Shares issued for conversion of notes payable and accrued interest and settlement of derivative liabilities	14,161,576	13,188,591	-	-	-	13,188,591
Shares of the Company pursuant to closing of the Qualifying Transaction (Note 3)	1,304,344	1,252,170	-	-	-	1,252,170
Shares issued for cash	60,416,667	58,000,000	-	-	-	58,000,000
Share issuance costs	-	(4,200,618)	-	-	-	(4,200,618)
Fair value of brokers' warrants issued	-	(1,977,735)	1,977,735	-	-	-
Revaluation of stock options upon closing of the Qualifying Transaction	-	-	90,018	-	-	90,018
Share-based payment expense	-	-	703,845	-	-	703,845
Foreign currency translation loss	-	-	-	(12,973)	-	(12,973)
Net loss for the year	-	-	-	-	(22,265,684)	(22,265,684)
Balance, February 28, 2022	319,625,487	69,970,184	3,009,042	(193,657)	(31,708,958)	41,076,611

The accompanying notes are an integral part of these consolidated financial statements

SMALL PHARMA INC.
(formerly, Unilock Capital Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended February 28, 2023 $	Year ended February 28, 2022 $
Operating activities		
Net loss for the year	(22,836,213)	(22,265,684)
Items not involving cash:		
Depreciation	48,441	20,486
Foreign exchange loss	41,341	184,713
Share-based payment expense (Note 12)	1,188,611	703,845
Listing costs (Note 3)	-	1,210,013
Interest expense accrued	-	92,959
Accretion of interest on lease liabilities (Note 6)	2,565	-
Loss on change in fair value of derivative liabilities (Note 8)	-	1,930,416
Accretion of discounts on notes payable (Note 7)	-	372,759
Changes in non-cash operating working capital: Trade and other receivables	350,249	(763,696)
Prepaid expenses	117,464	(852,659)
Accounts payable and accrued liabilities	(1,123,181)	3,131,852
Net cash used in operating activities	(22,210,723)	(16,234,996)
Investing activities		
Restricted cash (Note 5)	2,500,000	(2,500,000)
Cash acquired in reverse acquisition (Note 3)	-	109,146
Acquisition of property and equipment	(18,603)	(12,957)
Expenses capitalized for right-of-use asset	(10,846)	-
Net cash provided by (used in) investing activities	2,470,551	(2,403,811)
Financing activities		
Net proceeds from issuance of common shares, after issue costs	-	53,799,382
Purchase of shares through normal course issuer bid for cancellation (Note 10 (b) & (c))	(483,040)	-
Proceeds from exercise of stock options (Note 10 (c))	59,866	91,344
Lease liabilities rent paid (Note 6)	(13,236)	-
Net cash (used in) provided by financing activities	(436,410)	53,890,726
Effect of exchange rate changes on cash	(1,942,529)	(373,807)
Change in cash	(22,119,111)	34,878,112
Cash, beginning of year	40,656,069	5,777,957
Cash, end of year	18,536,958	40,656,069
Non-cash investing and financing activities:		
Prepaid expenses acquired in reverse acquisition (Note 3)	-	38,533
Accounts payable and accrued liabilities assumed in reverse acquisition (Note 3)	-	15,504
Shares issued for conversion of notes payable and accrued interest (Notes 7 & 8)	-	13,188,591

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of Operations and Continuance of Business

Small Pharma Inc. (formerly, Unilock Capital Corp.) (the "Company" or "Small Pharma Inc.") was incorporated under the *Business Corporations Act* (British Columbia) (the "BCBCA") on January 23, 2018. Small Pharma Inc is a biotechnology company focused on developing short-duration psychedelic-assisted therapies for the treatment of mental health conditions. The Company's head office is located at 6-8 Bonhill Street, 3rd Floor, London, UK.

Effective April 29, 2021, the Company completed its acquisition of all of the issued outstanding ordinary shares of Small Pharma Ltd which constituted the Company's qualifying transaction under TSX Venture Exchange ("TSXV") Policy 2.4 - *Capital Pool Companies*. This transaction constituted a reverse acquisition of the Company by Small Pharma Ltd, with Small Pharma Ltd being identified as the accounting acquirer. As a result, these consolidated financial statements are a continuation of Small Pharma Ltd. The Company's results of operations are included from April 29, 2021, onwards, except for capital which has been retroactively adjusted to reflect the capital of the Company. Refer to Note 3.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

2. Significant Accounting Policies

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and Interpretations of the International Financial Reporting Interpretations Committee issued and outstanding as of February 28, 2023.

These consolidated financial statements were authorized for issuance by the board of directors on June 28, 2023.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, including Small Pharma Ltd, a company incorporated in the UK on February 4, 2015, Small Pharma (US) Inc., a company incorporated in the State of Delaware, USA on July 5, 2022 that does not currently have significant assets and is not currently conducting active business operations and an amalgamated entity ("Amalco") between 1292589 B.C. Ltd. ("Subco") and Small Pharma Financing Inc. ("Finco") until Amalco's dissolution on October 7, 2021. Refer to Note 3.

Subsidiaries are those entities over which the Company has control. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

All intercompany transactions have been eliminated on consolidation.

(b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and equity instruments which are measured at fair value. All monetary references expressed in these notes are in Canadian dollars unless otherwise indicated.

2. Significant Accounting Policies (continued)

(c) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include:

Income taxes, research and development expenditures tax credits and recoverability of potential deferred tax assets

In assessing the probability of realizing any income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In preparing income tax claims submitted to the tax authorities in relation to research and development expenditure, management makes estimates of the percentage of time spent by employees on qualifying research and development projects. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in the light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-based payments

Management determines the charge for share-based payments using market-based valuation techniques. The fair value of the market-based share awards are determined at the date of grant using generally accepted valuation techniques, which is dependent on the terms and condition of the grant. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future forfeiture rates and future equity instrument exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Derivative liabilities

The Company makes estimates and assumptions relating to the fair value measurement and disclosure of its derivative liabilities. 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 is not available, management's judgment is required to establish fair values.

Going concern

The consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Management's assessment of going concern involves significant judgment based on historical experience, progress made in clinical trials and other factors, including reasonable expectations of future events based on the circumstances that existed at the reporting date.

2. Significant Accounting Policies (continued)

(d) Cash

Cash in the consolidated statements of financial position comprise of cash held at banks and cash held in trust.

(e) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The Company depreciates the cost of property and equipment over their estimated useful lives using the straight-line basis at the following rates:

Computer equipment	4 years
Equipment	4 years

(f) Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices, and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the consolidated statements of operations and comprehensive loss.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statements of operations and comprehensive loss.

(g) Foreign Currency Translation

The functional currency of the Company and its subsidiaries during the twelve months ended February 28, 2023 is the currency of the primary economic environment in which the entity operates. The Company's functional currency is the Canadian dollar. The functional currency of Small Pharma Ltd is the British pound sterling. The functional currency of Small Pharma (US) Inc. is the United States dollar.

2. Significant Accounting Policies (continued)

Transactions denominated in currencies other than the functional currency are translated using the exchange rate in effect on the transaction date or at the annual average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the consolidated statements of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statements of operations and comprehensive loss.

Small Pharma Ltd and Small Pharma (US) Inc., translate their statements of operations and comprehensive loss items at the average rate during the period. Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange rate variations resulting from the retranslation at the closing rate of the net investment in these subsidiaries, together with differences between their statements of operations and comprehensive loss items translated at actual and average rates, are recognized in accumulated other comprehensive income (loss).

The exchange rates used in the consolidated financial statements are as follows:

	February 28, 2023	February 28, 2022
Closing rate (GBP:CAD)	1.6457	1.7024
Average rate (GBP:CAD)	1.5949	1.7196
Closing rate (USD:CAD)	1.3609	n/a
Average rate (USD:CAD)	1.3347	n/a

(h) Research and Development Costs

Research costs are charged to operations as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Company intends to or has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use and borrowing costs on qualifying assets. Other development expenditures are recognized in the consolidated statements of operations and comprehensive loss as incurred. At the reporting date, the technical and commercial viability of the Company's products has not yet been established and all development costs are recognized in the consolidated statements of operations and comprehensive loss as incurred. Non-refundable advance payments for goods or services that will be used for future research and development activities are deferred as prepaid expenses until the goods are delivered or services performed. Preclinical and clinical study costs are accrued over the service periods specified in the contracts and adjusted as necessary based on an ongoing review of the costs actually incurred.

(i) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in the consolidated statements of operations and comprehensive loss. Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: FVTPL or amortized cost.

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

The Company has made the following classifications:

Cash	Amortized cost
Trade and other receivables (excluding sales tax receivables)	Amortized cost
Restricted cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost
Notes payable	Amortized cost
Derivative liabilities	FVTPL

Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable or other receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment. Subsequent to initial recognition, financial assets are measured at amortized cost unless designated as fair value through profit or loss.

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of operations and comprehensive loss. Loss allowances are based on the lifetime expected credit losses that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statements of operations and comprehensive loss, to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issuance costs.

Other financial liabilities

Other financial liabilities (including notes payable, lease liabilities, trade payables and accrued liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(j) Notes Payable and Derivative Liabilities

Upon initial recognition, the Company determines whether the convertible notes payable consist of liability and equity components, or if both components represent liabilities. For notes payable which provide conversion into a fixed number of shares (the "fixed-for-fixed" criteria), the liability component is initially recorded at fair value and subsequently at amortized cost using the effective interest rate method. The liability component is accreted to the face value over the term of the notes payable. The equity component is recognized as the difference between the fair value of the instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

For notes payable which provide conversion into a variable number of shares or into a fixed number of shares for a variable amount of consideration, the conversion option is accounted for as an embedded derivative, which is separated from the host contract. The conversion option of the notes payable outstanding at February 28, 2021 met the criteria of a derivative instrument liability because the conversion price of the notes payable varied depending on certain factors and thus did not meet the "fixed-for-fixed" criteria. As a result, the Company separately account for the conversion feature as a derivative liability recorded at fair value and marked-to-market each period with the changes in the fair value recognized in the consolidated statements of operations and comprehensive loss. The notes payable liability component is recognized as the difference between the fair value of the instrument as a whole and the fair value of the derivative liabilities.

2. Significant Accounting Policies (continued)

The fair value of derivative liabilities was calculated based on a probability weighted scenario approach, whereby the probability of conversion of notes payable and the probability of notes payable being held to maturity are estimated based on management's expectations while utilizing various discount rates.

(k) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statements of operations and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Tax credits that can be claimed in relation to specific research and development expenditures are recognized once the claim and supporting documentation has been submitted to the tax authority and collectability of the claimed amount is reasonably assured.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Significant Accounting Policies (continued)

(l) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

(o) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at February 28, 2023 and 2022, all outstanding stock options and share purchase warrants are anti-dilutive.

(p) Accounting Standards Issued But Not Yet Effective

The following new interpretations and amendments to existing accounting standards have been issued by the IASB, but have not been applied in preparing these consolidated financial statements as they are not yet effective until financial years beginning on or after January 1, 2023. None are expected to have a significant impact on the Company's consolidated financial statements.

Amendments to IAS 1, *Presentation of Financial Statements* - Classification of liabilities as current and non-current and Disclosure of accounting policies (effective January 1, 2023)

Amendments to IAS 12, *Income Taxes* - amendments regarded deferred tax on leases and decommissioning (effective January 1, 2023)

Amendments to IAS 8, Accounting Policies, Changes in Accounting and Errors - amendments to provide guidance in distinguishing between accounting policies and accounting estimates (effective January 1, 2023)

In addition, there are several new interpretations and amendments issued but not yet effective that are not applicable to the Company and so have not been included in the list above.

2. Significant Accounting Policies (continued)

(q) Segmented Information

Reportable segments are defined as components of an enterprise about which separate financial information is available, that are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company's operations primarily relate to the development of psychedelic and non-psychedelic medicine. The Company's management considers the business to have a single operation segment. The management's decisions are based on a single, integrated strategy and the performance is evaluated on an overall basis.

(r) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(s) Leases

Under IFRS 16, *Leases*, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date for leases greater than 12 months. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are subsequently depreciated over the remaining term of the lease and are carried at cost less accumulated depreciation and impairment. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease liabilities are subsequently reduced by lease payments net of interest expense calculated using the effective interest method.

Leases in which the Company is acting as lessee are only short-term lease contracts, for a period of 12 months or less. Payments under such leases are recognized to the consolidated statements of operations and comprehensive loss on a straight-line basis over the period of the lease.

3. Acquisition of Small Pharma Ltd on April 29, 2021

The Company, certain shareholders of the Company, and Small Pharma Ltd entered into an agreement on November 30, 2020, as amended on February 23, 2021, pursuant to which the Company agreed to acquire all the issued and outstanding ordinary shares of Small Pharma Ltd (the "Qualifying Transaction").

On March 9, 2021, Finco issued 60,416,667 subscription receipts for gross proceeds of $58,000,000 (Note 10 (d)). The subscription receipts were converted into Finco shares on the basis of one Finco share for each subscription receipt. Concurrently upon completion of the Qualifying Transaction, the Company (formerly Unilock Capital Corp.), Subco and Finco completed a three-cornered amalgamation, pursuant to which all Finco shareholders exchanged Finco shares for the Company's shares on a one-for-one basis, and Finco and Subco amalgamated into Amalco, a subsidiary of the Company. On October 7, 2021, Amalco was wound-up and dissolved under the BCBCA, pursuant to which all of the assets of Amalco were distributed to the Company.

The closing of the Qualifying Transaction occurred on April 29, 2021, at which time the Company issued 255,079,477 common shares in exchange for all of the issued and outstanding ordinary shares of Small Pharma Ltd. Small Pharma Ltd effected a share split of its ordinary shares on a 1:100 basis immediately prior to the closing of the Qualifying Transaction. All share amounts have been retroactively restated for all periods presented. The Company consolidated its common shares on a 4.6:1 basis immediately prior to the closing of the Qualifying Transaction.

As a result of the completion of the Qualifying Transaction, the former shareholders of Small Pharma Ltd acquired 81% of the outstanding common shares of the Company, and, for accounting purposes, are considered to have acquired control of the Company. Accordingly, the Qualifying Transaction constitutes a reverse acquisition of the Company by Small Pharma Ltd and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, *Share-based Payment*, and IFRS 3, *Business Combinations*. As the Company did not qualify as a business prior to the closing of the Qualifying Transaction according to the definition in IFRS 3, this reverse acquisition did not constitute a business combination; rather it was treated as an issuance of shares by Small Pharma Ltd for the net assets of the Company. Accordingly, no goodwill was recorded with respect to the transaction.

The transaction was measured at the fair value of the common shares that Small Pharma Ltd would have had to issue to the shareholders of the Company, being 1,304,344 common shares with a fair value of $1,252,170, and the fair value of 130,433 stock options of the Company with a fair value of $90,018, to give the shareholders of the Company the same percentage of equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of Small Pharma Ltd acquiring the Company.

3. Acquisition of Small Pharma Ltd on April 29, 2021 (continued)

The fair value of common shares and stock options issued are estimated based on the financing event which took place concurrently to the reverse takeover transaction at the price of $0.96 per common share (Note 10 (d)). These consolidated financial statements include the accounts of the Company as at April 29, 2021 and the historical accounts of the business of Small Pharma Ltd since its incorporation on February 4, 2015.

The purchase price was allocated as follows:

	$
Fair value of Small Pharma Inc. shares (1,304,344 common shares)	1,252,170
Fair value of 130,433 stock options of the Company outstanding	90,018
Total consideration	1,342,188
Less: fair value of identifiable assets and liabilities acquired:	
Cash	109,146
Prepaid expenses	38,533
Accounts payable and accrued liabilities	(15,504)
Net assets	132,175
Listing costs	1,210,013

Refer to Note 10 (d) for details of the concurrent subscription receipt financing in connection with the reverse acquisition.

The fair value of stock options of Small Pharma Inc. was calculated using the Black-Scholes option pricing model with the following assumptions: volatility of 100%, expected life of 2.5 years, no dividends, and a risk-free rate of 0.44%.

Included in listing costs for the year ended February 28, 2022 is $1,209,723 in connection with certain tax expenditures incurred as part of the Qualifying Transaction.

4. Non-current assets

	Property, plant & equipment $	Right-of-use asset $
Cost:		
Balance, February 28, 2022	91,320	-
Foreign currency translation	(2,806)	422
Additions	18,603	630,566
Balance, February 28, 2023	107,117	630,988
Accumulated depreciation:		
Balance, February 28, 2022	(29,531)	-
Foreign currency translation	236	(795)
Depreciation	(23,481)	(24,960)
Balance, February 28, 2023	(52,776)	(25,755)
Net book value at February 28, 2023	54,341	605,233

	Property, plant & equipment $	Right-of-use asset $
Cost:		
Balance, February 28, 2021	81,645	-
Foreign currency translation	(3,282)	-
Additions	12,957	-
Balance, February 28, 2022	91,320	-
Accumulated depreciation:		
Balance, February 28, 2021	(9,637)	-
Foreign currency translation	592	-
Depreciation	(20,486)	-
Balance, February 28, 2022	(29,531)	-
Net book value at February 28, 2022	61,789	-

The right-of-use asset relates to the lease of office space. Refer to Note 6.

5. Restricted Cash

Following completion of the Qualifying Transaction, the Company had long-term restricted cash of $2,500,000 in relation to a trust arrangement with a third-party trustee to cover indemnity claims available under applicable law to the directors and officers of the Company. On August 1, 2022 an insurance policy was taken out by the Company to cover such claims and as a result, on August 29, 2022 the Company terminated the trust arrangement and the restricted cash was released back into unrestricted cash.

6. Lease Liabilities

The Company's leases are for office space. This lease contains no renewal options.

As at February 28, 2023 and February 28, 2022, the Company had lease liabilities as follows:

	$
Carrying value, February 28, 2022	-
Recognition on inception	620,149
Accretion of interest	2,565
Foreign currency translation gain	75
Rental payments made	(13,236)
Carrying value, February 28, 2023	609,553

The following amounts are the future minimum annual lease payments as at February 28, 2023:

	February 28, 2023 $
Within one year	327,791
In the second to third years	314,133
Total lease obligations	641,923
Discount at incremental borrowing rate of 5.24%	(32,370)
Net lease liabilities, February 28, 2023	609,553

Current lease liabilities, February 28, 2023	303,650
Non-current lease liabilities, February 28, 2023	305,903

Total cash outflows for lease liabilities for the year ended February 28, 2023 was $13,236 (year ended February 28, 2022: nil). In addition there were cash outflows for short-term leases for the year ended February 28, 2023 of $199,032 (year ended February 28, 2022: $153,015).

7. Notes Payable

During the year ended February 28, 2021, the Company issued two tranches of convertible notes payable bearing interest at 6% per annum. The conversion feature, upon triggering of certain events, converted the notes payable into the Company's common shares at 20% discount to relevant fund-raising share price. As a result, the number of common shares of the Company to be issued upon conversion was variable. Therefore, the conversion feature was classified as a derivative liability in accordance with IAS 32, *Financial Instruments: Presentation*.

On March 8, 2021, the Company modified the conversion price of certain convertible notes payable in the amount of £2,597,512 from a 20% discount to relevant fund-raising share price to a 36% discount.

On April 29, 2021, the Company completed a reverse takeover transaction and concurrent financing event. As a result, the carrying value of the convertible notes payable in the amount of $9,056,561, and the fair value of the derivative liabilities on April 29, 2021 in the amount of $3,850,458, together with accrued interest payable of $281,572, were converted into common shares of the Company. Therefore, the share capital was increased by the respective amount. Refer to Note 10 (d).

	$
Carrying value, February 29, 2021	8,826,946
Accretion of discount	372,759
Foreign exchange loss	122,066
Foreign currency translation gain	(265,210)
Amount transferred to share capital upon conversion	(9,056,561)
Carrying value, February 28, 2022 and February 28, 2023	-

(a) As at February 29, 2021, the Company had convertible notes payable of $5,000,000. The notes bore interest at 6% per annum and were to mature on July 1, 2021. The notes payable and accrued interest were converted to ordinary shares of Small Pharma Ltd at $0.768 per share on April 29, 2021. Refer to Note 10 (d).

(b) As at February 29, 2021, the Company had convertible notes payable of $4,607,207 (£2,597,512). The notes bore interest at 6% per annum and were to mature on July 1, 2021. The notes payable and accrued interest were converted to ordinary shares of Small Pharma Ltd at approximately $0.61 (£0.36) per share on April 29, 2021. Refer to Note 10 (d).

(c) As at February 28, 2023, the accrued interest payable was $nil (February 28, 2022 - $nil). For the year ended February 28, 2023 the Company incurred interest expense of $nil (February 28, 2022 - $92,959 (£54,030)).

8. Derivative Liabilities

As the conversion price of the notes payable at February 28, 2021 varied depending on certain factors, the Company recorded embedded derivative liabilities in its consolidated statement of financial position with a corresponding discount which was netted against the principal amount of the convertible notes payable. Refer to Note 7. The Company accreted the discount associated with the embedded derivative liabilities to accretion expense over the term of the convertible notes payable using effective interest rates between 15% and 23%. The embedded derivative liabilities were initially measured at fair value and re- measured at the end of each reporting period with any changes in fair value reported in the consolidated statements of operations and comprehensive loss.

	$
Balance, February 29, 2021	1,958,406
Change in fair value resulting from loan modification	1,220,606
Change in fair value as of conversion date	709,810
Foreign exchange gain	32,949
Foreign currency translation adjustment	(71,313)
Amount transferred to share capital upon conversion	(3,850,458)
Balance, February 28, 2022 and February 28, 2023	-

In relation to the modification of the conversion price from a 20% discount to the relevant fund-raising share price to a 36% discount, the Company remeasured the fair value of derivative liabilities and recognized a loss in change in fair value of derivative liabilities in the amount of $1,220,606 on March 8, 2021.

The fair value of derivative liabilities as at the date of conversion (April 29, 2021) was calculated using an estimated share price which is based on a probability weighted scenario approach, whereby the probability of conversion of the notes payable is 100% and the probability of the notes payable being held to maturity is 0%. The calculation utilized an estimated discount rate from 0% to 1%.

9. Related Party Transactions

The key management personnel of the Company are considered to be the directors of the Company and those other members of senior management who are directly involved in strategic decision-making.

The Company incurred salaries and benefits to key management personnel as follows:

	Year ended February 28, 2023 $	Year ended February 28, 2022 $
Base compensation and bonuses	3,844,991	4,873,030
Pension benefits	57,105	129,680
Share-based payments	814,961	611,416
Total	4,717,057	5,614,126

9. Related Party Transactions (continued)

At February 28, 2023, amounts owed by the Company to related parties in relation to directors' fees of $21,250 (February 28, 2022 - $73,929) as well as key management compensation and bonuses of $67,184 (February 28, 2022 - $2,217,543) were included in accounts payable and accrued liabilities.

At February 28, 2023, $617,138 (February 28, 2022 - $nil) in key management compensation was included in prepaid expenses. This amount reflects a retention payment to an officer of the Company which may be subject to clawback in whole or in part pursuant to the terms and conditions of such officer's retention agreement. The amount included in prepaid expenses will be amortized into salaries and benefits over the course of the agreement, which concludes on March 1, 2024.

10. Share Capital

Authorized: Unlimited number of common shares without par value.

(a) Share capital continuity:

	Number of shares	$
Balance, February 28, 2021	228,621,500	3,244,312
Shares issued pursuant to exercise of stock options	15,121,400	463,464
Shares issued for conversion of notes payable and accrued interest and settlement of derivative liabilities	14,161,576	13,188,591
Shares of the Company pursuant to closing of the Qualifying Transaction (Note 3)	1,304,344	1,252,170
Shares issued for cash	60,416,667	58,000,000
Share issuance costs	-	(4,200,618)
Fair value of brokers' warrants issued	-	(1,977,735)
Balance, February 28, 2022	319,625,487	69,970,184
Shares issued pursuant to exercise of stock options	3,725,000	140,307
Purchase and cancellation of shares through normal course issuer bid	(1,788,000)	(387,684)
Balance, February 28, 2023	321,562,487	69,722,807

10. Share Capital (continued)

(b) Normal course issuer bid program

On August 18, 2022, the TSXV accepted the Company's notice of intention to establish a NCIB. The NCIB permits the purchase for cancellation of up to 5,000,000 of the Company's common shares, over a 12 month period, representing 1.55% of the Company's issued and outstanding shares on the date of announcement.

The NCIB commenced on August 19, 2022 and will terminate by the earlier of: August 18, 2023 and the date the Company has acquired the maximum number of common shares under the NCIB. The Company may also, at its discretion, terminate the NCIB prior to such date. The price paid for any common shares purchased under the NCIB will be the market price of such shares at the time of the applicable purchases.

On September 13, 2022 the Company entered into an automatic share purchase plan (the "ASPP") with its designated broker allowing the purchases of common shares for cancellation under its NCIB program. The ASPP was terminated on October 26, 2022 in accordance with its terms.

During the year ended February 28, 2023, the Company purchased and cancelled 1,788,000 common shares at a weighted average price of $0.270 per share, net of commission costs, for a total amount of $483,040. The Company intends to cancel all future purchases of common shares under the NCIB within eight days following the month in which such purchases occurred.

(c) Movements in issued share capital in the current period:

- On April 14, 2022, the Company issued 912,500 common shares for proceeds of $15,156 pursuant to the exercise of stock options. The fair value of stock options exercised of $20,504 was transferred from share-based payment reserve to share capital.

- On June 15, 2022, the Company issued 1,050,000 common shares for proceeds of $16,574 pursuant to the exercise of stock options. The fair value of stock options exercised of $22,389 was transferred from share-based payment reserve to share capital.

- On June 21, 2022, the Company issued 912,500 common shares for proceeds of $14,628 pursuant to the exercise of stock options. The fair value of stock options exercised of $19,795 was transferred from share-based payment reserve to share capital.

- On July 26, 2022, the Company issued 850,000 common shares for proceeds of $13,508 pursuant to the exercise of stock options. The fair value of stock options exercised of $17,753 was transferred from share-based payment reserve to share capital.

- Pursuant to the NCIB (Note 10 (b) above), from August 19, 2022 to February 28, 2023 the Company purchased for cancellation 1,788,000 common shares for a total cost of $483,040. All 1,788,000 common shares were cancelled during the year ended February 28, 2023.

10. Share Capital (continued)

(d) Movements in issued share capital in the prior year:

- On March 9, 2021, the Company together with Small Pharma Ltd and Finco, entered into an agency agreement with Canaccord Genuity Corp. Eight Capital, and Haywood Securities Inc. (collectively, the "Agents"). On March 9, 2021, pursuant to the agency agreement, Finco completed a brokered private placement of 60,416,667 subscription receipts at a price of $0.96 per subscription receipt for gross proceeds of $58,000,000 (Note 3). Each subscription receipt was exchanged into common shares of the Company on the basis of one subscription receipt for one common share of the Company. In connection with the subscription receipt financing noted above, the Company incurred share issuance costs of $4,200,618. The Company also issued 3,947,547 compensation warrants with a fair value of $1,977,735 to the Agents. The fair value of compensation warrants was calculated using the Black-Scholes option pricing model with the following assumptions: volatility of 100%, expected life of 2 years, no dividends, and a risk-free rate of 0.29%.

- On April 23, 2021, Small Pharma Ltd issued 12,296,400 ordinary shares for proceeds of $42,690 pursuant to the exercise of stock options. The fair value of stock options exercised of $305,223 was transferred from share-based payment reserve to share capital.

- On April 29, 2021, Small Pharma Ltd issued 14,161,576 ordinary shares for the conversion of notes payable of $9,056,561 and accrued interest payable of $281,572, and settlement of derivative liabilities of $3,850,458. Refer to Notes 7 and 8.

- On April 29, 2021, the Company closed the Qualifying Transaction, resulting in a reverse acquisition (refer to Note 3). The Qualifying Transaction was measured at the fair value of the ordinary shares that Small Pharma Ltd would have had to issue to the shareholders of the Company, being 1,304,344 common shares with a fair value of $1,252,170.

- On July 20, 2021, the Company issued 1,000,000 common shares for proceeds of $17,500 pursuant to the exercise of stock options. The fair value of stock options exercised of $24,236 was transferred from share-based payment reserve to share capital.

- On January 18, 2022, the Company issued 1,825,000 common shares for proceeds of $31,154 pursuant to the exercise of stock options. The fair value of stock options exercised of $42,661 was transferred from share-based payment reserve to share capital.

(e) Loss per share

The calculation of basic and diluted loss per share is based on the following losses and number of common shares:

	Year ended February 28, 2023	Year ended February 28, 2022
Net loss for the year	$ (22,836,213)	$ (22,265,684)
Weighted average number of shares outstanding - basic and diluted	321,470,166	311,599,658
Loss per share - basic and diluted	$ (0.07)	$ (0.07)

The diluted weighted average number of shares does not take into account the effects of stock options and warrants outstanding as they would be anti-dilutive for all periods above.

10. Share Capital (continued)

(f) Restrictions on shares

In connection with the completion of the Qualifying Transaction, at February 28, 2022 140,426,893 common shares and 11,384,127 stock options were held in escrow or subject to a contractual restriction on transfer. On November 4, 2022 all remaining common shares and options under restrictions were released from escrow. As a result, at February 28, 2023 no common shares or options were subject to escrow or contractual restrictions on transfer.

11. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, February 28, 2021	-	-
Issued (Note 10 (d))	3,947,547	0.96
Balance, February 28, 2022 and February 28, 2023	3,947,547	0.96

As at February 28, 2023, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date	Weighted average remaining life
3,947,547	0.96	April 29, 2023	0.2 years

Subsequent to the year end, all outstanding warrants expired without exercise. Refer to Note 17.

12. Stock Options

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price $
Outstanding, February 28, 2021	30,897,800	0.01
Granted	4,045,000	0.33
Exercised	(15,121,400)	0.01
Cancellation to be regranted	(850,000)	0.49
Regranting of cancelled options	850,000	0.49
Small Pharma Inc.'s outstanding stock options prior to reverse acquisition	130,433	0.46
Outstanding, February 28, 2022	19,951,833	0.08
Granted	7,300,000	0.17
Exercised	(3,725,000)	0.02
Expired	(130,433)	0.46
Outstanding, February 28, 2023	23,396,400	0.12

Additional information regarding stock options outstanding as at February 28, 2023 is as follows:

	Outstanding			Vested	Non-vested
Range of exercise prices $	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of options outstanding	Number of options outstanding
0.0175	9,160,100	7.8	0.0175	9,160,100	-
0.0035	2,891,300	7.1	0.0035	2,891,300	-
0.49	1,090,000	8.4	0.49	1,090,000	-
0.40	150,000	8.5	0.40	150,000	-
0.435	30,000	8.7	0.435	30,000	-
0.245	1,700,000	8.9	0.245	212,500	1,487,500
0.30	1,075,000	9.0	0.30	134,375	940,625
0.175	6,300,000	9.3	0.175	6,300,000	-
0.105	1,000,000	9.4	0.105	750,000	250,000
	23,396,400	8.4	0.12	20,718,275	2,678,125

12. Stock Options (continued)

Additional information regarding stock options outstanding as at February 28, 2022 is as follows:

	Outstanding			Vested	Non-vested
Range of exercise prices $	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of options outstanding	Number of options outstanding
0.0175	12,885,100	7.6	0.0175	12,885,100	-
0.0035	2,891,300	8.1	0.0035	2,891,300	-
0.46	130,433	0.2	0.46	130,433	-
0.49	1,090,000	9.4	0.49	1,090,000	-
0.40	150,000	9.5	0.40	75,000	75,000
0.435	30,000	9.7	0.435	30,000	-
0.245	1,700,000	9.9	0.245	-	1,700,000
0.30	1,075,000	10.0	0.30	-	1,075,000
	19,951,833	8.1	0.082	17,101,833	2,850,000

During the year ended February 28, 2023, the Company recorded share-based payment of $1,188,611 (2022 - $703,845).

The fair values for stock options granted have been estimated using the Black-Scholes option-pricing model assuming no expected dividends, no forfeitures, and the following weighted average assumptions:

	Year ended February 28, 2023	Year ended February 28, 2022
Risk-free interest rate - RTO options	n/a	0.44%
Risk-free interest rate - all other options	2.48%-2.65%	0.76%-1.64%
Expected volatility	100%	100%
Expected option life (in years)	5	2.5 - 10

13. Fair Value Measurements and Risk Management

(a) Fair Values

The fair values of the Company's financial instruments, which include cash, trade and other receivables (excluding sales tax receivables), and accounts payable, accrued liabilities and lease liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

Notes payable and restricted cash are carried at amortized cost.

Derivative liabilities are carried at fair value.

Fair value hierarchy

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative liabilities are measured as a level 3 fair value measurement.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and trade and other receivables. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. For trade and other receivables, the Company limits its exposure to credit risk by dealing with what management believes to be financially sound counter parties. The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables is comprised of sales tax receivables, research & development tax credit receivables and other receivables. The breakdown of trade and other receivables is as follows:

	Year ended February 28, 2023	Year ended February 28, 2022
Sales tax receivables	793,895	553,429
Research and development credit receivables	-	655,166
Other receivables	6,278	5,311
Total	800,173	1,213,906

During the year ended February 28, 2023, the Company received a $1,885,196 tax credit relating to research and development expenditures claimed for the year ended February 28, 2022 and a $655,166 tax credit relating to research and development expenditures claimed for the year ended February 28, 2021.

13. Fair Value Measurements and Risk Management (continued)

(c) Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in a foreign currency.

Small Pharma Ltd, the Company's operating subsidiary, operates in the UK and has certain monetary financial instruments denominated in British pound sterling. Small Pharma (US) Inc., an indirect subsidiary of the Company, operates in the US and has certain monetary financial instruments denominated in US dollars. The Company has not entered into foreign exchange rate contracts to mitigate these risks.

The following table indicates the impact of foreign currency exchange risk on net working capital as at February 28, 2023. The table below also provides a sensitivity analysis of a 10% strengthening of the foreign currency against functional currencies identified which would have increased (decreased) the Company's comprehensive loss for the period by the amounts shown in the table below. A 10% weakening of the foreign currency against the functional currencies would have had the equal but opposite effect as at February 28, 2023 and February 28, 2022.

	February 28, 2023 £	February 28, 2022 £
Cash	10,770,423	22,865,466
Trade and other receivables	433,607	709,936
Accounts payable and accrued liabilities	(1,640,580)	(2,348,835)
Lease liabilities	(370,391)	-
Total foreign currency financial assets and liabilities	9,193,059	21,226,567
Impact of a 10% strengthening or weakening of foreign exchange rate	919,306	2,122,657

(d) 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 is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

13. Fair Value Measurements and Risk Management(continued)

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company relies on raising debt or equity financing in a timely manner.

The following amounts are the contractual maturities of financial liabilities as at February 28, 2023 and February 28, 2022:

As at February 28, 2023	Total $	Within 1 year $	Within 2-5 years $
Accounts payable and accrued liabilities	3,217,785	3,217,785	-
Lease liabilities	641,924	327,791	314,133
Total financial liabilities	3,859,709	3,545,576	314,133

As at February 28, 2022	Total $	Within 1 year $	Within 2-5 years $
Accounts payable and accrued liabilities	4,497,271	4,497,271	-

14. Commitments

The Company has commitments primarily for contracts supporting clinical trials. The Company is subject to commitments as follows:

As at February 28, 2023	$
Within one year	4,964,191
In the second to third years	286,469
In the fourth to fifth years	16,355
Total	5,267,015

As at February 28, 2023, there is an unprovided contingent liability of $2,104,394 in relation to officers and employee bonuses. The board approved payment of these bonuses in the event that certain conditions are satisfied. Management's view is that it is unlikely that the conditions will be satisfied to trigger the payment of the bonuses for the year ended February 28, 2023 and therefore $nil has been included in accounts payable and accrued liabilities at February 28, 2023.

15. Segmented Information

The Company has one operating segment, research and development ("R&D") of psychedelic and non- psychedelic medicine. The Company's head office and operations are in the UK. Geographic information for non-current assets is as follows:

As at February 28, 2023	Canada $	UK $	Total $
Property and equipment	-	54,341	54,341
Right-of-use asset	-	605,233	605,233
	-	659,574	659,574

As at February 28, 2022	Canada $	UK $	Total $
Restricted cash	2,500,000	-	2,500,000
Property and equipment	-	61,789	61,789
	2,500,000	61,789	2,561,789

For the year ended February 28, 2023, the Company did not generate any revenue (2022 - $nil).

16. Taxation

(a) Income Tax Rate

The major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 27% (2022: 27%) are as follows:

	Year ended February 28, 2023 $	Year ended February 28, 2022 $
Net loss before income taxes	(24,721,409)	(22,920,850)
Expected recovery at statutory rate of 27% (2022: 27%)	(6,674,780)	(6,188,629)
Difference between Canadian and foreign tax rates	1,886,975	1,429,463
Share-based payment expense	190,794	148,539
Non-deductible expenses	3,814	1,374,452
Share issuance cost booked to equity	-	(189,028)
Surrender of prior year losses for research & development	1,108,234	-
Prior year research & development credit	(1,885,196)	(655,166)
Increase to prior year losses for option exercise	(2,021,827)	-
Adjustment to prior period losses	(42,006)	-
Group consolidation	(491,377)	-
Change in tax rate	(1,674,159)	-
Change in unrecognized deferred tax assets	7,714,332	3,425,203
Income tax (recovery) expense	(1,885,196)	(655,166)
The Company's income tax recovery is allocated as follows: Current tax recovery	(1,885,196)	(655,166)
Deferred tax (recovery) expense	-	-
	(1,885,196)	(655,166)

(b) Deferred Tax

The significant components of the Company's deferred tax assets that have not been included in the consolidated statements of financial position, are as follows:

Gross losses	February 28, 2023 $	February 28, 2022 $
Non-capital loss carry forwards - UK	46,631,081	18,736,186
Non-capital loss carry forwards - Canada	6,481,704	2,969,457
Financing costs - Canada	2,911,350	3,752,320
	56,024,135	25,457,963

No deferred tax assets have been recognized in relation to these losses as at February 28, 2023 and 2022 as it is not yet probable that future taxable profit will be available against which the Company will be able to use these potential tax benefits.

16. Taxation (continued)

(c) Non-Capital Loss Balance

As at February 28, 2023, the Company has non-capital losses in the UK, which under certain circumstances can be used to reduce the taxable income of future years. There is no expiry date on these non-capital losses. From April 1, 2023 the UK corporation tax rate will be 25% and the unprovided deferred tax has been set at this tax rate.

As at February 28, 2023, the Company has non-capital losses in Canada, which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses expire as follows:

Year of expiry	February 28, 2023 $
2043	3,783,150
2042	2,698,554

17. Subsequent Events

On March 1, 2023, the Company granted stock options to purchase up to an aggregate of 3,725,000 common shares to certain employees of the Company pursuant to the Company's stock option plan. Each option is exercisable at $0.09 per common share for a period of ten years and is subject to certain vesting requirements.

On April 29, 2023, share purchase warrants to purchase 3,947,547 common shares of the Company at $0.96 per common share expired without exercise.

SMALL PHARMA INC. (FORMERLY, UNILOCK CAPITAL CORP.)

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the year ended February 28, 2023

Date: June 28, 2023

Management's Discussion and Analysis

This Management's Discussion and Analysis ("**MD&A**") has been prepared by management of Small Pharma Inc. ("**Small Pharma**" or the "**Company**") and should be read in conjunction with Small Pharma's audited consolidated financial statements and notes for the years ended February 28, 2023 and 2022 (the "**Financial Statements**"), which may be viewed under the Company's SEDAR profile at www.sedar.com. The Financial Statements have been prepared using International Financial Reporting Standards. All amounts are in Canadian dollars unless otherwise specified.

This MD&A contains disclosure of material changes related to Small Pharma occurring up to and including June 28, 2023, except where otherwise noted.

Exchange Rates

The following table sets forth the value of one £ expressed in Canadian dollars, based on the daily average exchange rates quoted by the Bank of Canada for the dates indicated:

	Three months ended February 28, 2023	Three months ended February 28, 2022	Twelve months ended February 28, 2023	Twelve months ended February 28, 2022
As at end of period	1.6457	1.7024	1.6457	1.7024
Low for the period	1.6115	1.6716	1.4731	1.6716
High for the period	1.6818	1.7313	1.6959	1.7636
Average rate for the period	1.6416	1.7111	1.5949	1.7196

Forward-Looking Statements

Certain statements contained in this MD&A constitute "forward-looking information" and "forward-looking statements". All statements other than statements of historical fact contained in this MD&A are forward-looking statements. Such statements can, in some cases, be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," or "anticipate," "potential," "proposed," "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. The forward-looking statements included in this MD&A are made only as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by applicable securities laws.

Forward-looking statements in this MD&A are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. These forward-looking statements include, but are not limited to, statements regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding business and operating strategies, and the Company's ability to operate on a profitable basis. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include:

Risks related to the Company's financial position:

- limited operating history;
- clinical-stage biotechnology company with history of losses since inception;
- additional capital requirements;
- speculative nature of investment risk;
- costs of operating as a public company;
- milestones and use of funds;

Risks pertaining to the Company's business and industry:

- early stage of the industry and product development;
- negative operating cash flow and going concern;
- limited product scope;
- limited marketing and sales capabilities;
- research and development ("**R&D**") objectives and milestones;
- management of growth;
- no assurance of commercial success;
- risk of partnering or out-licensing products;
- lack of commercialization experience;
- achieving publicly announced milestones;
- market access and acceptance;
- unfavourable publicity or consumer perception;
- future pandemics, epidemics and other health risks;
- social media;
- biotechnology and pharmaceutical market competition;
- decriminalization of psychedelics;
- product liability;
- product and material recalls;
- distribution and supply chain interruption;
- difficulty to forecast;
- product viability;
- success of quality control systems;
- reliance on key inputs;
- enforcing contracts;
- business expansion, growth and business combinations;
- reliance on key executives and scientists;
- employee misconduct;
- liability arising from fraudulent or illegal activity;
- conflicts of interest;
- operating risk and insurance coverage;
- computer system failures;
- foreign operations;
- dependence on foreign operating subsidiary;
- exchange rate fluctuations;
- estimates or judgments relating to critical accounting policies;
- effects of inflation;
- political and economic conditions;
- cybersecurity and privacy risk;
- environmental regulation and risks;
- litigation;
- anti-corruption and anti-bribery laws;

Risks related to regulatory compliance:

- products subject to controlled substance laws and regulations;
- risks pertaining to legislation changes;
- nature of regulatory approvals;
- continued regulatory review and obligations;
- failure to comply with health and data protection laws and regulations;
- failure to comply with pharmaceutical industry standards;

Risks pertaining to clinical development:

- reliance on third parties for clinical development activities;
- risks related to third party relationships;
- reliance on contract manufacturers;
- commercial scale product manufacturing;
- safety and efficacy of products;
- clinical testing and commercialization of product candidates;
- clinical trial publications;
- completion of clinical trials;
- later stage clinical trials failure;
- negative results of external client trials or studies;
- lack of expedited status;

Risks related to intellectual property:

- reliance on patents and other intellectual property rights;
- patent litigation;
- invalid or unenforceable patents;
- compliance with procedural requirements;
- trade secrets;
- trademark protection;
- intellectual property litigation costs;
- third-party licenses;
- failure to comply with potential future intellectual property or license agreements;
- intellectual property rights may fail to protect competitive advantage;
- employee patent claim liability;
- intellectual property rights of third parties;
- obtaining or maintaining necessary rights for current or future therapeutic candidates through acquisitions and in-licenses;
- patent law reforms;
- difficulties securing jurisdictional intellectual property rights;

Risks related to the common shares in the capital of the Company (the "**Common Shares**")

- substantial number of authorized but unissued Common Shares;
- dilution;
- market for Common Shares;
- significant sales of Common Shares;
- volatile market price for Common Shares;
- normal course issuers bids;
- tax issues;
- discretion over the use of proceeds;
- no dividends;
- enforcement of legal rights; and
- principal shareholder risk

Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, the Company cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. In particular, the Company has made assumptions regarding, among other things:

- substantial fluctuation of losses from quarter to quarter and year to year due to numerous external risk factors, and anticipation that we will continue to incur significant losses in the future;
- uncertainty as to the Company's ability to raise additional funding to support operations;
- the Company's ability to access additional funding;
- the fluctuation of foreign exchange rates;
- the risks associated with the development of the Company's product candidates which are at early stages of development;
- reliance upon industry publications as the Company's primary sources for third-party industry data and forecasts;
- reliance on third parties to plan, conduct and monitor the Company's preclinical studies and clinical trials;
- reliance on third party contract manufacturers to deliver quality clinical and preclinical materials;
- the Company's product candidates may fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or may not otherwise produce positive results;
- risks related to filing investigational new drug applications to commence clinical trials and to conduct clinical trials, if approved;
- the risks of delays and inability to complete clinical trials due to difficulties enrolling patients;
- competition from other biotechnology and pharmaceutical companies;
- the Company's reliance on the capabilities and experience of the Company's key executives and scientists and the resulting loss of any of these individuals;
- the Company's ability to fully realize the benefits of potential acquisitions;
- the Company's ability to adequately protect the Company's intellectual property and trade secrets;
- the risk of patent-related or other litigation; and
- the risk of unforeseen changes to the laws or regulations in the United Kingdom ("**U.K.**"), the European Union ("**EU**"), the United States ("**U.S.**") and other jurisdictions in which the Company operates or plans to operate.

Drug development involves long lead times, is very expensive and involves many variables of uncertainty. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Company. Every subject treated in future studies can change those assumptions either positively (to indicate a faster timeline to new drug applications and other approvals) or negatively (to indicate a slower timeline to new drug applications and other approvals). This MD&A contains certain forward-looking statements regarding anticipated or possible drug development timelines. Such statements are informed by, among other things, regulatory guidelines for developing a drug with safety and tolerability studies, proof of concept studies, and pivotal studies for new drug application submission and approval, and assumes the success of implementation and results of such studies on timelines indicated as possible by such guidelines, other industry examples, and the Company's development efforts to date.

Please refer to Appendix "A" for additional and detailed risks that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein.

In addition to the factors set out above and those identified in this MD&A under "Risks and uncertainties" and Appendix "A", other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

Overview of Small Pharma's Business

Small Pharma is a biotechnology company focused on developing short-duration psychedelic-assisted therapies for the treatment of mental health conditions. The Company has initiated programs across its "Ultra Short-duration" and "Short-duration" psychedelics portfolio. The Company is focused on the development of its pharmaceutical psychedelic assets with the inclusion of supportive therapy, anticipating this treatment paradigm to be important for optimizing beneficial patient outcomes.

Company Description

Small Pharma was incorporated under the *Business Corporations Act* (British Columbia) (the "**BCBCA**") on January 23, 2018. On April 29, 2021, the Company changed its name from Unilock Capital Corp. in connection with the completion of the Qualifying Transaction (defined below). The Company's head office is located at 6-8 Bonhill Street, 3rd Floor, London, United Kingdom EC2A 4BX.

The Common Shares were listed for trading on the TSX Venture Exchange (the "**TSXV**") under the symbol "UUU.P" on November 16, 2018. Pursuant to TSXV Policy 2.4 - *Capital Pool Companies* ("**TSXV Policy 2.4**"), the Company did not carry on any business or operations other than identifying and evaluating business opportunities for the purpose of completing a qualifying transaction until completion of the Qualifying Transaction.

On November 30, 2020, the Company, Small Pharma Ltd ("**SPL**") and certain shareholders of the Company entered into an agreement, as amended on February 23, 2021, pursuant to which the Company agreed to acquire all of the issued and outstanding ordinary shares of SPL (the "**Qualifying Transaction**"). On March 25, 2021, in connection with the Qualifying Transaction, the Company made an offer to all holders of the outstanding ordinary shares of SPL ("**SPL Shares**") to purchase all of their SPL Shares currently held or to be held prior to the closing of the Qualifying Transaction. On April 29, 2021, the Company completed its acquisition of all of the SPL Shares. The Qualifying Transaction constituted the Company's "qualifying transaction" as such term is defined in TSXV Policy 2.4.

In conjunction with the Qualifying Transaction, Small Pharma Financing Inc. ("**Finco**"), a special purpose financing vehicle incorporated solely for the purposes of completing a financing for aggregate gross proceeds of approximately $58,000,000 (the "**Brokered Offering**") in connection with the Qualifying Transaction, completed a "three-cornered" amalgamation pursuant to the provisions of the BCBCA with the Company and a wholly-owned subsidiary of the Company (the "**Amalgamation**"). Pursuant to the Amalgamation, all common shares in the capital of Finco were exchanged for Common Shares on a one-for-one basis. Finco and the Company's wholly-owned subsidiary amalgamated, with the resulting entity ("**Amalco**") becoming a wholly-owned subsidiary of the Company. On October 7, 2021, Amalco was dissolved under the BCBCA and is no longer a subsidiary of the Company.

On completion of the Qualifying Transaction, the Company continued the business of SPL as a biotechnology company specializing in intellectual property ("**IP**") led development of short-duration psychedelic-assisted therapies for the treatment of mental health conditions. In connection with the Qualifying Transaction, the Common Shares commenced trading on the TSXV on May 6, 2021, under the symbol "DMT".

On October 20, 2021, the Company was successfully upgraded from the OTC Pink to the OTCQB® Venture Market (the "**OTCQB**"). The Common Shares are trading on the OTCQB under the symbol "DMTTF".

Select Recent Business Developments

During the year ended February 28, 2023, the following recent developments occurred in the Company's business and securities:

Business Developments

On March 10, 2022, the Company announced R&D updates on two of its N,N-dimethyltryptamine ("**DMT**") based candidates, SPL026 and SPL028. The Company announced that it is expanding its development program for SPL026 with the addition of (i) a drug interaction study, planned for H2 2022; and (ii) a further Phase I study to compare the safety, tolerability, pharmacokinetic and pharmacodynamic profiles of intramuscular ("**IM**") versus intravenous ("**IV**") routes of administration of SPL026. The Company also announced that it had advanced its proprietary deuterated DMT candidate SPL028 through preclinical studies.

On March 29, 2022, the Company filed a final base shelf prospectus dated March 29, 2022 (the "**Base Shelf Prospectus**") in each of the provinces and territories of Canada. The Base Shelf Prospectus qualifies for distribution, from time to time during the 25-month period from the date of the Base Shelf Prospectus, of up to $125,000,000 in the aggregate of Common Shares, warrants, units, debt securities and subscription receipts of the Company.

On April 6, 2022, the Company was granted a European patent providing protections relating to a series of tryptamine based compounds, including the Company's potential preclinical candidate SPL029, for the treatment of depressive disorders. The patent was the first patent granted to the Company for SPL029.

On May 18, 2022, the Company was granted a European patent providing Composition of Matter protection of certain deuterated homologues of DMT, including the active ingredient in SPL028. This patent sits alongside the Company's U.K. patent for SPL028.

On May 25, 2022, the Company provided a clinical trial update on its active SPL026 Phase I/IIa clinical trial. The Company reported ongoing progress in the Phase IIa patient study with no safety concerns reported to date. The Company provided a revised study timeline with dosing expected to be completed in the coming months. The timeline study has been revised due to slower than anticipated patient recruitment following COVID-19 government restrictions in the U.K..

On May 25, 2022, the Company appointed Dr. Alastair Riddell as Chief Operating Officer of the Company. In connection with Dr. Riddell's appointment, Ms. Marie Layzell, the former COO and Head of CMC, assumed the role of Chief Manufacturing and Development Officer.

On June 13, 2022, the Company submitted its Clinical Trial Application ("**CTA**") in the U.K. for its Phase Ib drug interaction study in patients with MDD.

On July 5, 2022, the Company was granted a U.S. patent that strengthens the Company's portfolio surrounding certain salt forms of 6-HNK, including SPL801B.

On July 5, 2022, the Company incorporated a new indirect wholly-owned subsidiary, Small Pharma (US) Inc. in the State of Delaware, US. Small Pharma (US) Inc.'s head office is located at 6-8 Bonhill Street, London, U.K. EC2A 4BX and its registered office is located at 838 Walker Road, Suite 21-2 Dover, DE 19904.

On July 6, 2022, the Company was granted a European patent providing protection for high concentration oral dosage forms of 6-HNK salts, including SPL801B.

On July 18, 2022, the Company announced that Mr. George Tziras has been appointed to succeed Mr. Peter Rands as the Chief Executive Officer of the Company, effective as of July 20, 2022. Mr. Rands has been appointed as Chief Innovation & Intellectual Property Officer of the Company. As part of the planned succession and his relocation to the United States, Mr. Rands will focus to better position the business for the later stages of clinical development and further establish the Company's footprint in the United States. Mr. Rands continues to serve on the board of directors of the Company (the "**Board**") following the transition.

On July 19, 2022, the Company held its annual and special meeting of shareholders (the "**2022 ASM**"). All matters voted on at the 2022 ASM were approved by shareholders, including the re-election of all six directors of the Company.

On July 19, 2022, the Company was granted patent no. 3104072 by the Canadian Intellectual Property Office. The Canadian patent protects Composition of Matter of certain deuterated analogues of DMT, including the active ingredient in SPL028.

On August 9, 2022, the Company was granted U.S. patent no.11406619 from the United States Patent and Trademark Office ("**USPTO**"). The grant consists of the Company's first U.S. patent grant within the Company's psychedelic portfolio and provides protection for novel injectable formulations of DMT-based compounds, including the active ingredient in SPL026 and SPL028.

On August 9, 2022, the Company filed its annual information form dated August 9, 2022 for the year ended February 28, 2022 (the "**Annual Information Form**"), which may be viewed under the Company's SEDAR profile at www.sedar.com.

On August 15, 2022, the Company announced it had received approval from the U.K. Medicines and Healthcare Products Regulatory Agency (the "**MHRA**") and the Research Ethics Committee ("**REC**") to initiate a Phase Ib drug interaction clinical trial in the U.K. The study will assess the interaction between selective serotonin reuptake inhibitors and SPL026 in patients with MDD. The trial initiated in Q3 2022, with dosing completion anticipated in H1 2023.

On September 14, 2022, the Company was granted European patent no. 3902541 which protects the use of a small group of deuterated compounds of DMT in therapy, effectively covering all therapeutic uses of the specified compounds. The patent provides expanded protection for the Company's pipeline of deuterated compounds.

On September 19, 2022, the Company announced that it completed enrollment for the Phase IIa clinical trial of its IV formulation of SPL026 with supportive therapy for the treatment of MDD. This formulation recently received patent protection in the United States under patent no. 11,406,619 for injectable formulations of DMT based compounds.

On October 12, 2022, the Company received CTA approval from the MHRA and REC for its SPL026 Phase I comparative PK clinical trial. The Phase I study will assess the comparative safety, tolerability, pharmacokinetics and pharmacodynamics (psychedelic experience) of an IM and an IV dose of SPL026.

On October 18, 2022, the Company was granted patent no. 11,471,417 by the USPTO, protecting a therapeutic composition of a small group of deuterated compounds of DMT, effectively covering all pharmaceutical formulations of the specified compounds**.**

On October 31, 2022, the Company announced it had received approval from the MHRA and REC to initiate a randomized, placebo-controlled, blinded, dose-escalating Phase I study of SPL028, with supportive therapy in healthy volunteers. The Phase I study, which is anticipated to be initiated in H1 2023, will evaluate the safety, tolerability, pharmacodynamics and pharmacokinetics of IM and IV administration of escalating doses of SPL028.

On November 24, 2022, the Company was granted patent no. 2020381103 by the Australian Patent Office, protecting a series of tryptamine-based compounds, including the Company's potential preclinical candidate SPL029, for the treatment of depressive disorders. This patent sits alongside the Company's European patent for SPL029**.**

On December 14, 2022, the Company announced it will provide SPL026, an IV formulation of DMT, to support a University College London study investigating induced brain changes and neuroplasticity following IV DMT.

On December 15, 2022, the Company announced that the first patient had been dosed in the Company's Phase Ib drug interaction study. The study aims to assess the potential interaction between selective serotonin reuptake inhibitors and SPL026 in patients with MDD.

On December 21, 2022, the Company was granted patent no. 3 873 883 by the European Patent Office. The European patent protects a novel manufacturing process for the preparation of synthetic DMT, DMT-related compounds and deuterated DMT analogs. The patent covers the preparation of SPL026 and SPL028.

On December 22, 2022, the Company announced the last patient had completed its final visit in the Company's Phase IIa clinical trial of SPL026, IV DMT, with supportive therapy, for the treatment of MDD.

On January 4, 2023, the Company received a Notice of Allowance from the USPTO for patent application no. 20220281818. The application will provide protection for certain deuterated homologues of certain tryptamine compounds, including the active ingredients currently being investigated in the SPL029 series, and sits alongside European patent no. 3 844 147.

On January 9, 2023, the Company announced that the first patient had been dosed in the Company's Phase I study comparing the profiles of IM and IV SPL026. The study aims to compare the safety, tolerability, pharmacokinetics and pharmacodynamics of SPL026 delivered via IM versus IV administration, in up to 14 healthy volunteers.

On January 25, 2023, the Company announced positive topline results of the Phase IIa trial, which demonstrated the study met its primary endpoint with a statistically significant reduction (-7.4) point difference between SPL026 (21.5mg) and placebo at two-weeks post-dose, as measured by the Montgomery-Asberg Depression Rating Scale ("**MADRS**") change from baseline (p=0.02). Antidepressant effect of SPL026 with supportive therapy demonstrated a rapid onset at one-week post-dose with a statistically significant difference in MADRS of -10.8 versus placebo (p=0.002). A durable antidepressant effect was demonstrated with a remission rate of 57% at 12-weeks following a single SPL026 dose with supportive therapy. No apparent differences were identified in antidepressant effect between a one and two dose regimen of SPL026. SPL026 also demonstrated a favourable safety and tolerability profile with no drug-related serious adverse events reported. All adverse events related to treatment were considered mild or moderate.

On February 1, 2023, the Company announced the receipt of a Notice of Allowance from the USPTO for US patent application no. 17/680,411. The application will provide composition of matter protection for a group of deuterated compounds of DMT, as well as protection for therapeutic compositions and uses of the specified compounds.

On February 14, 2023, the Company was granted no. 11 578 039 from the USPTO. The patent will provide protection for certain deuterated homologues of certain tryptamine compounds, including the active ingredients currently being investigated in the SPL029 series, and sits alongside European patent no. 3 844 147. The patent will also provide protection for therapeutic compositions of the deuterated tryptamines, including orally active formulations.

On February 15, 2023, the Company announced that the first subject had been dosed in the Company's Phase I study evaluating SPL028, which is the first-in-human trial investigating the profile of SPL028, the Company's proprietary molecule with Composition of Matter protection. The Phase I study is a randomized, blinded, placebo-controlled, dose-escalating study designed to evaluate the safety, tolerability, pharmacodynamics and pharmacokinetics of both IV and IM administration of SPL028 with supportive therapy in healthy volunteers.

Normal Course Issuer Bid

On August 18, 2022, the Company announced the TSXV's acceptance of its application to establish a normal course issuer bid program (the "**NCIB**"). The NCIB permits the purchase for cancellation of up to 5,000,000 Common Shares, over a 12-month period, representing 1.55% of the Company's issued and outstanding shares on the date of announcement. The NCIB commenced on August 19, 2022 and will terminate on the earlier of: (i) August 18, 2023; and (ii) the date upon which the Company has acquired the maximum number of Common Shares under the NCIB. The Company may also, at its discretion, terminate the NCIB prior to such date. The price paid for any Common Shares purchased under the NCIB will be the market price of such Common Shares at the time of the applicable purchases.

On September 13, 2022, following approval by the TSXV, the Company entered into an automatic share purchase plan (an "**ASPP**") with its designated broker allowing the purchases of Common Shares for cancellation under its NCIB at times when the Company would ordinarily not be permitted to do so due to regulatory restrictions or self-imposed blackout periods. Common Share purchases pursuant to the ASPP are eligible to be carried out by the designated broker based on trading parameters established by the Company prior to the commencement of a restricted trading period. On October 26, 2022, the ASPP was terminated in accordance with its terms.

Since the inception of the NCIB to the date of this MD&A, the Company has cancelled an aggregate of 1,788,000 Common Shares pursuant to purchases made by the Company under the NCIB.

Intellectual Property Portfolio

The Company is building a robust IP portfolio and as of the date of this MD&A, the Company's patent portfolio consists of 17 active patent families with 98 pending applications and 23 granted patents across its psychedelic and non-psychedelic portfolio. The oldest family claims a priority date of June 2016 and the most recently initiated family claims a priority date of March 2023.

Candidate/Program	Relevant patents in portfolio (No. active patents/pending patent applications)(1)
Combined SPL026, SPL028 and SPL029(2)(3)	4 granted patents, 31 patents pending
SPL028(4)	9 granted patents, 34 pending applications
Combined SPL028 and SPL029(5)(6)	1 granted patent, 14 pending applications
SPL029	4 granted patents, 11 pending applications
SPL801B	5 granted patents, 7 pending applications
Other(7)	1 pending application

Notes:

(1) Granted European patents have been counted as a single granted patent (as opposed to multiple patents in each European territory in which the patent is in force). Hong Kong patents and applications have not been included in the figures counted above as they are re-registrations of European rights, as opposed to freestanding patent filings. Patent Cooperation Treaty applications have been included as pending applications unless the deadlines for national / regional phase entries of those applications have passed in which case they are not included in the figures above.

(2) Relevant patents and applications provide, or are anticipated to provide, protection for the SPL026, SPL028, and SPL029 candidates/programs.

(3) On May 4, 2023, the Company received issuance of granted Australian patent no. 2021334933. On May 9, 2023, the Company received issuance of granted US patent no. 11,643,390. Refer to "*Subsequent Events*" for additional information.

(4) On May 24, 2023, the Company received issuance of granted Great Britain ("**GB**") patent no. 2 595 776. On June 6, 2023, the Company received issuance of granted GB patent numbers 2 586 940 and 2 592 822. On June 6, 2023 the Company received issuance of granted Japan patent number 7288154. Refer to "*Subsequent Events*" for additional information.

(5) Relevant patents and applications are anticipated to provide protection for the SPL028 and SPL029 candidates.

(6) On May 30, 2023, the Company received issuance of granted US patent no. 11,660,289. Refer to "*Subsequent Events*" for additional information.

(7) Protects other preclinical research.

Results of operations for the three months and financial year ended February 28, 2023

The Company currently has one reportable segment, primarily relating to the development of psychedelic and non-psychedelic medicine. All financial results in this MD&A relate to this segment.

Net cash used in operating activities for the three months ended February 28, 2023 was $4,550,307 (February 28, 2022 - $5,118,426). Net cash used in operating activities for the financial year ended February 28, 2023 was $22,210,723 (February 28, 2022 - $16,234,996).

For the three months ended February 28, 2023, Small Pharma incurred a comprehensive loss of $1,961,307, a reduction of $2,760,086 compared to a net comprehensive loss of $4,721,393 during the three months ended February 28, 2022. The reduced loss was primarily the result of increased income tax recovery of $1,230,030, higher foreign currency retranslation gains of $343,068 and reduced salaries and benefits by $2,819,497, in addition to a reduction in spending on investor and public relations expenditure of $110,976, and lower consulting fees by $131,265 due to the timing of work done in the prior year. This was partially offset by R&D costs being $1,377,685 higher due to the advancement of clinical trials, professional fees being $197,303 higher and additional spend of $233,671 in office and miscellaneous fees due to increased travel to support business objectives and due to the loosening of restrictions related to COVID-19. The retranslation gain arising from foreign exchanges in the three months ended February 28, 2023 was a result of a small weakening of the Canadian dollar against the British pound sterling ("**GBP**") in the final three months of the financial year. The reduction in salaries and benefits in the three months ended February 28, 2023 was a result of the reversal of bonus provisions built up during the first three quarters of the year. Management's view is that it is unlikely that the conditions will be satisfied to trigger the payment of the bonuses for the year ended February 28, 2023.

For the financial year ended February 28, 2023, Small Pharma incurred a comprehensive loss of $24,685,567, an increase of $2,406,910 compared to a net comprehensive loss of $22,278,657 during the financial year ended February 28, 2022. The increased loss was primarily as a result of R&D costs being $6,554,039 higher due to the advancement of clinical trials, an increase in professional fees by $415,281 attributable to higher IP legal costs from the expansion of the Company's patent portfolio and applications progressing into the active examination phase, an increase in consulting fees by $362,156 due to the use of consultants to advise and conduct market research to support the development of commercial strategies, and additional spend of $600,413 in office and miscellaneous fees due to increased travel to support business objectives and due to the loosening of restrictions related to COVID-19, as well as net losses arising from foreign currency retranslation being $1,836,381 higher than the period ended February 28, 2022. These increases were offset by investor and public relations expenditure reducing by $955,703 due to increased targeting of activity in this area and performing more of these functions in-house, salaries and benefits reducing by $931,528 due to lower bonus provisions and $4,783,884 of costs incurred last year related to the Qualifying Transaction and convertible loan notes converted immediately prior to completion of the Qualifying Transaction. Although the conversion from GBP to the Canadian dollar gives rise to a loss in the Financial Statements, as most of the operating costs of the Company are in GBP the gain has very little impact on the underlying cash burn of the Company.

Revenue

The Company is a clinical stage biotechnology company and has not generated revenue to date other than consultancy fees.

The Company generated revenue of $nil during the three months and financial year ended February 28, 2023 and February 28, 2022.

Cost of Sales

During the three months and financial year ended February 28, 2023, the Company did not recognize cost of sales.

Operating expenses - three months ended February 28, 2023

For the three months ended February 28, 2023, total operating expenses reduced to $4,268,049 from $5,480,473 for the three months ended February 28, 2022. This reduction was largely attributable to the reduction in staff costs by $2,819,497, offset by an increase in R&D, professional fees and office and miscellaneous fees, reflecting the significant progress made regarding (i) the Company's active U.K. SPL026 clinical trial, for which the Company recently announced trial results following period-end, (ii) the Company's pipeline programs, (iii) the expansion and maturation of the Company's intellectual property portfolio, and (iv) the increase in headcount and travel costs to accommodate completion of the Company objectives and programs.

R&D costs of $2,900,804 were $1,377,685 higher than the same period in the prior year due to the significant advancement of the Company's pipeline programs. Staff costs, which include salaries, bonuses, social security and other pension costs were a credit of $496,890 for the three months ended February 28, 2023, which was a reduction of $2,819,497 as a result of the reversal of bonus provisions built up during the first three quarters of the year. Management's view is that it is unlikely that the conditions will be satisfied to trigger the payment of the bonuses for the year ended February 28, 2023. Costs related to investor and public relations fees decreased by $110,976 primarily due to increased targeting of activity in this area and performing more of these functions in-house. Office and miscellaneous costs increased by $233,671 largely due to an increase in directors' and officers' insurance (with such insurance policy replacing $2,5000,000 placed in trust with a third-party trustee in April 2022 pursuant to a trust indenture to cover indemnification claims against the Company's directors and officers (the "**D&O Trust Indenture**")) and business travel costs related to conferences upon the loosening of COVID-19 restrictions.

For the three months ended February 28, 2023, the Company's total finance income amounted to $10,312, compared to a net finance income of $35,748 in the three months ended February 28, 2022.

Operating expenses - financial year ended February 28, 2023

For the financial year ended February 28, 2023, total operating expenses increased to $24,742,430 from $18,136,966 for the financial year ended February 28, 2022. This increase was largely attributable to an increase in R&D, with additional substantial increases in professional fees and consulting fees. The increase in expenditures in these areas largely reflects the growth of the business from the comparable period. These expenses were offset by a $955,703 reduction in investor and public relation costs and $931,528 reduction in salaries and benefits costs for the same reasons as noted above**.**

R&D costs of $11,382,096 were $6,554,039 higher than the same period in the prior year due to the significant advancement of the Company's pipeline programs. Costs related to professional fees increased by $415,281 compared to the financial year ended February 28, 2022, largely due to increased expenses as a result of being a developing public company in its growth stage and requiring the use of professionals to assist with financing, accounting and continuous disclosure requirements. The main activities focused on by professionals include audits and accounting reviews for interim and annual financial statements and MD&A, the preparation and filing of the Annual Information Form, the preparation of materials for the 2022 ASM, the filing of the Base Shelf Prospectus, and the NCIB.

Consulting fees increased by $362,156 due to enhanced use of consultants to advise on the commercial development of the Company's pipeline products. The charge for share-based payments was up $484,766 compared to the financial year ended February 28, 2022 due to option grants made to directors and executive officers of the Company during the period. Office and miscellaneous fees also increased by $600,413 due to additional insurance costs as a result of the introduction of a directors' and officers' insurance policy to replace the D&O Trust Indenture, and increased travel to support business objectives and due to the loosening of restrictions related to COVID-19. The above noted increases were partly offset by reductions in spend on investor & public relations costs in the amount of $955,703 due to phasing of activity in these areas and transitioning ongoing activities to in-house personnel. Staff costs, which include salaries, bonuses, social security and other pension costs were $5,875,166 for the financial year ended February 28, 2023, which was a reduction of $931,528 as a result of lower bonus provisions, partially offset by growth in staff headcount and one-off employment related costs.

For the financial year ended February 28, 2023, the Company's total finance income amounted to $21,021, compared to a net finance expense of $2,364,148 in the financial year ended February 28, 2022. Prior year costs included accretion discounts of $372,759, loss on change in fair value of derivative liabilities of $1,930,416 and net interest expense of $60,973 associated with convertible loan notes that converted on April 29, 2021. The Company had no loans outstanding in the financial year ended February 28, 2023.

Selected Annual Information

This selected information is derived from the Financial Statements:

	Year ended February 28, 2023 $	**Year ended February 28, 2022 $**	**Year ended February 28, 2021 $**
Total Revenue	Nil	Nil	77,643
Loss and Comprehensive Loss	(24,685,567)	(22,278,657)	(7,187,109)
Basic and Diluted Loss Per Share	(0.07)	(0.07)	(0.03)
Total Assets	20,983,819	45,573,882	6,587,293
Total Non-Current Financial Liabilities	305,903	Nil	Nil
Distributions or Cash Dividends Declared Per-share	Nil	Nil	Nil

The Company has not paid dividends on the Common Shares and does not anticipate declaring any dividends in the near future.

The increase in comprehensive loss is largely driven by an increase in activity in the Company's clinical trials, which has resulted in an increase in R&D costs, an increased number of employees and increased costs related to payment of professional and consulting fees to assist conducting those activities. The Phase I clinical trial for SPL026 commenced in February 2021 and dosing commenced for the Phase IIa clinical trial in October 2021, with topline data published in January 2023. The Phase IIa trial completed in December 2022 with topline data from the Phase IIa published in January 2023. In the financial years ended February 28, 2022 and 2021, the Company also incurred expenses of $4,783,884 and $1,369,815, respectively, on listing costs related to the Qualifying Transaction, losses on change in fair value of derivative liabilities, accretion expense and accrued interest.

The stated Company total assets as at February 28, 2022 and February 28, 2021 is a result of financing initiatives that resulted in the raising of additional funds mainly in connection with the Qualifying Transaction. During the fiscal year ended February 28, 2021, the Company raised gross proceeds of approximately $9,500,000 through the issue of convertible loans and, in April 2021, the Company raised gross proceeds of $58,000,000 from the Brokered Offering. Given that cash is the largest element of total assets and that the Company is currently not generating revenue, the decrease in total assets since February 28, 2022 is due to funding the operating costs of the Company's business without a corresponding increase in revenue as the Company undergoes clinical trials and develops its assets.

The non-current financial liabilities of $305,903 as at February 28, 2023 relates to a new lease for office premises entered into during the period.

Selected Quarterly Information

This selected information is derived from the Company's annual and quarterly financial statements:

	As at and for the three months ended February 28, 2023 $	**As at and for the three months ended November 30, 2022 $**	**As at and for the three months ended August 31, 2022 $**	**As at and for the three months ended May 31, 2022 $**
Total Revenue	Nil	Nil	Nil	Nil
Loss and Comprehensive Loss	(1,961,307)	(6,094,830)	(8,667,061)	(8,037,083)
Basic and Diluted Loss Per Share	(0.01)	(0.02)	(0.02)	(0.02)
Total Assets	20,983,819	25,021,725	29,422,557	36,542,854
Total Non-Current Financial Liabilities	305,903	Nil	Nil	Nil

	As at and for the three months ended February 28, 2022 $	**As at and for the three months ended November 30, 2021 $**	**As at and for the three months ended August 31, 2021 $**	**As at and for the three months ended May 31, 2021 $**
Total Revenue	Nil	Nil	Nil	Nil
Loss and Comprehensive Loss	(4,721,393)	(5,657,209)	(3,953,073)	(7,945,063)
Basic and Diluted Loss Per Share	(0.02)	(0.02)	(0.01)	(0.03)
Total Assets	45,573,882	48,620,708	53,292,897	56,019,914
Total Non-Current Financial Liabilities	Nil	Nil	Nil	Nil

The increase in comprehensive loss over most periods is largely driven by an increase in activity in the Company's clinical trials, which has resulted in an increase in R&D costs, an increased number of employees and increased costs related to payment of professional and consulting fees to assist conducting those activities. For the quarters ended February 28, 2023 and November 30, 2022, the increase in R&D costs incurred by the Company was offset by a gain arising from movements in exchange rates of $346,275 and $1,061,593 respectively. For the most recent quarter ended February 28, 2023, the reduction in loss and comprehensive loss is mainly due to income tax recovery in relation to R&D tax credits of $1,885,198 and the reversal of bonus provisions, as well as this foreign currency translation gain.

The stated Company total assets as at the end of the three month period ended May 31, 2021 is a result of financing initiatives that resulted in the raising of additional funds mainly in connection with the Qualifying Transaction. In January 2021, the Company raised $5,000,000 through the issue of convertible loans and, in April 2021, the Company raised $58,000,000 from the Brokered Offering. Given that cash is the largest element of total assets and that the Company is currently not generating revenue, the decrease in total assets since May 31, 2021 is due to funding the operating costs of the Company's business without a corresponding increase in revenue as the Company undergoes clinical trials and develops its assets.

Liquidity and Capital Resources

As at February 28, 2023, the Company had positive working capital of $16,802,810. This was primarily the result of the Company continuing to hold cash following the raise of approximately $58,000,000 from the Brokered Offering in connection with the Qualifying Transaction in April 2021. In its early clinical phase of operations as a biotechnology company, Small Pharma is, in the short-term, in the pre-revenue stage of its planned growth.

Cash used in operating activities during the financial year ended February 28, 2023 was $22,210,723, an increase of $5,975,727 from the financial year ended February 28, 2022. There were no cash inflows from operating activities during the period. Cash outflows from operating activities mainly relate to a net operating loss for the financial year ended February 28, 2023 of $24,742,430. The primary elements of the net operating loss relate to R&D costs of $11,382,096, salaries and benefits of $5,875,166, and professional fees of $2,897,993, each as discussed above in "*Results of Operations for the three months and financial year ended February 28, 2023*." At February 28, 2023, $617,138 (February 28, 2022 - $nil) in key management compensation was included in prepaid expenses. This amount reflects a retention payment to an officer of the Company during the period which may be subject to clawback in whole or in part pursuant to the terms and conditions of such officer's retention agreement. The amount included in prepaid expenses will be amortized into salaries and benefits over the course of the agreement, which ends on March 1, 2024, unless earlier terminated.

Cash from financing activities during the financial year ended February 28, 2023 was an outflow of $436,410 representing the purchase of 1,788,000 Common Shares for cancellation under the NCIB in the amount of $483,040, and lease liabilities cash outflow of $13,326, offset by $59,866 of proceeds received from several exercises of stock options. During the financial year ended February 28, 2022, cash from financing activities was $53,890,726 inflow, which was the result of the proceeds raised from the Brokered Offering.

Cash provided by investing activities during the financial year ended February 28, 2023 was $2,470,551 (February 28, 2022 - $2,403,811 outflow) and relates to the return of the $2,500,000 placed in the D&O Trust Indenture trust in April 2022 for the directors and officers of the Company and classified as restricted cash on the balance sheet. On August 1, 2022, an insurance policy was taken out by the Company to cover such claims. As a result, on August 29, 2022, the Company terminated the D&O Trust Indenture and the restricted cash was released back into unrestricted cash.

During the financial year ended February 28, 2023, the Company incurred a $1,942,529 loss on exchange on cash balances (February 28, 2022 - loss of $373,807). This loss was a result of a strengthening of the Canadian dollar against GBP and has very little impact on the underlying cash burn of the Company.

The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion. As at February 28, 2023, the Company had a cash balance of $18,536,958 and current liabilities of $3,521,435.

The Company's current financial resources are sufficient to meet its short-term liquidity requirements and to fund its operations for at least the following 12 months, exclusive of any additional proceeds to be raised through an equity or debt financing, dependent on timing of the planned clinical trials. The Company may also raise funds pursuant to the Base Shelf Prospectus.

Contractual obligations and commitments

As at February 28, 2023, the payments due by period are set out in the following table:

	Less than 1 year $	**1-3 years $**	**4 - 5 years $**	**After 5 years $**	**Total $**
Debt	Nil	Nil	Nil	Nil	Nil
Finance Lease Obligations	327,791	314,133	Nil	Nil	641,923
Operating Leases	5,176	Nil	Nil	Nil	5,176
Purchase Obligations	Nil	Nil	Nil	Nil	Nil
Future Other Obligations	4,959,015	286,469	16,355	Nil	5,261,839
Total Contractual Obligations	5,291,982	600,602	16,355	Nil	5,908,938

Off-balance sheet arrangements

As at February 28, 2023 and the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company.

Transactions between related parties

Related parties to the Company are considered to be key management personnel including persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined its key management personnel to be executive officers and directors of the Company whom at this time are either full time employees or consultants to the Company. The consultants invoice the Company based on their contract agreements on a monthly basis.

The remuneration of key management personnel during the three months and financial year ended February 28, 2023 is provided in Note 9 of the Financial Statements. Remuneration to key management personnel includes base compensation, bonuses, share-based payments and pension benefits. There were no other transactions between related parties.

Risks and uncertainties

Psychedelic products are a new industry globally and, currently, the industry is at a very early stage. As a result, there is a high degree of risk associated with the Company's business. There is a significant risk that the expenditures made by the Company in developing its short-duration psychedelic development programs will not result in profitable operations.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues.

There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

There are a number of risk factors that could cause future results to differ materially from those described herein. Additional risks and uncertainties, including those that the Company does not know about or that it currently deems immaterial, could also adversely affect the Company's business and results of operations.

Information related to the risks and uncertainties faced by the Company can be found in Appendix "A" to this MD&A.

Critical accounting estimates

Refer to Note 2 of the Financial Statements.

Significant accounting policies

Disclosure regarding the Company's significant accounting policies are set out in Note 2 of the Financial Statements. This MD&A should be read in conjunction with the Financial Statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Financial Statements.

Disclosure controls and procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company.

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

Outstanding share data

The authorized capital of the Company consists of an unlimited number of Common Shares without par value, of which 321,562,487 were issued and outstanding as of February 28, 2023. As of the date of this MD&A, the number of Common Shares issued and outstanding is 321,562,487.

As at February 28, 2023, 23,396,400 Common Shares were issuable pursuant to options granted under Small Pharma's stock option plan (the "**Option Plan**"). As at the date of this MD&A, there are 26,596,400 Common Shares issuable pursuant to granted options as a result of the following post-financial year-end: (i) a grant of 3,725,000 options on March 1, 2023, and (ii) the cancellation of 525,000 unvested options following an employee's resignation, in accordance with the terms of the Option Plan. Refer to Refer to "Subsequent Events" for additional information.

As at February 28, 2023, there were also compensation warrants outstanding to purchase up to 3,947,547 Common Shares, all of which were issued in connection with the Brokered Offering. As at the date of this MD&A, there are nil compensation warrants outstanding as they expired following period-end without exercise. Refer to "*Subsequent Events*".

Except as noted above, there are no other Common Shares or securities convertible or exercisable into Common Shares outstanding.

Additional information

Additional information relating to the Company is contained in the Annual Information Form.

Approval

The Board has approved the disclosure in this MD&A.

Subsequent Events

On March 1, 2023, the Company granted stock options to purchase up to an aggregate of 3,725,000 Common Shares to certain employees of the Company pursuant to the Company's stock option plan. Each option is exercisable at $0.09 per Common Share for a period of ten years and is subject to certain vesting requirements.

On March 7, 2023, the Company announced further positive data from additional secondary and exploratory endpoints of the SPL026 Phase IIa clinical trial. Further analyses demonstrated that patient-reported depression scores corroborate the MADRS assessments conducted by independent clinical raters. Further, patients receiving at least a single dose of IV SPL026 with supportive therapy experienced clinically relevant improvements in wellbeing and anxiety, further supporting previously announced topline efficacy results.

On April 4, 2023, the Company announced positive six month data from the SPL026 Phase IIa clinical trial, which showed that, among the patients who achieved remission within three months of treatment with SPL026, 64% sustained remission to six months.

On April 29, 2023, compensation warrants to purchase 3,947,547 Common Shares at $0.96 per Common Share expired without exercise.

On May 25, 2023, the Company announced significant developments in their intellectual property portfolio, including the following updates since the Company's previous portfolio update: (i) five new granted patents; (ii) three additional patents expected to be granted by May 31, 2023, and (iii) five new Notices of Allowance. The patent's cover the Company's four focused areas of protection across multiple markets. Refer to *"Intellectual Property Portfolio"* for additional information.

On June 6, 2023, the Company received two additional grants for GB patents and an additional grant for a Japan patent. Refer to *"Intellectual Property Portfolio"* for additional information.

APPENDIX "A"

RISK AND UNCERTAINTIES

Risks Pertaining to the Company's Financial Position and Need for Additional Capital

Limited Operating History

The Company has a limited operating history upon which its business and future prospects will be evaluated. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet future operating requirements, it will need to be successful in its growth, marketing and sales efforts. Additionally, where the Company experiences increased production and future sales, its current operational infrastructure may require changes to scale its business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If the Company's products and services are not accepted by new customers, the Company's operating results may be materially and adversely affected.

Since formation, the Company has invested most of its resources in developing a portfolio of compounds targeted for the treatment of mental health challenges, building its intellectual property portfolio, conducting business planning, raising capital and providing administrative support for these operations. The Company has not yet demonstrated an ability to conduct later-stage clinical trials, partner their late stage development, sell or out licence any of its assets, obtain regulatory approvals, manufacture a commercial-scale product, conduct sales and marketing activities necessary for successful product commercialization.

The Company may encounter unforeseen expenses, difficulties, complications, delays and other known or unknown factors in achieving its business objectives. The Company will eventually need to transition from a company with a development focus to a company capable of supporting commercial activities. The Company may not be successful in such a transition.

Clinical-Stage Biotechnology Company with History of Losses Since Inception

The Company is a clinical-stage biotechnology company and has not generated any sales revenue from any candidates in development. The Company has incurred operating losses since its formation. The Company incurred total net losses of $24,685,567 and $22,278,657 respectively, for the fiscal years ended February 28, 2023 and 2022. The Company's historical losses resulted principally from costs incurred in connection with R&D activities and general and administrative costs associated with its operations. In the future, the Company intends to continue to conduct R&D, nonclinical testing, clinical trials, regulatory compliance, market access, commercialization and business development activities that, together with anticipated general and administrative expenses, will result in incurring further significant losses for at least the next several years. The Company's expected losses, among other things, may continue to cause its working capital and shareholders' equity (deficit) to decrease. The Company anticipates that its expenses will increase substantially if and as the Company, among other things:

- continues the clinical development of the Company's current and future therapeutic candidates including initiating additional and larger clinical trials;
- continues to facilitate the training of therapists who are qualified to deliver the Company's current and future therapeutic candidates in the Company's clinical trials;
- seeks additional indications for the Company's current therapeutic candidate;
- seeks regulatory approvals for any future therapeutic candidates that successfully complete clinical trials;
- experiences heightened regulatory scrutiny;

- explores external business development opportunities through acquisitions, partnerships, licensing deals to add future therapeutic candidates and technologies to the Company's portfolio;
- obtains, maintains, expands and protects the Company's intellectual property portfolio, including litigation costs associated with defending against alleged patent or other intellectual property infringement claims;
- adds clinical, scientific, operational, financial and management information systems and personnel, including personnel to support the Company's therapeutic development and potential future commercialization efforts;
- experiences any delays or encounters any issues with respect to any of the above, including failed studies, ambiguous trial results, safety issues or other regulatory challenges;
- expands the Company's operations in the U.K., EU, US and Canada and potential other geographies in the future;
- establishes a sales, marketing and distribution infrastructure and scale-up manufacturing capabilities to commercialize any therapeutic candidates for which the Company may obtain regulatory approval or partners with other companies and / or governmental, supranational, non-profit and academic institutions or organisations through partnership, out-licensing or other agreements to do so;
- establishes and expands the network of public healthcare institutions and private clinics that administer the Company's therapeutic candidates in conjunction with psychological support; and
- advances its commercialization strategy in North America and Europe, including using digital technologies to enhance the Company's proposed therapeutic offering.

Because of the numerous risks and uncertainties associated with therapeutic development, the Company is unable to accurately predict the timing or amount of increased expenses or when, or if, the Company will be able to achieve profitability. If the Company is required by the MHRA, the European Medicines Agency ("**EMA**"), the US Food and Drug Administration ("**FDA**") or other comparable foreign authorities to perform studies in addition to those the Company currently anticipates, or if there are any delays in completing the Company's clinical trials or the development of the Company's current or any future therapeutic candidates, the Company's expenses could increase beyond current expectations and revenue could be further delayed.

To date, the Company has funded its operations through private placements of equity, convertible notes, as well as grant funding, and consultancy in its early years. To become and remain profitable, the Company will need to continue developing and eventually commercialize therapies that generate significant revenue. Even if the Company or any future collaborators do generate sales, the Company may never achieve, sustain or increase profitability on a quarterly or annual basis. The Company's failure to sustain profitability would depress the market price of the Common Shares and could impair the Company's ability to raise capital, expand the Company's business, diversify the Company's therapeutic offerings or continue the Company's operations. If the Company continues to suffer losses, investors may not receive any return on their investment and may lose their entire investment.

Additional Capital Requirements

To date, the Company and SPL has funded its operations through predominantly private placements of equity and convertible notes in addition to revenue generated from grant funding and consultancy in its early years. The Company expects to require substantial additional funding in the future to sufficiently finance its operations and advance development of its current and/or any future therapeutic candidates. Further, changing circumstances, some of which may be beyond the Company's control, could cause the Company to consume capital significantly faster than the Company currently anticipates, and the Company may need to seek additional funds sooner than planned. The Company's future funding requirements, both short-term and long-term, will depend on many factors, including:

- the progress, timing and completion of nonclinical testing and clinical trials for the Company's current and future therapeutic candidates;
- the outcome, timing and cost of seeking and obtaining regulatory approvals from the MHRA, the EMA, the FDA, the Pharmaceutical Drugs Directorate (formerly the Therapeutic Drugs Directorate) ("**PDD**"), if applicable, or other comparable foreign authorities, including the potential for such authorities to require that the Company perform more nonclinical studies or clinical trials than those that the Company currently expects or change their requirements on studies that had previously been agreed to;
- the number of potential future therapeutic candidates identified and developed, either internally through the Company's R&D efforts or externally through acquisitions, licensing or other collaboration agreements;
- the costs involved in growing the Company's organization to the size needed to allow for the research, development and potential commercialization of the Company's current and any future therapeutic candidates;
- the costs of training therapists who are supporting or will support the Company's clinical trials;
- generating and collecting data and intellectual property; and strengthening the Company's regional presence as a scientific and clinical resource;
- the costs of developing and testing potential digital technology solutions;
- the costs involved in filing patent applications and maintaining and enforcing patents or defending against claims of infringements raised by third parties;
- the time and costs involved in obtaining regulatory approval for the Company's current or any future therapeutic candidates, and any delays the Company may encounter as a result of evolving regulatory requirements or adverse results with respect to its current or any future therapeutic candidates;
- selling and marketing activities undertaken in connection with the potential commercialization of the Company's current or any future therapeutic candidates, if approved, and costs involved in the creation of an effective sales and marketing organization;
- the amount of revenue, if any, the Company may derive either directly or in the form of royalty payments from future sales of its current or any future therapeutic candidates, if approved;
- the costs of operating as a public company; and
- whether the Company considers generating revenue from consulting based activities in the future.

Until the Company can generate sufficient revenue to finance its cash requirements, which the Company may never do, the Company expects to finance its future cash needs through a combination of equity offerings, grant funding, revenue generating consultancy, debt financings, strategic collaborations and alliances, licensing arrangements or monetization transactions.

The Company's ability to raise additional funds will depend on financial, economic and market conditions and other factors, over which the Company may have no or limited control. If adequate funds are not available on commercially acceptable terms when needed, the Company may be forced to delay, reduce or terminate the development or commercialization of all or part of its research programs or its current or any future therapeutic candidate, or the Company may be unable to take advantage of future business opportunities. Market volatility resulting from any future pandemics and the related global economic impact or other factors could also adversely impact the Company's ability to access capital as and when needed.

The Company cannot guarantee that future financing will be available in sufficient amounts, or on commercially reasonable terms, or at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of holders of the Common Shares, the issuance of additional securities, whether equity or debt, by the Company, or the possibility of such issuance, may cause the market price of the Common Shares to decline. The incurrence of indebtedness could result in increased fixed payment obligations and the Company may be required to agree to certain restrictive covenants, such as limitations on its ability to incur additional debt, limitations on its ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact the Company's ability to conduct its business. The Company could also be required to seek funds through arrangements with collaborators or others at an earlier stage than otherwise would be desirable and the Company may be required to relinquish rights to its current or any future therapeutics candidates or otherwise agree to terms unfavorable to the Company, any of which may have a material adverse effect on the Company's business, operating results and prospects. Further, any additional fundraising efforts may divert the Company's management from its day-to-day activities, which may adversely affect the Company's ability to develop and commercialize its current or any future therapeutic candidates.

In addition, heightened regulatory scrutiny could have a negative impact on the Company's ability to raise capital. The Company's business activities rely on developing laws and regulations in multiple jurisdictions. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's current or any future therapeutic candidates may adversely affect the Company's business and operations, including without limitation, the Company's ability to raise additional capital.

Speculative Nature of Investment Risk

An investment in the securities of the Company carries a high degree of risk and should be considered as a speculative investment. The Company has no history of earnings, limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future.

Costs of Operating as a Public Company

As a public company, the Company will incur significant legal, accounting and other expenses. As a public company, the Company is subject to various securities rules and regulations, which impose various requirements on the Company, including the requirement to establish and maintain effective disclosure and financial controls and corporate governance practices. The Company's management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased the Company's legal and financial compliance costs and have made some activities more time-consuming and costly.

Milestones and Use of Funds

As the Company further expands its business, it is possible that results and circumstances may dictate a departure from the current estimates of expected uses of available funds based on the Company's business objectives and milestones. Further, the Company may, from time to time, as opportunities arise, utilize its financial resources to participate in additional opportunities that arise and fit within the Company's broader objectives, as a means of advancing shareholder value.

Risks Pertaining to the Company's Business and Industry

Early Stage of the Industry and Product Development

The clinical efficacy of DMT and its pipeline products have not been confirmed and require further rigorous development. Given the early stage of its product development programs, the Company can make no assurance that its R&D programs will result in regulatory approval or commercially viable products. To achieve profitable operations, the Company, alone or with others, must successfully develop, gain regulatory approval for, and market its future products. The Company currently has no products that have been approved by the MHRA, the EMA, the FDA, the PDD, if applicable, and other comparable foreign authorities. To obtain regulatory approvals for its product candidates being developed and to achieve commercial success, clinical trials must demonstrate that the product candidates are safe for human use and that they demonstrate efficacy.

Many product candidates never reach the stage of clinical testing and even those that do have only a small chance of successfully completing clinical development and gaining regulatory approval. Product candidates can fail for a number of reasons, including, but not limited to, being unsafe for human use or due to the failure to provide therapeutic benefits equal to or better than the current standard of treatment at the time of testing. Unsatisfactory results obtained from a particular study relating to a R&D program may cause the Company or its collaborators to abandon commitments to that program. Positive results of early nonclinical research may not be indicative of the results that will be obtained in later stages of nonclinical or clinical research. Similarly, positive results from early-stage clinical trials may not be indicative of favourable outcomes in later-stage clinical trials, and the Company can make no assurance that any future studies, if undertaken, will yield favourable results.

The early stage of the Company's product development makes it particularly uncertain whether any of its product development efforts will prove to be successful and meet applicable regulatory requirements, and whether any of its product candidates will receive the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or be successfully marketed. If the Company is successful in developing its current and future product candidates into approved products, it will still experience many potential obstacles, which would affect its ability to successfully market and commercialize such approved products, such as the need to develop or obtain manufacturing, marketing and distribution capabilities, price pressures from third-party payors, or proposed changes in health care systems. If the Company is unable to successfully market and commercialize any of its products, its financial condition and results of operations may be materially and adversely affected.

The Company can make no assurance that any future studies, if undertaken, will yield favorable results. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in later-stage clinical trials after achieving positive results in early-stage development, and the Company cannot be certain that it will not face similar setbacks. These setbacks have been caused by, among other things, nonclinical findings made while clinical trials were underway or safety or efficacy observations made in clinical trials, including previously unreported adverse events. Moreover, nonclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in nonclinical studies and clinical trials nonetheless failed to obtain approval from the MHRA, the EMA, the FDA, the PDD, if applicable, and other comparable foreign authorities. If the Company fails to produce positive results in future clinical trials and other programs, the development timeline and regulatory approval and commercialization prospects for the Company's leading product candidates, and, correspondingly, its business and financial prospects, would be materially adversely affected.

Nonclinical testing and clinical trials for the Company's products may not achieve the desired results. The results of nonclinical testing and clinical trials are uncertain. Product approvals are subject to a number of contingencies and may not be obtained in the time expected or at all. The Company's products may not attract a following among patients, health professionals and/or providers. The Company expects to face an inherent risk of exposure to product liability claims, regulatory action and litigation if the products it plans to distribute are alleged to have caused loss or injury. There can be no assurance that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities.

The Company's business relies on its ability to access, develop, and sell DMT-based compounds and other psychedelic compounds. DMT and other psychedelics compounds are controlled substances in many jurisdictions, including in the UK, the EU, the US, and Canada. The Company may face difficulty accessing the public capital markets in Canada as a result of the response of regulators, stock exchanges, and other market participants to the Company's development and sale of a controlled substance. The Company may also have limited access to traditional banking services, as well as limited access to debt financing from traditional institutional lenders.

Negative operating cash flow and going concern

The Company has negative cash flow from operating activities and has historically incurred net losses. There is no assurance that sufficient revenues will be generated in the near future. To the extent that the Company has negative operating cash flows in future periods, it may need to deploy a portion of its existing working capital to fund such negative cash flows. The Company will be required to raise additional funds through the issuance of additional equity securities or through loan financing. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all. The Company's ability to successfully raise additional capital and maintain liquidity may by impaired by factors outside of its control, such as a shift in consumer attitudes towards certain therapeutic methods or a downturn in the economy.

Any inclusion in the Company's financial statements of a going concern opinion may negatively impact the Company's ability to raise future financing and achieve future revenue. The threat of the Company's ability to continue as a going concern will be removed only when, in the opinion of the Company's auditor, the Company's revenues have reached a level that is able to sustain its business operations. If the Company is unable to obtain additional financing from outside sources and eventually generate enough revenues, the Company may be forced to sell a portion or all of the Company's assets, or curtail or discontinue the Company's operations. If any of these events happen, you could lose all or part of your investment. The Company's financial statements do not include any adjustments to the Company's recorded assets or liabilities that might be necessary if the Company becomes unable to continue as a going concern.

Limited Product Scope

The Company will be heavily reliant on the production and distribution of psychedelic-based products. If they do not achieve sufficient market acceptance, it will be difficult for the Company to achieve profitability.

The Company's future revenue may be derived in large part from the sales of psychedelic-based medicines, either directly or indirectly through partnership, sale, out licensing or other agreements.

Even if the medicines to be distributed by the Company conform to international safety and quality standards, sales could be adversely affected if patients, health professionals and/or providers in target markets lose confidence in the safety, efficacy, and quality of its psychedelic based medicines. Adverse publicity about psychedelic treatments may discourage health providers from offering DMT therapy as a treatment as well as discourage patients from agreeing to undergo such treatment.

Limited Marketing and Sales Capabilities

The Company will, for the immediate future, have limited marketing and sales capabilities, and there can be no assurance that it will be able to develop or acquire these capabilities at the level needed to produce and deliver for sale, through industry partners, its products in sufficient commercial quantities. Further, there can be no assurance that the Company, either on its own or through arrangements with other industry participants, will be able to develop or acquire such capabilities on a cost-effective basis, or at all. Finally, there can be no assurance that the Company's industry partners will be able to market or sell the Company's products in compliance with requisite regulatory protocols or on a cost-effective basis. The Company's dependence upon third parties for the production, and marketing or sale, as applicable, of the Company's products could have a material adverse effect on the Company's business, financial condition and results of operations.

No Assurance of Commercial Success

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

No Profits or Significant Revenues

The Company has no history upon which to evaluate its performance and future prospects. The Company's proposed operations are subject to all the business risks associated with new enterprises. These include likely fluctuations in operating results as the Company makes significant investments in research, development and product opportunities, and reacts to developments in its market, including purchasing patterns of customers, and the entry of competitors into the market. The Company will only be able to pay dividends on any shares once its directors determine that it is financially able to do so. The Company cannot make any assurance that it will be profitable in the next three years or generate sufficient revenues to pay dividends to the holders of the Common Shares.

Risk of Partnering or Out-licensing products; Lack of Commercialization Experience

The Company may select to partner one or more products prior to late stage clinical development, or choose to out-licence one or more products during the course of their development plans. A strategy to partner or out-license products requires significant management resources and expense to negotiate such out-licencing deals and the Company may fail in identifying a suitable third party. If the Company enters into arrangements with third parties to perform market access and commercial services for any approved therapies, the revenue or the profitability of these revenues to the Company could be lower than if the Company were to commercialize any therapies that the Company develops itself. Such collaborative arrangements may place the commercialization of any approved therapies outside of the Company's control and would make the Company subject to a number of risks including that the Company may not be able to control the amount or timing of resources that the Company's collaborative partner devotes to the Company's therapies or that the Company's collaborator's willingness or ability to complete its obligations, and the Company's obligations under the Company's arrangements may be adversely affected by business combinations or significant changes in the Company's collaborator's business strategy. The Company may not be successful in entering into arrangements with third parties to commercialize the Company's therapies or may be unable to do so on terms that are favorable to the Company. Acceptable third parties may fail to devote the necessary resources and attention to commercialize the Company's therapies effectively, to set up sufficient number of treatment centers in third-party therapy sites, or to recruit, train and retain adequate number of therapists to administer the Company's therapies. In addition, the Company may explore ways in which it can use digital technology to facilitate the development of or to compliment its therapies. Commercialization partners may lack incentives to promote any future digital technology adopted by the Company and the Company may face difficulties in implementing its digital technologies in third-party therapy sites through such third parties.

The Company may also plan to assemble a sales and marketing infrastructure; however, the Company has limited experience as an organization in the sale or marketing of therapeutic candidates. Should the Company progress towards this commercial strategy, in order to achieve commercial success for any approved therapy, the Company will need to develop or acquire a sales and marketing organization, outsource these functions to third parties or enter into partnerships.

Alternatively, if a product is approved for commercial sale, the Company may decide to establish its own market access and commercialization capabilities in primary markets in Europe and North America. In select geographies, the Company might also consider relying on the support of a contract sales organization, or enter into commercialization arrangements with companies with relevant commercialization capabilities. There are risks involved in establishing the Company's own sales and marketing capabilities, as well as with entering into arrangements with third parties to perform these services. Even if the Company establishes sales and marketing capabilities, the Company may fail to launch the Company's therapies effectively or to market the Company's therapies effectively since the Company has limited organizational experience in the sales and marketing of therapeutic substances. In addition, recruiting and training a sales force is expensive and time-consuming, and could delay any therapeutic launch. In the event that any such launch is delayed or does not occur for any reason, the Company would have prematurely or unnecessarily incurred these commercialization expenses, and the Company's investment would be lost if the Company cannot retain or reposition the Company's sales and marketing personnel. Factors that may inhibit the Company's efforts to commercialize the Company's therapies on the Company's own include:

- the Company's inability to gain access to an adequate number of therapists to meet the demand for DMT therapy;
- the inability of therapists to perform their roles consistently with the Company's training and the Company's guidelines for the administration of the Company's future therapeutic products;
- the Company's inability to recruit, train and retain effective market access and commercial personnel;
- the inability of commercial personnel to obtain access to or educate adequate numbers of physicians on the benefits of prescribing any future therapies;
- the Company's inability to identify a sufficient number of treatment centers in third-party therapy sites to meet the demands of the Company's therapies;
- unforeseen costs and expenses associated with creating an independent market access and commercial organization; and
- costs of market access and commercialization above those anticipated by the Company.

If the Company enters into arrangements with third parties to perform market access and commercial services for any approved therapies, the revenue or the profitability of these revenue to the Company could be lower than if the Company were to commercialize any therapies that the Company develops itself. Such collaborative arrangements may place the commercialization of any approved therapies outside of the Company's control and would make the Company subject to a number of risks including that the Company may not be able to control the amount or timing of resources that the Company's collaborative partner devotes to the Company's therapies or that the Company's collaborator's willingness or ability to complete its obligations, and the Company's obligations under the Company's arrangements may be adversely affected by business combinations or significant changes in the Company's collaborator's business strategy. The Company may not be successful in entering into arrangements with third parties to commercialize the Company's therapies or may be unable to do so on terms that are favorable to the Company. Acceptable third parties may fail to devote the necessary resources and attention to commercialize the Company's therapies effectively, to set up sufficient number of treatment centers in third-party therapy sites, or to recruit, train and retain adequate number of therapists to administer the Company's therapies. In addition, the Company may explore ways in which the Company can use digital technology to improve the patient experience and therapeutic outcomes of the Company's therapies. Commercialization partners may lack incentives to promote the Company's digital technology and the Company may face difficulties in implementing the Company's digital technologies in third-party therapy sites through such third parties.

If the Company does not establish commercial capabilities successfully, either on the Company's own or in collaboration with third parties, the Company may not be successful in commercializing the Company's therapies, which in turn would have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Achieving Publicly Announced Milestones

From time to time, the Company may announce the timing of certain events it expects to occur, such as the anticipated timing of results from clinical trials. These statements are forward-looking and are based on the best estimates of management at the time relating to the occurrence of such events. However, the actual timing of such events may differ from what has been publicly disclosed. The timing of events such as initiation or completion of a clinical trial, filing of an application to obtain regulatory approval, or announcement of additional clinical trials for a product candidate may ultimately vary from what is publicly disclosed. Any variation in the timing of previously announced milestones could have a material adverse effect on the Company's business plan, financial condition or operating results and the trading price of the Common Shares.

Market Access and Acceptance

The Company may never have a therapy that is commercially successful. To date, the Company has no therapy authorized for marketing. The Company's future therapeutic products require further clinical investigation, regulatory review, significant market access and marketing efforts and substantial investment before it can produce any revenue. Furthermore, if approved, the Company's therapy may not achieve an adequate level of acceptance by payors, health technology assessment bodies, healthcare professionals, patients and the medical community at large, and the Company may not become profitable. The level of acceptance the Company ultimately achieves may be affected by negative public perceptions and historic media coverage of psychedelic substances, including DMT. Because of this history, efforts to educate the medical community and third-party payors and health technologies assessment bodies on the benefits of the Company's therapeutic compounds may require significant resources and may never be successful, which would prevent the Company from generating significant revenue or becoming profitable. Market acceptance of the Company's future therapies by healthcare professionals, patients, healthcare payors and health technology assessment bodies will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, the following:

- acceptance by healthcare professionals, patients and healthcare payors of each therapy as safe, effective and cost-effective;
- changes in the standard of care for the targeted indications for any therapeutic candidate;
- the strength of sales, marketing and distribution support;
- potential product liability claims;
- the therapeutic candidate's relative convenience, ease of use, ease of administration and other perceived advantages over alternative therapies;
- the prevalence and severity of adverse events or publicity;
- limitations, precautions or warnings listed in the summary of therapeutic characteristics, patient information leaflet, package labeling or instructions for use;
- the cost of treatment with the Company's therapy in relation to alternative treatments;

- the steps that prescribers and dispensers must take, as well as the perceived risks based upon its controlled substance status;
- the ability to manufacture the Company's product in sufficient quantities and yields with adequate purity;
- the availability and amount of coverage and reimbursement from healthcare payors, and the willingness of patients to pay out of pocket in the absence of healthcare payor coverage or adequate reimbursement;
- the willingness of the target patient population to try, and of healthcare professionals to prescribe, the therapy;
- any potential unfavorable publicity, including negative publicity associated with recreational use or abuse of DMT;
- any restrictions on the use, sale or distribution of the Company's future therapeutic candidates;
- the extent to which therapies are approved for inclusion and reimbursed on formularies of hospitals and managed care organizations; and
- whether the Company's therapies are designated under physician treatment guidelines or under reimbursement guidelines as a first-line, second-line, third-line or last-line therapy.

If the Company's future therapeutic candidates fail to gain market access and acceptance, this will have a material adverse impact on the Company's ability to generate revenue to provide a satisfactory, or any, return on the Company's investments. Even if some therapies achieve market access and acceptance, the market may prove not to be large enough to allow the Company to generate significant revenue.

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

Unfavourable Publicity or Consumer Perception

The Company believes the psychedelic drug industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of psychedelic products. Consumer perception of the Company's psychedelic products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of psychedelics. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the psychedelic drug industry or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's psychedelic products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's psychedelic products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of psychedelic products in general, or the Company's psychedelic products and services specifically, or associating the consumption of psychedelics with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to take such products legally, appropriately or as directed.

The psychedelic medicine industry is highly dependent upon consumer perception regarding the medical benefits, safety, efficacy and quality of the DMT distributed for medical purposes to such consumers. There can be no assurance that future scientific research or findings on the medical benefits, viability, safety, efficacy and dosing of DMT or any of the Company's other psychedelic medicines to enter into clinical trials, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the industry or the Company or any particular product, or consistent with earlier publicity.

Pandemics, Epidemics and Other Health Risks

Pandemics, epidemics and other health risks, could have an adverse effect on the Company's business. Pandemics, epidemics and other health risks could occur, which could adversely affect the Company's ability to maintain operational networks and provide products and services to customers, as well as the ability of suppliers to provide the Company with products and services needed to operate the business.

Pandemics, epidemics and other health risks could also have an adverse effect on the economy and financial markets resulting in a declining level of commercial activity. Any of these events could have an adverse effect on our business and financial performance.

Social Media

There has been a marked increase in the use of social media platforms and similar channels that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. Information posted about the Company may be adverse to the Company's interests or may be inaccurate, each of which may harm the Company's business, financial condition and results of operations.

Biotechnology and Pharmaceutical Market Competition

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. The Company's competitors include large, well-established pharmaceutical companies, biotechnology companies, and academic and research institutions developing therapeutics for the same indications the Company is targeting and competitors with existing marketed therapies. Current marketed products and therapies include antidepressants such as SSRIs, SNRIs, antipsychotics, cognitive behavioural therapy, electroconvulsive therapy, and esketamine and ketamine. Many other companies are developing or commercializing therapies to treat the same diseases or indications for which the Company's product candidates may be useful. In addition, risk of direct competition is heightened due to the nature of DMT as a naturally occurring known substance that is not subject to primary Composition of Matter patent protection, which may enable competitors to develop alternate substitutes of SPL026.

Many of the Company's competitors have substantially greater financial, technical and human resources than the Company does and have significantly greater experience than the Company in conducting nonclinical testing and human clinical trials of product candidates, scaling up manufacturing operations and obtaining regulatory approvals of products. Accordingly, the Company's competitors may succeed in obtaining regulatory approval for products more rapidly than the Company does. The Company's ability to compete successfully will largely depend on:

- the efficacy and safety profile of its product candidates relative to marketed products and other product candidates in development;
- the Company's ability to develop and maintain a competitive position in the product categories and technologies on which it focuses;

- the time it takes for the Company's product candidates to complete clinical development and receive marketing approval;
- the Company's ability to partner and/or outlicense product candidates for late stage development;
- the Company's ability to obtain required regulatory approvals;
- the Company's ability to commercialize any of its product candidates that receive regulatory approval;
- the Company's ability to establish, maintain and protect intellectual property rights related to its product candidates; and
- acceptance of any of the Company's product candidates that receive regulatory approval by physicians and other healthcare providers and payers.

Competitors have developed and may develop technologies that could be the basis for products that challenge the discovery research capabilities of products the Company is developing. Some of those products may have an entirely different approach or means of accomplishing the same desired therapeutic effect as the Company's product candidates and may be more effective or less costly than its product candidates. The success of the Company's competitors and their products and technologies relative to the Company's technological and R&D capabilities and competitiveness could have a material adverse effect on the future nonclinical studies and clinical trials of the Company's product candidates, including its ability to obtain the necessary regulatory approvals for the conduct of such clinical trials. This may further negatively impact the Company's ability to generate future product development programs using psychedelic based compounds.

If the Company is not able to compete effectively against its current and future competitors, the Company's business will not grow, and its financial condition and operations will substantially suffer.

Further, there can be no assurance that potential competitors of the Company, which may have greater financial, production, sales and marketing experience, and personnel and resources than the Company, are not currently developing, or will not in the future develop; products and strategies that are equally or more effective and/or economical as any products or strategies developed by the Company or which would otherwise render the Company's business, products and strategies, as applicable, ineffective, or obsolete. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Decriminalization of psychedelics

Despite the current status of DMT as a Schedule I controlled substance in the US, there may be changes in the status of DMT under the laws of certain jurisdictions. Possession of psilocybin, for example, was voted to be decriminalized in May 2019 in Denver and in November 2020, voters in Oregon approved the legal medical use of "psilocybin products," including magic mushrooms, to treat mental health conditions in licensed facilities with registered therapists (Measure 109). The legalization of psychedelics with inadequate regulatory oversight may lead to the development of psychedelic tourism in such states in clinics without proper therapeutic infrastructure or adequate clinical research. While drug laws pertaining to DMT are less likely to be as forthcoming, the expansion of such an industry which could put patients at risk may bring reputational and regulatory risk to the entire industry, leading to challenges for the Company to achieve regulatory approval. The legalization of psilocybin, and potentially other psychedelic compounds (including DMT) in the future may also impact commercial sales for the Company due to a reduced barrier to entry leading to a risk of increasing competition.

Product Liability

The Company currently does not carry any product liability insurance coverage. Even though the Company is not aware of any product liability claims at this time, its business exposes itself to potential product liability, recalls and other liability risks. The Company can provide no assurance that such potential claims will not be asserted against it. A successful liability claim or series of claims brought against the Company could have a material adverse effect on its business, financial condition and results of operations.

Although the Company intends to obtain adequate product liability insurance, it cannot provide any assurances that it will be able to obtain or maintain adequate product liability insurance on acceptable terms, if at all, or that such insurance will provide adequate coverage against potential liabilities. Claims or losses in excess of any product liability cover that may be obtained by the Company could have a material adverse effect on its business, financial conditional and results of operations.

Some of the Company's agreements with third parties might require it to maintain product liability insurance. If the Company cannot obtain acceptable amounts of coverage on commercially reasonable terms in accordance with the terms set forth in these agreements, the corresponding agreements would be subject to termination, which could have a material adverse impact on its operations.

Product and Material Recalls

Manufacturers, producers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety, storage deficiencies and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may have to recall material being used in a clinical trial resulting in delays to the trial and additional manufacturing expenses if further drug product is required. If the product is already commercialized, the Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Company's suppliers have detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if the Company is subject to recall, the image of the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses and potential legal fees and other expenses.

Distribution and Supply Chain Interruption

The Company is susceptible to risks relating to distributor and supply chain interruptions. Distribution in the UK, the EU, the US, Canada and other jurisdictions will be largely accomplished through independent contractors, therefore, an interruption (e.g., a labour strike) for any length of time affecting such independent contractors may have a significant impact on the Company's ability to manufacture its products. Supply chain interruptions, including a production or inventory disruption, could impact product quality and availability. Inherent to producing products is a potential for shortages or surpluses in future years if demand and supply are materially different from long-term forecasts. The Company intends to monitor category trends and regularly review maturing inventory levels over time.

Difficulty to Forecast

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

Product Viability

If the Company's psychedelic products are not perceived to have the effects intended by the end user, the Company's business may suffer. In general, psychedelic products have minimal data with respect to efficacy, long-term side effects and interactions with supplements or other medications. As a result, the Company's psychedelic products could have certain side effects if not used as directed or if taken by an end user that has certain known or unknown medical conditions.

Success of Quality Control Systems

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality of training programs and adherence by employees to quality control guidelines. Any significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

Reliance on Key Inputs

The Company's business is expected to be dependent on a number of key inputs and their related costs including raw materials and supplies. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Enforcing contracts

Due to the nature of the business of the Company and the fact that certain of its contracts involve the possession, manufacture, production or supply of DMT, the use of which is not legal under UK, EU, US or Canadian law and in certain other jurisdictions, the Company may face difficulties in enforcing its contracts in the courts in the UK, EU, US or Canada. The inability to enforce any of its contracts could have a material adverse effect on its business, operating results, financial condition or prospects.

In order to manage its contracts with contractors, the Company will ensure that such contractors are appropriately licensed. Were such contractors to operate outside the terms of these licenses, the Company may experience an adverse effect on its business, including the pace of development of its product.

Business Expansion, Growth and Business Combinations

The Company operates in a rapidly evolving industry and, as such, the Company may in the future seek to expand its pipeline and capabilities by entering into collaborations, acquiring one or more companies or businesses, or in-licensing one or more product candidates. Collaborations, acquisitions, and in-licenses involve numerous risks, including, but not limited to substantial cash expenditures, technology development risks, potentially dilutive issuances of equity securities, incurrence of debt and contingent liabilities, some of which may be difficult or impossible to identify at the time of deal negotiation, difficulties in assimilating the operations of the companies with the Company, entering markets in which the Company has limited or no direct experience, and potential loss of the Company's key employees or key employees of the acquired or collaborating companies or businesses.

Management may evaluate opportunities for strategic growth through acquisitions. Potential issues associated with these acquisitions could include, among other things, the Company's ability to realize the full extent of the benefits or cost savings that it expects to realize as a result of the completion of the acquisition within the anticipated time frame, or at all; the ability of the Company to gain the necessary consents, clearances and approvals in connection with the acquisition; the diversion of management's attention from base strategies and objectives; and, with respect to acquisitions, the Company's ability to successfully combine its businesses with the business of the acquired company in a manner that permits cost savings to be realized; areas which may challenge the success of integrating the businesses of acquired companies with the Company's business include: motivating, recruiting and retaining executives and key employees, conforming standards, controls, procedures and policies, business cultures and compensation structures among the Company and the acquired company, consolidating and streamlining corporate and administrative infrastructures, consolidating sales and marketing operations, retaining existing service providers and attracting new providers, identifying and eliminating redundant and underperforming operations and assets, coordinating geographically dispersed organizations, and managing tax costs or inefficiencies associated with integrating the Company's operations following completion of the acquisitions. The process of integrating acquired companies and operations into the Company's operations may result in unforeseen operating difficulties and may require significant financial resources and management's time and attention that would otherwise be available for the ongoing development or expansion of its existing operations. In addition, acquisitions outside of Canada increase the Company's exposure to risks associated with foreign operations, including fluctuations in foreign exchange rates and compliance with foreign laws and regulations. If an acquisition is not successfully completed or integrated into the Company's existing operations, its business, results of operations and financial condition could be materially adversely impacted.

The Company has limited experience in making acquisitions, entering collaborations and in-licensing product candidates and therefore cannot provide assurance that any acquisition, collaboration or in-license will result in short-term or long-term benefits to it. The Company may incorrectly judge the value or worth of an acquired company or business or in-licensed product candidate. In addition, the Company's future success would depend in part on its ability to manage the rapid growth associated with some of these acquisitions, collaborations and in-licenses. The Company cannot provide assurance that it would be able to successfully combine its business with that of acquired businesses, manage a collaboration or integrate in-licensed product candidates. Furthermore, the development or expansion of the Company's business may require a substantial capital investment by the Company.

The Company and its management may evaluate opportunities of being acquired by other issuers or the Company may be subject to unsolicited takeover bids. In such circumstances, there can be no assurances regarding the availability of alternative strategic options for the Company and management and whether any such options will represent greater value to the Company's shareholders. Any rejection of such an offer by management may also adversely influence current share prices, as well as affect long-term shareholder value. Any accepted business combination, whether the Company is the acquiree or acquiror, would involve a number of risks including, but not limited to, potentially dilutive issuances of equity securities, contingent liabilities, some of which may be difficult or impossible to identify at the time of deal negotiation, difficulties in assimilating the operations of the acquiror with the Company's, the entering into of markets in which the Company has limited or no direct experience, and the potential loss of the Company's key employees and management as a result of the acquisition.

Reliance on Key Executives and Scientists

The loss of key members of the Company's staff could harm the Company. Although the Company enters into employment agreements with all members of its staff, such employment agreements do not guarantee their retention. The Company also depends on its scientific and clinical collaborators and advisors, all of whom have outside commitments that may limit their availability to the Company. In addition, the Company believes that its future success will depend in large part upon its ability to attract and retain highly skilled scientific, managerial, medical, manufacturing, clinical and regulatory personnel, particularly as the Company expands its activities and seeks regulatory approvals for clinical trials. The Company enters into agreements with its scientific and clinical collaborators and advisors, key opinion leaders and academic partners in the ordinary course of its business. The Company also enters into agreements with physicians and institutions who will recruit patients into the Company's clinical trials on its behalf in the ordinary course of its business. Should key academic and scientific personnel including employees or collaborative partners who work on the development of the Company's research activities leave, the Company's current and future development programmes may be delayed or adversely affected. Notwithstanding these arrangements, the Company faces significant competition for these types of personnel from other companies, research and academic institutions, government entities and other organizations. The Company cannot predict its success in hiring or retaining the personnel it requires for continued growth. In addition, due to limited financial resources, the Company may not be able to successfully expand its operations due to challenges in recruiting and training qualified new staff. Expansion of personnel may result in significant diversion of management time and resources. The loss of the services of any of the Company's executive officers or other key personnel could potentially harm its business, operating results or financial condition.

Employee Misconduct

The Company is exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include failures to comply with the MHRA, the EMA, the FDA, the PDD, and other comparable international authorities' regulations, provide accurate information to the MHRA, the EMA, the FDA, the PDD, comply with manufacturing standards the Company has established, comply with federal and provincial healthcare fraud and abuse laws and regulations, report financial information or data accurately or disclose unauthorized activities to the Company. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing, and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to the Company's reputation. If any such actions are instituted against the Company, and the Company is not successful in defending itself or asserting its rights, those actions could have a substantial impact on the Company's business and results of operations, including the imposition of substantial fines or other sanctions.

Liability Arising from Fraudulent or Illegal Activity

The Company is exposed to the risk that its employees, independent contractors, consultants, service providers and licensors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional undertakings of unauthorized activities, or reckless or negligent undertakings of authorized activities, in each case on the Company's behalf or in its service that violate (i) various laws and regulations, including healthcare laws and regulations, (ii) laws that require the true, complete and accurate reporting of financial information or data, (iii) the terms of the Company's agreements with third parties. Such misconduct could expose the Company to, among other things, class actions and other litigation, increased regulatory inspections and related sanctions, and lost sales and revenue or reputational damage.

The precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. Such misconduct may result in legal action, significant fines or other sanctions and could result in loss of any regulatory license held by the Company at such time.

The Company may be subject to security breaches at its facilities or in respect of electronic document or data storage, which could lead to breaches of applicable privacy laws and associated sanctions or civil or criminal penalties. Failure to comply with health and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's manufacturing operations. Events, including those beyond the control of the Company, which may risk breaches to various laws and regulations include, but are not limited to non-performance by third party contractors; breakdown or failure of equipment; failure of quality control processes; contractor or operator errors; and major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms. Such events risk damage to the Company's operations and may negatively affect demand for the Company's future products.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. The Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These outside business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company, and from time to time, these persons may be competing with the Company for available investment opportunities.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Operating Risk and Insurance Coverage

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

Computer System Failures

The Company's current internal computer systems are managed by third party vendors, and are at risk of failure and vulnerable to damage from viruses, unauthorised access, natural disasters amongst others. Any system failure, accident or security breach may have material negative outcomes including delays and significant disruption on the advancement of development programmes and business operations as well as inappropriate disclosure of confidential or proprietary data. While the Company has not to date experienced a material system failure or security breach, for example the loss of clinical data in the future due to system failure could impact regulatory approval efforts of the Company's development programmes. Furthermore, rectifying any damages, disruptions or breaches may lead to the Company incurring additional financial costs.

Foreign Operations

The Company carries out operations primarily, but not exclusively, in the UK through SPL. As a result, the Company may be subject to political, economic and other uncertainties, including, but not limited to, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections.

- Additional implications that may have a material impact on the Company's ability to operate in other jurisdictions include:
- differences in the regulatory requirements for drug approvals;
- differing requirements for securing, maintaining or obtaining freedom to operate;
- the potential for reduced protection for intellectual property rights;
- challenges with compliance to different regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;
- differing reimbursement regimes and price controls in certain international markets;
- differing labor relations that create challenges with staffing and managing international operations; and
- impacts on manufacturing capabilities leading to production shortages.

The Company's international operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with its foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or enforcing Canadian judgments in foreign jurisdictions.

Dependence on Foreign Subsidiary

The Company is a holding company that conducts substantially all of its operations through its subsidiary, SPL, incorporated outside of Canada. The Company has no direct operations and no significant assets other than the shares of SPL and cash proceeds received from any financings, which cash is subsequently provided to SPL for operating expenses. Assuming this holding company structure remains, the Company will be dependent on the cash flows from its subsidiary to meet its obligations. The ability of SPL to provide the Company with payments may be constrained by the following factors: (i) the cash flows generated by operations, investment activities and financing activities; and (ii) the level of taxation, particularly corporate profits and withholding taxes.

Cash flows from SPL will depend, in the long term, on the subsidiary's ability to generate operating cash flows in excess of their own capital expenditures. In addition, SPL is a separate and distinct legal entity that could be precluded from making such cash distributions to the Company under certain circumstances, including as a result of legislation or regulation or in times of financial distress. The ability of the Company's subsidiary to make payments to the Company may be constrained by the level of taxation, particularly corporate profits and withholding taxes, in the jurisdictions in which they operate, and the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated.

On July 6, 2022, SPL incorporated a wholly-owned US subsidiary under the laws of the State of Delaware. This subsidiary does not currently carry on active operations.

Exchange Rate Fluctuations

Due to the international scope of the Company's current and future operations, the Company's assets, future earnings and cash flows may be influenced by movements in exchange rates of several currencies, particularly the British Pound, the US dollar, Canadian Dollar and Euro. The Company's reporting currency is denominated in Canadian dollars and the Company's functional currency is the British Pound and the majority of the Company's operating expenses are paid in British Pounds. The Company may also regularly acquire services, consumables and materials in British Pounds, US dollars, Canadian dollars and other currencies. Further, future revenue may be derived from abroad. As a result, the Company's business and the price of the Company's products may be affected by fluctuations in foreign exchange rates between the British Pound and other currencies, which may also have a significant impact on the Company's results of operations and cash flows from period to period. Currently, the Company does not have any exchange rate hedging arrangements in place.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with the IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Company's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause its operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates will be used in preparing the financial statements including those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

Effects of Inflation

Global markets have, for a prolonged period of time, experienced increased rates of inflation. Inflation itself, as well as certain governmental efforts to combat inflation, may have significant negative effects on any economy, which the Company does business. Past governmental efforts to curb inflation also involved other more drastic economic measures. Any future economic measures to curb inflation could be expected to have similar adverse effects on the level of economic activity in the market, which the Company does business and, in turn, on the operations of the Company.

Political and Economic Conditions

Political and economic conditions directly affect our business and can result in a material adverse effect on the Company. Macroeconomic policies imposed by foreign governments could have significant impact on the Company. As certain global markets experience increased inflation, certain government actions to control inflation may have significant impact on the Company.

The Company cannot control or predict foreign government implementation of changes to existing policies that may impact the Company's operations in foreign markets and, consequently, its business. The Company's business, operating results and financial condition and prospects, as well as the market price of its securities, may be adversely affected by changes in government public policies, whether federal, state or local, that affect, without limitation:

- inflation;
- fluctuations in exchange rates;
- exchange controls and restrictions on remittances abroad;
- interest rates and monetary policies;
- import and export controls;
- liquidity of domestic capital, credit and financial markets;
- expansion or contraction of foreign economies, as measured by rates of growth in gross domestic product, or GDP;
- fiscal policies; and
- other political, social and economic developments in or affecting foreign markets.

Government policies and measures to combat inflation, along with public speculation about such policies and measures, have often had adverse effects on global economies, have contributed to economic uncertainty and may increase volatility in foreign securities markets. Government action to control inflation may involve actions such as price and salary controls, currency devaluations, capital limitations, limits on imports and other actions which could significantly impact the operations of the Company.

Other policies and measures adopted by governments include interest rate adjustments, intervention in the currency markets or actions to adjust or fix the value of the local currency may adversely affect the target market's economy, the Company's business and results of operations.

Uncertainty over whether federal governments will implement reforms or changes in policy or regulation affecting these or other factors in the future may affect economic performance and contribute to economic uncertainty in markets that the Company operates or relies on, which may in turn have adverse effects on the Company's operations in the market and consequently on the results of its operations.

Cybersecurity and Privacy Risk

The Company's information systems and any third-party service providers and vendors are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapidly evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these systems through fraud or other means of deceiving third-party service providers, employees or vendors. The Company's operations depend, in part, on how well networks, equipment, information technology ("**IT**") systems and software are protected against damage from a number of threats. These operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. However, if the Company is unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company may collect and store certain personal information about customers and are responsible for protecting such information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. In addition, theft of data is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such privacy breach or theft could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, there are a number of laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under various legislation governing personal health information protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If the Company were found to be in violation of the privacy or security rules under such legislation protecting the confidentiality of medical patients health information, the Company could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the Company's business, financial condition and results of operations.

Environmental Regulation and Risks

The Company's operations are subject to environmental regulations that mandate, among other things, the maintenance of air and water quality standards. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which could include stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. While the Company is not currently aware of any litigation, tax or regulatory proceedings pending or threatened, the outcome of any future proceedings cannot be predicted with certainty and may be determined to adversely to the Company and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition, and results of operations.

Anti-Corruption and Anti-Bribery Laws

In the development of clinical trials, the Company may become subject to anti-corruption and anti-bribery laws, including the *U.S. Foreign Corrupt Practices* Act, the Canadian *Corruption of Foreign Public Officials Act*, as well as any other applicable domestic or foreign anti-corruption or anti-bribery laws. Any of the laws to which the Company is or may become subject generally prohibit corporations and individuals from engaging in certain activities to obtain or retain business or to influence a person working in an official capacity and requires companies to maintain accurate books and records and internal controls, including at foreign-controlled subsidiaries.

Compliance with these anti-corruption laws and anti-bribery laws may be expensive and difficult, particularly in countries in which corruption is a recognized problem, if the Company pursues activities in those countries.

The Company's internal control policies and procedures may not protect it from reckless or negligent acts committed by the Company's employees, representatives, agents, or other third parties. The Company can make no assurance that they will not engage in prohibited conduct, and the Company may be held liable for their acts under applicable anti- corruption and anti-bribery laws. Noncompliance with these laws could subject the Company to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension or debarment from contracting with certain persons, the loss of export privileges, whistleblower complaints, reputational harm, adverse media coverage, and other collateral consequences. Any investigations, actions or sanctions or other previously mentioned harm could have a material adverse effect on the Company's business, operating results, and financial condition.

Risks Pertaining to Regulatory Compliance

Products Subject to Controlled Substance Laws and Regulations

In the UK, certain psychedelic drugs, including DMT, are classified as Class A drugs under the MDA and as a Schedule 1 drug under the MDR and as such, medical and recreational use is illegal under UK laws. Similarly, in Canada, DMT is classified as a Schedule III drug under the CDSA and is illegal for medical and recreational use. In the US, DMT is strictly controlled under the CSA and is considered a Schedule 1 drug, which means that it currently has no accepted medical use in the US. As well, in the EU, DMT is illegal in EU member states according to the 1971 Convention on Psychotropic Substances of the United Nations and appears on the Green List of the International Narcotics Control.

All facilities engaged with such psychedelic substances, including DMT, by or on behalf of the Company do so under current licenses and permits issued by appropriate federal and local governmental agencies. While the Company is focused on clinical programs using psychedelic compounds, the Company does not have any direct or indirect involvement with the illegal selling, production or distribution of any substances in the jurisdictions in which it operates and does not intend to have any such involvement. However, a violation of any UK laws and regulations or Canadian federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either government entities in the jurisdictions in which the Company operates, or private citizens or criminal charges.

The loss of the necessary licenses and permits for scheduled controlled drugs could have an adverse effect on the Company's operations.

The psychedelic drug industry is a fairly new industry and the Company cannot predict the impact of the ever-evolving compliance regime in respect of this industry. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for future products, or the extent of testing and documentation that may, from time to time, be required by governmental authorities. The impact of compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, its business and products, and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company.

The success of the Company's business is dependent on the reform of controlled substances laws pertaining to DMT. If controlled substances laws are not favourably reformed in the UK, Europe, the US, Canada, and other global jurisdictions, the commercial opportunity that the Company is pursuing may be highly limited.

Under the MDR, Schedule 1 drugs are considered to have no legitimate or medical use. At this point in time, the Company makes no medical or treatment claims about psychedelic-based treatments or the Company's proposed products. Statements regarding psychedelic-based treatments have not been evaluated by the MHRA, the EMA, the FDA, the PDD, if applicable, and other comparable foreign authorities, nor has the efficacy of psychedelic-based treatments been confirmed by MHRA, EMA, FDA or PDD, if applicable, approved research. There is no assurance that psychedelic-based treatments can be used to diagnose, treat, cure or prevent any disease or condition. Robust scientific research is needed. Any references to quality, consistency, efficacy and safety of potential products are not intended to imply that such claims have been verified in clinical trials or that the Company will be able to complete such trials.

Risks pertaining to legislation changes

Following the majority of approval of an exit from the EU, termed Brexit, on June 23, 2016, the UK's withdrawal from the EU became effective on January 31, 2020 with the transition period that ended on December 31, 2020.

Following this transition period, the UK is now subject to new negotiated regulations pertaining to financial laws and regulations, tax and free trade agreements, intellectual property rights, data protection laws, supply chain logistics, environmental, health and safety laws and regulations medicine licensing and regulations, immigration laws and employment laws. It still remains unclear how the laws and regulations post the Brexit transition period measure alongside EU laws and regulations and may ultimately lead to negative impacts including reducing foreign direct investment in the UK, increasing costs, depressing economic activity and restrictions on access to capital. The Company's headquarters are located in the UK and new laws and regulations may impact the free movement of employees to locations in Europe as well as the free movement of employees and health professions to the UK to support work on its clinical trials.

Given the unprecedented nature of such a withdrawal from the EU, the long term impacts on the UK are unclear and uncertain and subsequently it is unclear how changes to the commercial, legal and regulatory environment will impact the current and future operations of the Company, its third parties and contract manufacturers and its clinical activities in the UK. Any of these effects could have a negative impact on the operations of the Company.

Given that the approval of the Company's therapeutic candidates relies on the regulatory frameworks for medicinal products adopted in the jurisdictions in which they operate and/or intend to operate, Brexit may have a material impact on the future regulatory process required for the approval of its therapeutic candidates including delay or an inability to obtain regulatory approval which would delay or prevent the Company's ability to commercialize its therapeutic candidates in the UK and /or EU and consequently have a material impact on the Company.

Nature of Regulatory Approvals

The Company's development and commercialization activities and product candidates are significantly regulated by a number of governmental entities, including the MHRA, the EMA, the FDA, the PDD, and other comparable foreign authorities. Regulatory approvals are required prior to each clinical trial and the Company may fail to obtain the necessary approvals to commence or continue clinical testing. The Company must comply with regulations concerning the manufacture, testing, safety, effectiveness, labeling, documentation, advertising, and sale of products and product candidates and ultimately must obtain regulatory approval before it can commercialize a product candidate. The time required to obtain approval by such regulatory authorities is unpredictable but typically takes many years following the commencement of nonclinical studies and clinical trials. Any analysis of data from clinical activities the Company performs is subject to confirmation and interpretation by regulatory authorities, which could delay, limit or prevent regulatory approval. Even if the Company believes results from its sponsored clinical trials are favorable to support the marketing of its product candidates, the MHRA, the EMA, the FDA, the PDD, and other comparable foreign authorities may disagree. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. Such requirements for additional data may result in the Company incurring additional unanticipated costs in order to meet requirements for approval within such jurisdiction.

The Company has not obtained regulatory approval for any product candidate and it is possible that none of its product candidates will ever obtain regulatory approval. The Company could fail to receive regulatory approval for its product candidates for many reasons, including, but not limited to failure to demonstrate that a product candidate is safe and effective for its proposed indication, failure of clinical trials to meet the level of statistical significance required for approval, failure to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks, or deficiencies in the manufacturing processes or the failure of facilities of CMOs with whom the Company contracts for clinical and commercial supplies to pass a pre-approval inspection.

A regulatory authority may require more information, including additional nonclinical or clinical data to support approval, which may delay or prevent approval and the Company's commercialization plans, or the Company may decide to abandon the development program. If the Company were to obtain approval, regulatory authorities may approve any of its product candidates for fewer or more limited indications than the Company request, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Moreover, depending on any safety issues associated with the Company's product candidates that garner approval, the MHRA, the EMA, the FDA, the PDD, and other comparable foreign authorities may impose a REMS plan, thereby imposing certain restrictions on the sale and marketability of such products.

If there are changes in the application of legislation, regulations or regulatory policies, or if problems are discovered with the Company products, or if one of its distributors, licensees or co-marketers fails to comply with regulatory requirements, the regulators could take various actions. These include imposing fines on the Company, imposing restrictions on the Company's products or its manufacture and requiring the Company to recall or remove its products from the market. The regulators could also suspend or withdraw the Company's marketing authorizations, requiring it to conduct additional clinical trials, change its labeling or submit additional applications for marketing authorization. If any of these events occurs, the Company's ability to sell its products may be impaired, and it may incur substantial additional expense to comply with regulatory requirements, which could materially adversely affect its business, financial condition and results of operations.

Continued Regulatory Review and Obligations

If the MHRA, the EMA, the FDA, the PDD, or any other comparable regulatory authority approves any the Company therapeutic candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the therapy and underlying therapeutic substance will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs, and with good clinical practices, or GCPs, for any clinical trials that the Company conduct post-approval, all of which may result in significant expense and limit the Company's ability to commercialize such therapies. Later discovery of previously unknown problems with any approved therapeutic candidate, including adverse events of unanticipated severity or frequency, or with the Company's third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the labeling, distribution, marketing or manufacturing of any future therapeutic candidates, withdrawal of the product from the market, or product recalls;
- untitled and warning letters, or holds on clinical trials;
- refusal by the MHRA, the EMA, the FDA, the PDD, or other comparable foreign authorities to approve pending applications or supplements to approved applications the Company filed or suspension or revocation of license approvals;
- requirements to conduct post-marketing studies or clinical trials;
- restrictions on coverage by third-party payors;
- fines, restitution or disgorgement of profits or revenue;
- suspension or withdrawal of marketing approvals;
- product seizure or detention, or refusal to permit the import or export of the product; and
- injunctions or the imposition of civil or criminal penalties.

In addition, any regulatory approvals that the Company receive for any future therapeutic candidates may also be subject to limitations on the approved indicated uses for which the therapy may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase IV clinical trials, and surveillance to monitor the safety and efficacy of such therapeutic candidates.

If there are changes in the application of legislation, regulations or regulatory policies, or if problems are discovered with the Company's future products or the Company's manufacture of an underlying therapeutic substance, or if the Company or one of the Company's distributors, licensees or co-marketers fails to comply with regulatory requirements, the regulators could take various actions. These include imposing fines on the Company, imposing restrictions on the therapeutic or its manufacture and requiring the Company to recall or remove the therapeutic from the market. The regulators could also suspend or withdraw the Company's marketing authorizations, requiring the Company to conduct additional clinical trials, change the Company's therapeutic labeling or submit additional applications for marketing authorization. If any of these events occurs, the Company's ability to sell such therapy may be impaired, and the Company may incur substantial additional expense to comply with regulatory requirements, which could materially adversely affect the Company's business, financial condition and results of operations.

Failure to comply with health and data protection laws and regulations

The Company may be subject to the data protection laws and regulations surrounding privacy and data protection across the relevant jurisdictions. Within the EU and UK, the EU General Data Protection Regulation (the "**GDPR**"), and relevant national data protection legislation including the Data Protection Act 2018 in the UK, impose material requirements in relation to the processing (including collection, use, storage, disclosure and transfer) of personal data, and more importantly the processing of health and other sensitive data. Requirements include the need for individual consent for use/ processing of personal data, as well as certain disclosure to the individuals relating to data processing activities.

While the EU GDPR no longer applies to UK residents' personal data post Brexit transition period, amendments to the UK's Data Protection Act 2018 have established a new regime known as the UK GDPR which shows little material difference between the EU and UK GDPR. The GDPR imposes strict rules on the international transfer of personal data to countries outside the EEA, including the US and now including the UK, and permits data protection authorities to impose large penalties for violations of the GDPR. The Company are registered with the Information Commissioner's Office for data protection.

Expansion of clinical sites to additional jurisdictions including the US, EU and potentially Canada in the future will subject the Company to federal and state data protection laws and regulations, including in accordance with HIPAA, which govern the processing of health related, and other sensitive personal data.

As the sponsor of its clinical trials, the Company does not anticipate holding any personal data collected from subjects. All subject patient data is collected, stored and maintained by the study sites engaged by the Company to undertake its clinical trials.

Personal data collected from subjects from third party health or research institutions engaged by the Company are subject to local privacy and security requirements Selection of study sites, CROs and other institutions by the Company includes an assessment of each study site's and CRO's ability to comply and satisfy the requirements of local privacy and data protection laws and regulations.

Compliance with UK and foreign privacy and data protection laws and regulation may limit study sites affiliated with the Company to process sensitive patient identifiable information and impact its ability to operate in certain jurisdictions. Failure of the company, employees of third party collaborators to comply with the requirements of the data privacy and protection laws may result in litigation claims, which may be costly, time consuming and reputationally damaging.

Failure to comply with pharmaceutical industry standards

Various regional and national authorities govern or influence pharmaceutical industry standards. Numerous statutes and regulations govern the research and development and sale of pharmaceutical products where the Company intends to market its products, including but not limited to, Good Laboratory Practice (GLP), Good Clinical Practice (GCP) and Good Manufacturing Practice (GMP) standards as well as country-specific pharmaceutical advertising laws and regulations. Such standards, laws and regulations govern, among other things, the approval of manufacturing facilities, testing procedures and controlled research, non-clinical and clinical data required prior to and after marketing approval, compliance with GMP affecting production and storage, the advertising, marketing and labelling of products, pharmacovigilance, record keeping, and distribution of the Company's products, including licenses.

Non-compliance with applicable legal and regulatory requirements or pharmaceutical industry standards may affect the Company's ability to progress development of its products by achieving jurisdictional approval which could impact future commercialization to promote and sell the Company's medicines in various jurisdictions. This can lead to a broad range of consequences which could have a material adverse effect on the Company's business, financial position and operating results. In the event that a regulatory authority revokes any clearances or approvals granted in respect of the Company's pharmaceutical products, the Company's business and financial condition could be adversely affected.

Failure to comply with statutes and regulations could result in warning letters, fines and other civil penalties, unanticipated expenditures, withdrawal of regulatory approval, delays in approving or refusing to approve a product, interruption of production, operating restrictions, injunctions or criminal sanctions. The Company and its manufacturers and suppliers are also subject to numerous regional laws relating to such matters as safe working conditions and manufacturing practices.

Furthermore, the global pharmaceutical regulatory environment continues to evolve with changes to regulations, rules, standards and guidelines and the establishment of new health authorities and/or mergers of divisions within them. The Company's existing or future regulatory clearances or approvals may be negatively affected as a result of such changes or reorganization.

Risks Pertaining to Clinical Development

Reliance on Third Parties for Clinical Development Activities

The Company relies and will continue to rely on third parties to conduct a significant portion of its nonclinical and clinical development activities. For example, clinical development activities include trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. If there is any dispute or disruption in its relationship with third parties, or if it is unable to provide quality services in a timely manner and at a feasible cost, the Company's active development programs will face delays. Further, if any of these third parties fails to perform as the Company expects or if their work fails to meet regulatory requirements, the Company's testing could be delayed, cancelled or rendered ineffective.

Risks Related to Third Party Relationships

The Company may enter into strategic alliances with third parties that the Company believes will complement or augment its proposed business or will have a beneficial impact on the Company. Strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Company's business, and may involve risks that could adversely affect the Company, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that the Company's existing strategic alliances will continue to achieve, the expected benefits to the Company's business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition to the foregoing, the success of the Company's business may depend, in large part, on the Company's ability to enter into, and maintain collaborative arrangements with various participants in the psychedelic industry. There can be no assurance that the Company will be able to enter into collaborative arrangements in the future on acceptable terms, if at all. There can be no assurance that such arrangements will be successful, that the parties with which the Company has or may establish arrangements will adequately or successfully perform their obligations under such arrangements, that potential partners will not compete with the Company by seeking or prioritizing alternate, competitor products. The termination or cancellation of any such collaborative arrangement or the failure of the Company and/or the other parties to these arrangements to fulfill their obligations could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, disagreements between the Company and any of its industry partners could lead to delays or time consuming and expensive legal proceedings, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Contract Manufacturers

The Company relies on contract manufacturers ("**CMOs**") to manufacture its product candidates for nonclinical studies and clinical trials. The Company relies on CMOs for manufacturing, filling, packaging, storing and shipping of drug products in compliance with cGMP regulations applicable to its products. The MHRA ensures the quality of drug products by carefully monitoring drug manufacturers' compliance with cGMP regulations. The cGMP regulations for drugs describe the minimum requirements for the methods, facilities and controls used in manufacturing, processing and packing of a drug product. There can be no assurances that CMOs will be able to meet the Company's timetable and requirements. The Company has not contracted with alternate suppliers for drug substance production in the event that it experiences significant problems with its current supplier for its current needs. If the Company is unable to arrange for alternative third-party manufacturing sources on commercially reasonable terms or in a timely manner, the Company may be delayed in the development of its product candidates. Further, CMOs must operate in compliance with cGMP and ensure that their appropriate permits and licences remain in good standing and failure to do so could result in, among other things, the disruption of product supplies. In addition, the Company has not yet completed an assessment of a potential supplier to support the scale up production requirements for late stage and commercial use and will undertake a robust selection process to select an appropriate supplier at the appropriate time of development. The Company's dependence upon third parties for the manufacture of its products may adversely affect its profit margins and its ability to develop and deliver products on a timely and competitive basis.

Commercial Scale Product Manufacturing

The Company's products will be manufactured in small quantities for nonclinical studies and clinical trials by third party manufacturers. In order to commercialize its product, the Company needs to manufacture commercial quality drug supply for use in registration clinical trials. Most, if not all, of the clinical material used in Phase III/pivotal/registration studies must be derived from the defined commercial process including scale, manufacturing site, process controls and batch size. If the Company has not scaled up and validated the commercial production of its product prior to the commencement of pivotal clinical trials, it may have to employ a bridging strategy during the trial to demonstrate equivalency of early stage material to commercial drug product, or potentially delay the initiation or completion of the trial until drug supply is available. The manufacturing of commercial quality product may have long lead times, may be very expensive and requires significant efforts including, but not limited to, scale-up of production to anticipated commercial scale, process characterization and validation, analytical method validation, identification of critical process parameters and product quality attributes, and multiple process performance and validation runs. If the Company does not have commercial drug supply available when needed for pivotal clinical trials, the Company's regulatory and commercial progress may be delayed, and it may incur increased product development costs. This may have a material adverse effect on the Company's business, financial condition and prospects, and may delay marketing of the product.

In addition, during the development programme, manufacturing methods and formulations may alter in the attempt to optimise processes and results in preparation for commercial manufacture. Such changes may result in the therapeutic candidate performing differently, impacting the results of future and planned clinical trials. Significant changes to the manufacture processes may require additional testing, notification to the relevant regulatory authorities for approval and subsequently impact initiation of planned clinical trials, require the conduct of bridging clinical trials or repetition of previous trials. This may increase the costs and delay the overall development programme to market approval.

Safety and Efficacy of Products

Before obtaining marketing approval from regulatory authorities for the sale of the Company's product candidates, the Company must conduct nonclinical studies in animals and extensive clinical trials in humans to demonstrate the safety and efficacy of the product candidates. Clinical testing is expensive and difficult to design and implement, can take many years to complete and has uncertain outcomes. The outcome of nonclinical studies and early clinical trials may not predict the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials. The Company does not know whether the clinical trials it may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market any of its product candidates in any jurisdiction. A product candidate may fail for safety or efficacy reasons at any stage of the testing process. A major risk the Company faces is the possibility that none of its product candidates under development will successfully gain market approval from the MHRA, the EMA, the FDA, the PDD, if applicable, or other comparable foreign authorities, resulting in the Company (and its partners) being unable to derive any commercial revenue from them after investing significant amounts of capital in their development.

Clinical trials are conducted in representative samples of the potential patient population which may have significant variability. Clinical trials are by design based on a limited number of subjects and of limited duration for exposure to the product used to determine whether, on a potentially statistically significant basis, the planned safety and efficacy of any such product can be achieved. As with the results of any statistical sampling, the Company cannot be sure that all side effects of its products may be uncovered, and it may be the case that only with a significantly larger number of patients exposed to such products for a longer duration, may a more complete safety profile be identified. Further, even larger clinical trials may not identify rare serious adverse effects or the duration of such studies may not be sufficient to identify when those events may occur. There have been products that have been approved by the regulatory authorities but for which safety concerns have been uncovered following approval. Such safety concerns have led to labelling changes or withdrawal of such products from the market, and the Company's products may be subject to similar risks. The Company might have to withdraw or recall its products from the marketplace. The Company may also experience a significant drop in the potential future sales of its products if and when regulatory approvals for such products are obtained, experience harm to its reputation in the marketplace or become subject to lawsuits, including class actions. Any of these results could decrease or prevent any sales of the Company's products, or substantially increase the costs and expenses of commercializing and marketing its products.

Clinical Testing and Commercialization of Product Candidates

The Company cannot predict whether its proposed clinical trials will begin as planned, will need to be restructured, or will be completed on schedule, or at all. The Company's product development costs will increase if it experiences delays in clinical testing. Significant clinical trial delays could shorten any periods during which the Company may have the exclusive right to commercialize its product candidates or allow its competitors to bring products to market before the Company, which would impair the Company's ability to successfully commercialize its product candidates and may harm its financial condition, results of operations and prospects.

The commencement and completion of clinical trials for the Company's products may be delayed for a number of reasons, including but not limited, to:

- failure by regulatory authorities to grant permission to proceed or placing clinical trials on hold;
- suspension or termination of clinical trials by regulators for many reasons, including concerns about patient safety or failure of the Company's CMOs to comply with cGMP requirements;

- any changes to the Company's manufacturing process that may be necessary or desired, delays or failure to obtain clinical supply from CMOs of the Company's products necessary to conduct clinical trials;
- product candidates demonstrating a lack of safety or efficacy during clinical trials, reports of clinical testing on similar technologies and products raising safety or efficacy concerns;
- clinical investigators not performing the Company's clinical trials on their anticipated schedule, dropping out of a trial, or employing methods not consistent with the clinical trial protocol, regulatory requirements or other third parties not performing data collection and analysis in a timely or accurate manner;
- failure of the Company's contract research organizations to satisfy their contractual duties or meet expected deadlines;
- inspections of clinical trial sites by regulatory authorities;
- regulatory authorities or ethics committees finding regulatory violations that require the Company to undertake corrective action, resulting in suspension or termination of one or more sites or the imposition of a clinical hold on the entire study;
- delays in or failure to recruit a sufficient number of suitable patients to participate in a trial;
- availability of adequately trained therapists and appropriate third-party clinical trial sites for the conduct of the therapy sessions, including preparation, dosing and integration of the therapeutic experience;
- sufficiency of any supporting digital services that may form part of the preparation, integration or long-term follow-up relating to any therapy the Company develops;
- failure to have patients complete a trial or return for post-treatment follow-up;
- one or more regulatory authorities or ethics committees rejecting, suspending or terminating the study at an investigational site, precluding enrollment of additional subjects, or withdrawing its approval of the trial;
- failure to reach agreement on acceptable terms with prospective clinical trial sites; or
- business interruptions resulting from geo-political actions, including war and terrorism, natural disasters including earthquakes, typhoons, floods and fires, pandemics, or failures or significant downtime of the Company's information technology systems resulting from cyber-attacks on such systems or otherwise.

The Company's product development costs will increase if it experiences delays in testing or approval or if the Company needs to perform more or larger clinical trials than planned. Additionally, changes in regulatory requirements and policies may occur, and the Company may need to amend study protocols to reflect these changes. Amendments may require the Company to resubmit its study protocols to regulatory authorities or ethics committees for re-examination, which may impact the cost, timing or successful completion of that trial. Delays or increased product development costs may have a material adverse effect on the Company's business, financial condition and prospects.

Clinical Trial Publications

From time to time, the Company may publish interim, top-line or preliminary data from the Company's clinical trials. The Company may decide to conduct an interim analysis of the data after a certain number or percentage of subjects have been enrolled, but before completion of the trial. Similarly, the Company may report top-line or preliminary results of primary and key secondary endpoints before the final trial results are completed. Interim, top-line and preliminary data from the Company's clinical trials may change as more subject data or analyses become available. Preliminary, top-line or interim data from the Company's clinical trials are not necessarily predictive of final results. Interim, top-line and preliminary data are subject to the risk that one or more of the clinical outcomes may materially change as subject enrollment continues, more data become available and the Company issues the final clinical trial report. Interim, top-line and preliminary data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data the Company previously published. As a result, interim, top-line and preliminary data should be viewed with caution until the final data are available.

Further, others, including regulatory agencies, may not accept or agree with the Company's assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the chance of approval or commercialization of the particular therapeutic candidate and the Company's company in general; in addition certain regulatory agencies may request further data. If the top-line data that the Company reports differ from actual results, or if others, including regulatory authorities, disagree with the conclusions reached, the Company's ability to obtain approval for, and commercialize any future product candidate, the Company's business, operating results, prospects or financial condition may be harmed.

Completion of Clinical Trials

As the Company's product candidates advance from nonclinical testing to clinical testing, the latter through a series of progressively larger and more complex clinical trials, the Company will need to enroll an increasing number of patients that meet its eligibility criteria. There is significant competition for recruiting patients in clinical trials, and the Company may be unable to enroll the patients it needs to complete clinical trials on a timely basis or at all. The factors that affect the Company's ability to enroll patients are largely uncontrollable and include, but are not limited to the size and nature of the patient population, eligibility and exclusion criteria for the trial, design of the clinical trial, competition with other companies for clinical sites or patients, perceived risks and benefits of the product candidate, and the number, availability, location and accessibility of clinical trial sites.

Such delays in completing its clinical trials will likely increase costs as well as slow down the future development programme and path to approval. Depending on the nature of the delay, such factors may lead to the denial of regulatory approval or the Company's therapeutic candidates. Significant delays to the development programme may alternatively lead to additional competitors to bring their therapies to market ahead of the Company as well as reduce the duration to which it holds certain exclusive rights. Such occurrences may harm the overall business, financial status, prospect and reputation of the Company.

Although early nonclinical and clinical data supports the safety and low toxicity of DMT, any side effects identified throughout the development programme could lead to interruptions, delays or halting of the clinical trial. This could lead to denial of regulatory approval or the requirement for a more restrictive label or the need to implement a REMS plan to ensure therapy benefits outweigh the risks. The Company cannot make any assurance that its therapeutic candidates do not lead to any undesirable or unacceptable serious side effects, or even death. In the event of a serious side effect, it is likely the overseeing regulatory authority will order the Company to cease further development of or deny approval of the therapeutic candidate of any related candidate. It is possible that even after market approval, new side effects are uncovered as a result of exposure of therapeutic candidates to a much greater patient population for an extended duration. Should new safety concerns be uncovered following approval, the regulatory authorities may request new labelling changes, new/additional REMS strategies or even complete withdrawal of the candidate from the market. This could lead to significant impact on future sales on the therapeutic candidate, reputational harm and potential litigation risks.

Variability in the psychological experience encountered by subjects may lead to certain subjects encountering a negative experience. Such experience may result in liability claims or public reputational damage to the Company. Such occurrences may harm the overall business, financial status, prospect and reputation of the Company.

Later Stage Clinical Trials Failure

Therapeutic candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through nonclinical studies and initial clinical trials. Furthermore, there can be no assurance that any of the Company's clinical trials will ultimately be successful or support further clinical development of any future therapeutic candidates. There is a high failure rate for drugs proceeding through clinical trials. A number of companies in the pharmaceutical industry have suffered significant setbacks in clinical development even after achieving promising results in earlier studies.

R&D of drugs targeting the central nervous system is particularly difficult, which makes it difficult to predict and understand why the drug has a positive effect on some patients but not others.

Discovery and development of new drugs targeting central nervous system disorders are particularly difficult and time-consuming, evidenced by the higher failure rate for new drugs for central nervous system disorders compared with most other areas of drug discovery. Any such setbacks in the Company's clinical development could have a material adverse effect on the Company's business and operating results. In addition, the Company's later stage clinical trials may present challenges related to conducting adequate and well-controlled clinical trials, including designing an appropriate comparator arm in trials given the potential difficulties related to maintaining the blinding during the trial or placebo or nocebo effects.

Due to the complexity of the human brain and the central nervous system, it can be difficult to predict and understand why a drug may have a positive effect on some patients but not others and why some individuals may react to the drug differently from others.

Negative Results of External Clinical Trials or Studies

From time to time, studies or clinical trials on various aspects of biopharmaceutical products are conducted by academic researchers, competitors or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to the Company's product candidates, or the therapeutic areas in which the Company's product candidates compete could cause the Company or a partner licensee to delay or suspend its studies or clinical trials. Such negative results or delays in clinical trials could adversely affect the Company's share price and its ability to finance future development of its product candidates, and the Company's business and financial results could be materially and adversely affected.

Expedited Status

In October 2021, the MHRA granted an Innovation Passport Designation for SPL026. This designation provides access to the Innovative Licensing and Access Pathway (the "**ILAP**"), which accelerates time to market and facilitates patient access to emerging and novel treatments. The ILAP provides a single integrated platform for sustained collaborative working among the MHRA, its partners and the medicine developer, which potentially allows for enhanced coordination and monitoring of important product development activities culminating in market authorization. Under the ILAP, the Company will have access to a toolkit to support all stages of the design, development and approvals process, as well as identify key areas for future engagement.

The Company may not elect, or be able to, take advantage of any expedited development or regulatory review and approval processes available to drug product candidates granted breakthrough therapy or fast track designation by the ILAP. The Company may also not be granted similar expedited status by regulatory agencies in other jurisdictions it intends to pursue operations, including the FDA in the U.S.

The Company's inability to achieve expedited status in all jurisdictions or benefit from the use of expedited status, such as the ILAP, in jurisdictions it has been granted such status may have a negative effect on the Company's clinical trials. This could have a material adverse effect on the Company's business, operating results, and financial condition, and delay completion of clinical trials.

Risks Related to Intellectual Property

Reliance on patents and other intellectual property rights

The Company's commercial success depends in part on obtaining and maintaining patents and other forms of intellectual property rights for its current and future therapeutic candidates and associated therapies, digital therapies, methods used to manufacture the underlying therapeutic substances, and the methods for treating patients using those substances and therapies, or on licensing in such rights. Failure to obtain, maintain, protect, enforce or extend adequate patent and other intellectual property rights could materially adversely affect the Company's ability to develop and market its current and future therapeutic candidates. The Company also relies on trade secrets and know-how to develop and maintain its proprietary and intellectual property position. Any failure to protect its trade secrets and know-how could adversely affect the Company's operations and prospects.

The Company cannot be certain that patents will be issued or granted with respect to patent applications that are currently pending, or that issued or granted patents will not later be found to be invalid or unenforceable. The patent position of companies like the Company is generally uncertain because it involves complex legal and factual considerations. The standards applied by the UK Intellectual Property Office, the European Patent Office, the USPTO, the Canadian Intellectual Property Office (the "**CIPO**") and foreign patent offices in granting patents are not always applied uniformly or predictably. For example, there is no uniform worldwide policy regarding patentable subject matter or the scope of claims allowable in pharmaceutical patents. Consequently, patents may not issue from the Company's pending patent applications, and even if they do issue, such patents may not issue in a form that effectively prevents others from developing or commercializing competing therapies. As such, the Company does not know the degree of future protection that it will have on its proprietary therapies.

The patent prosecution process is expensive, complex and time-consuming, and the Company, its current or future third party partners, licensors, licensees, or collaboration partners may not be able to prepare, file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that the Company or its licensors, licensees or collaboration partners will fail to identify patentable aspects of inventions made in the course of research, development or commercialization activities before it is too late to pursue patent protection on them. In addition, although the Company enters into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of its R&D output, such as its employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors, and other third parties, any of these parties may breach the agreements and disclose such output before a patent application is filed, thereby jeopardizing the Company's ability to seek patent protection. Furthermore, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the UK and other jurisdictions are typically not published until 18 months after filing, or in some cases not published until and unless granted. Therefore, the Company cannot be certain that it is the first to make the inventions claimed in its patents or pending patent applications, or that it was the first to file for patent protection of such inventions. Similarly the Company cannot be certain that for any licensed patents or pending patent applications, the named applicant(s) were the first to make the inventions claimed in such patents or pending patent applications or that the named applicant(s) were the first to file for patent protection for such inventions.

Further, the issuance, scope, validity, enforceability and commercial value of the Company's and its current or future licensors', licensees' or collaboration partners' patent rights are highly uncertain. The Company and any potential licensors' pending and future patent applications may not result in patents being issued that protect the Company's therapies, in whole or in part, or that effectively prevent others from commercializing competitive technologies and therapies.

Moreover, in some circumstances, the Company may not have the right to control the preparation, filing and prosecution of patent applications, or to maintain such patents, should the Company's license technology from or to third parties and would be reliant on its licensors, licensees or collaboration partners. If the Company engages with licensors, licensees or collaboration partners and they fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced or eliminated. If such licensors, licensees or collaboration partners were not fully cooperative or disagree with the Company as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised.

The patent examination process may require the Company or its licensors, licensees or collaboration partners to narrow the scope of the claims of the Company or the Company's licensors', licensees' or collaboration partners' pending and future patent applications, which may limit the scope of patent protection that may be obtained. The Company cannot guarantee that all of the potentially relevant prior art relating to its patents and patent applications has been found. If such prior art exists, it can invalidate a patent or prevent a patent from issuing from a pending patent application.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and the Company's patents may be challenged in the courts or patent offices in the UK and abroad. Even if patents do successfully issue and even if such patents cover the Company's current and future therapeutic candidates, third parties may initiate an opposition, interference, re-examination, post-grant review, inter parties review, nullification or derivation proceedings in court or before patent offices, or similar proceedings challenging the validity, enforceability or scope of such patents, which may result in the patent claims being narrowed or invalidated.

The Company and the Company's licensors', licensees' or collaboration partners' patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications, and then only to the extent the issued claims cover the technology. In addition, patents and other intellectual property rights also will not protect the Company's current and any future therapeutic candidates if third parties, including the Company's competitors, design around the Company's protected technology and the Company's current and any future therapeutic candidates without infringing, misappropriating or otherwise violating the Company's patents or other intellectual property rights. Moreover, some of the Company's patents and patent applications may in the future be co-owned with third parties. If the Company is unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including the Company's competitors, and the Company's competitors could market competing therapies and technology. In addition, the Company may need the cooperation of any such co-owners of its patents in order to enforce such patents against third parties, and such cooperation may not be provided. Any of the foregoing could have a material adverse effect on the Company's competitive position, business, financial conditions, results of operations, and prospects.

Because patent applications are confidential for a period of time after filing, and some remain so until issued, the Company cannot be certain that the Company or its current or future licensors, licensees or collaborators were or will be the first to file any patent application related to a therapeutic candidate. Even where the Company has a valid and enforceable patent, it may not be able to exclude others from practicing the Company's invention where the other party can show that they used the invention in commerce before the Company's filing date or the other party benefits from a compulsory license. In addition, the Company may be subject to third-party challenges regarding the Company's exclusive ownership of the Company's intellectual property. If a third party were successful in challenging the Company's exclusive ownership of any of the Company's intellectual property, the Company may lose its right to use such intellectual property, such third party may be able to license such intellectual property to other third parties, including the Company's competitors, and the Company's competitors could market competing therapies and technology. Any of the foregoing could have a material adverse effect on the Company's competitive position, business, financial conditions, results of operations, and prospects.

Patent Litigation

Patent litigation is becoming widespread in the pharmaceutical industry and the Company cannot predict how this will affect its efforts to form strategic alliances, conduct clinical testing, or manufacture and market any of its product candidates that it may successfully develop. If the Company becomes involved in any litigation, interference, impeachment or other administrative proceedings, it will likely incur substantial expenses and the efforts of its technical and management personnel will be significantly diverted. The Company cannot make any assurances that it will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. Moreover, if the Company's products infringe patents, trademarks or proprietary rights of others, it could, in certain circumstances, become liable for substantial damages, which also could have a material adverse effect on the business of the Company, its financial condition and results of operation. Patent litigation is less likely during development as many jurisdictions contain exemptions from patent infringement for the purpose of obtaining regulatory approval of a product. Where there is any sharing of patent rights either through co-ownership or different licensed "fields of use", one owner's actions could lead to the invalidity of the entire patent. If the Company is unable to avoid infringing the patent rights of others, the Company may be required to seek a license, defend an infringement action or challenge the validity of the patents in court. Such results could have a material adverse effect on the Company. Regardless of the outcome, patent litigation is costly and time consuming. In some cases, the Company may not have sufficient resources to bring these actions to a successful conclusion, and, even if the Company is successful in these proceedings, it may incur substantial costs and divert management time and attention in pursuing these proceedings, which could have a material adverse effect on the Company.

Any infringement or misappropriation of the Company's intellectual property could damage its value and limit its ability to compete. In addition, the Company's ability to enforce and protect its intellectual property rights may be limited in certain countries outside the US, Canada, the EU or the UK, which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by the Company. Competitors may also harm the Company's sales by designing products that mirror the capabilities of its products or technology without infringing on its intellectual property rights. If the Company does not obtain sufficient protection for its intellectual property, or if it is unable to effectively enforce its intellectual property rights, its competitiveness could be impaired, which would limit its growth and future revenue. The Company may also find it necessary to bring infringement or other actions against third parties to seek to protect its intellectual property rights. Litigation of this nature, even if successful, is often expensive and time- consuming to prosecute and there can be no assurance that the Company will have the financial or other resources to enforce its rights or be able to enforce its rights or prevent other parties from developing similar technology or designing around its intellectual property.

Invalid or Unenforceable Patents

To protect the Company's competitive position, the Company may from time to time need to resort to litigation in order to enforce or defend any patents or other intellectual property rights owned by or licensed to the Company from time to time, or to determine or challenge the scope or validity of patents or other intellectual property rights of third parties. Enforcement of intellectual property rights is difficult, unpredictable and expensive, and many of the Company's or the Company's licensors' or collaboration partners' adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than the Company or the Company's licensors or collaboration partners can. Accordingly, despite the Company's or the Company's licensors' or collaboration partners' efforts, the Company or the Company's licensors or collaboration partners may not prevent third parties from infringing upon, misappropriating or otherwise violating intellectual property rights the Company own or control, particularly in countries where the laws may not protect those rights as fully as in the UK, EU, the US and Canada. The Company may fail in enforcing its rights, in which case the Company's competitors and other third parties may be permitted to use the Company's therapies without payment to the Company.

In addition, litigation involving the Company's licensed patents carries the risk that one or more of the Company's licensed patents will be narrowed, held invalid (in whole or in part, on a claim-by-claim basis) or held unenforceable. Such an adverse court ruling could allow third parties to commercialize the Company's therapies, and then compete directly with the Company, without payment to the Company.

If the Company were to initiate legal proceedings against a third party to enforce a patent covering one of the Company's investigational therapies, the defendant could counterclaim that the Company's patent is invalid or unenforceable. In patent litigation in the UK, EU, the US or Canada, defendant counterclaims alleging invalidity or unenforceability are commonplace. A claim for a validity challenge may be based on failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. A claim for unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the UK Intellectual Property Office, European Patent Office, the USPTO, the CIPO or made a misleading statement, during prosecution. Third parties may also raise challenges to the validity of the Company's patent claims before administrative bodies in the US or abroad, even outside the context of litigation. Such mechanisms include re-examination, post-grant review, inter partes review, interference proceedings, derivation proceedings, and equivalent proceedings in foreign jurisdictions (i.e., opposition proceedings). Such proceedings could result in the revocation of, cancellation of, or amendment to the Company's patents in such a way that they no longer cover the Company's current or any future therapeutic candidates. The outcome following legal assertions of invalidity and unenforceability during patent litigation or other proceedings is unpredictable. With respect to the validity question, for example, the Company cannot be certain that there is no invalidating prior art, of which the Company and the patent examiner were unaware during prosecution. If a defendant or third party were to prevail on a legal assertion of invalidity or unenforceability, the Company would lose at least part, and perhaps all, of the patent protection on the Company's current or one or more of any future therapeutic candidates. Such a loss of patent protection could have a material adverse impact on the Company's business financial condition, results of operations, and prospects. Further, litigation could result in substantial costs and diversion of management resources, regardless of the outcome, and this could harm the Company's business and financial results.

Compliance with Procedural Requirements

Periodic maintenance and annuity fees on any issued patent are due to be paid to the UK Intellectual Property Office, the European Patent Office, the USPTO, the CIPO and foreign patent agencies in several stages over the lifetime of the patent. The European Patent Office, the USPTO, the CIPO and various foreign governmental patent agencies also require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In certain circumstances, the Company may rely on collaboration partners to pay these fees due to US and comparable foreign patent agencies and take the necessary action to comply with such requirements with respect to the Company's intellectual property. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If the Company, its licensors or collaboration partners fail to maintain the patents and patent applications covering the Company's investigational therapies, third parties, including its competitors might be able to enter the market with similar or identical therapies or technologies, which would have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Trade Secrets

The Company relies on third parties to develop its products and as a result, must share trade secrets with them. The Company seeks to protect its proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with its collaborators, advisors, employees and consultants prior to beginning research or disclosing proprietary information. These agreements typically restrict the ability of the Company's collaborators, advisors, employees and consultants to publish data potentially relating to its trade secrets. Its academic and clinical collaborators typically have rights to publish data, provided that the Company is notified in advance and may delay publication for a specified time in order to secure any intellectual property rights arising from the collaboration. In other cases, publication rights are controlled exclusively by the Company, although in some cases the Company may share these rights with other parties. The Company may also conduct joint R&D programs which may require it to share trade secrets under the terms of R&D collaboration or similar agreements. Despite the Company's efforts to protect its trade secrets, the Company's competitors may discover its trade secrets, either through breach of these agreements, independent development or publication of information. A competitor's discovery of the Company's trade secrets may impair its competitive position and could have a material adverse effect on its business and financial condition.

Trademark Protection

Failure to register trademarks for the Company or its products could require the Company to rebrand its products resulting in a material adverse impact on its business.

Intellectual Property Litigation Costs

Even if resolved in the Company's favour, litigation or other legal proceedings relating to intellectual property claims may cause the Company to incur significant expenses and could distract the Company's technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the Company. Such litigation or proceedings could substantially increase the Company's operating losses and reduce the Company's resources available for development and commercialization activities. The Company may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of the Company's competitors may be able to sustain the costs of such litigation or proceedings more effectively than the Company can because of their substantially greater financial resources. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Company's confidential information could be compromised by disclosure during this type of litigation. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on the Company's ability to compete in the marketplace.

Third-Party Licenses

If the Company obtains third-party licenses but fails to pay annual maintenance fees, development and sales milestones, or it is determined that the Company does not use commercially reasonable efforts to commercialize licensed products, the Company could lose those licenses which could have a material adverse effect on its business and financial condition.

In addition, a certain number of patents have already been issued to other biotechnology and pharmaceutical companies. To the extent that valid third-party patent rights cover the Company's products or services, the Company, the licensor of the Company's intellectual property rights, or its strategic collaborators would be required to seek licenses from the holders of these patents in order to manufacture, use or sell these products and services and payments under them would reduce the Company's profits from these products and services.

Third-party intellectual property right holders, including the Company's competitors, may actively bring infringement, misappropriation or violation claims against the Company based on existing or future intellectual property rights, regardless of their merit. The Company may not be able to successfully settle or otherwise resolve such infringement claims. If the Company is unable to successfully settle future claims on terms acceptable to the Company, the Company may be required to engage or continue costly, unpredictable and time-consuming litigation and may be prevented from or experience substantial delays in marketing the Company's therapies.

If the Company is unsuccessful defending in any such claim, in addition to being forced to pay damages, the Company or the Company's licensor or licensees may be temporarily or permanently prohibited from commercializing any of the Company's investigational therapies that were held to be infringing. If possible, the Company might be forced to redesign the Company's therapeutic candidates or any future therapeutic candidates so that the Company no longer infringe the intellectual property rights of third parties, or the Company may be required to seek a license to any such technology that the Company is found to infringe, which license may not be available on commercially reasonable terms or at all. Even if the Company or the Company's licensors or collaboration partners obtain a license, it may be non-exclusive, thereby giving the Company's competitors access to the same technologies licensed to the Company or the Company's licensors or collaboration partners and it could require the Company to make significant licensing and royalty payments. In addition, the Company could be found liable for significant monetary damages, including treble damages and attorneys' fees, if the Company is found to have willfully infringed a patent or other intellectual property right. Claims that the Company has misappropriated the confidential information or trade secrets of third parties could have a similar material adverse effect on the Company's business, financial condition, results of operations, and prospects. Any of these events, even if the Company were ultimately to prevail, could require the Company to divert substantial financial and management resources that the Company would otherwise be able to devote to the Company's business.

In addition, if the breadth or strength of protection provided by the Company's or the Company's licensors' or collaboration partners' patents and patent applications is threatened, it could dissuade companies from collaborating with the Company to license, develop or commercialize current or future investigational therapies. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Company's confidential information could be compromised by disclosure during this type of litigation.

Failure to Comply with Potential Future Intellectual Property or License Agreements

The Company may become a party to third-party agreements under which the Company grants or is granted rights to intellectual property that are potentially important to the Company's business and the Company expects that it may need to enter into additional license or collaboration agreements in the future. Future third party agreements undertaken by the Company may impose various obligations related to, among other things, therapeutic development and payment of royalties and fees based on achieving certain milestones. In addition, the Company may enter into collaboration agreements in which the Company is prohibited from developing and commercializing therapies that would compete with the therapies licensed under such agreements. If the Company were to fail to comply with the Company's obligations under these agreements, the Company's licensor or collaboration partner may have the right to terminate the agreement, including any licenses included in such agreement.

The termination of any license or collaboration agreements or failure to adequately protect such license agreements or collaboration could prevent the Company from commercializing the Company's therapeutic candidates or any future therapeutic candidates covered by the agreement or licensed intellectual property. For example, the Company may rely on license agreements which grant the Company rights to certain intellectual property and proprietary materials that the Company use in connection with the development of the Company's therapies. If such an agreement were to terminate, the Company would be unable to timely license similar intellectual property and proprietary materials from an alternate source, on commercially reasonable terms or at all, and may be required to conduct additional bridging studies on the Company's therapeutic candidates or any future therapeutic candidates, which could delay or otherwise have a material adverse effect on the development and commercialization of the Company's therapeutic candidates or any future therapeutic candidates.

The Company may enter into license agreements which are sublicenses from third parties which are not the original licensor of the intellectual property at issue. Under such agreements, the Company must rely on the Company's licensor to comply with its obligations under the primary license agreements under which such third party obtained rights in the applicable intellectual property, where the Company may have no relationship with the original licensor of such rights. If the licensors fail to comply with their obligations under these upstream license agreements, the original third-party licensor may have the right to terminate the original license, which may terminate the sublicense. If this were to occur, the Company would no longer have rights to the applicable intellectual property and, in the case of a sublicense, if the Company were not able to secure the Company's own direct license with the owner of the relevant rights, which it may not be able to do at a reasonable cost or on reasonable terms, it may adversely affect the Company's ability to continue to develop and commercialize the Company's therapeutic candidates or any future therapeutic candidates incorporating the relevant intellectual property.

Disputes may arise regarding intellectual property subject to a license or collaboration agreement, including the following:

- the scope of rights granted under the agreement and other interpretation-related issues;
- the extent to which the Company's technology and processes infringe on intellectual property of the licensor or collaboration partner that is not subject to the agreement;
- the sublicensing of patent and other rights under any current or future collaboration relationships;
- the Company's diligence obligations under the agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by the Company's licensors and the Company and the Company's collaboration partners; and
- the priority of invention of patented technology.

In addition, the Company's third-party agreements are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what the Company believes to be the scope of the Company's rights to the relevant intellectual property or technology, or increase what the Company believes to be the Company's financial or other obligations under the relevant agreement, either of which could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that the Company has licensed prevent or impair the Company's ability to maintain the Company's current licensing arrangements on commercially acceptable terms, the Company may be unable to successfully develop and commercialize the affected therapeutic candidate, which could have a material adverse effect on the Company's business, financial conditions, results of operations, and prospects

Intellectual Property Rights May Fail to Protect Competitive Advantage

The degree of future protection afforded by the Company's intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect the Company's business, or permit the Company to maintain the Company's competitive advantage. The following examples are illustrative:

- others may be able to make compounds or develop digital assets that are the same as or similar to the Company's future therapeutic candidate, any future therapeutic candidates and digital assets but that are not covered by the claims of the patents that the Company owns or control;
- the patents of third parties may have an adverse effect on the Company's business;
- the Company or the Company's licensors or any current or future collaboration partners might not have been the first to conceive or reduce to practice the inventions covered by the issued patent or pending patent application that the Company own or control;
- the Company or the Company's licensors or any current or future collaboration partners might not have been the first to file patent applications covering certain of the Company's inventions;
- others may independently develop similar or alternative technologies or duplicate any of the Company's technologies without infringing misappropriating or otherwise violating the Company's intellectual property rights;
- issued patents that the Company may exclusively license may not provide the Company with any competitive advantage, or may be held invalid or unenforceable, as a result of legal challenges by third parties;
- the Company's competitors might conduct R&D activities in countries where the Company do not have patent rights and then use the information learned from such activities to develop competitive therapies for sale in the Company's major commercial markets;
- third parties performing manufacturing or testing for the Company using the Company's therapies or technologies could use the intellectual property of others without obtaining a proper license;
- the Company may not develop additional technologies that are patentable; and
- the Company may choose not to file a patent in order to maintain certain trade secrets or know-how, and a third party may subsequently file a patent covering such intellectual property, or otherwise develop similar know-how.

Should any of these events occur, they could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Employee Patent Claim Liability

Some of the Company's present and future consultants, advisors and employees, including the Company's senior management, may have previously been employed at other biotechnology or pharmaceutical companies, including the Company's competitors and potential competitors. Some of these individuals executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although the Company intends that the Company's consultants, advisors and employees do not use proprietary information or know-how of their former employers while working for the Company, the Company may be subject to claims that the Company or these individuals have used or disclosed confidential information or intellectual property, including trade secrets or other proprietary information, of any such individual's former employer. Litigation may be necessary to defend against these claims.

If the Company fails in prosecuting or defending any such claims, in addition to paying monetary damages, the Company may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party, and the Company could be required to obtain a license from such third party to commercialize the Company's therapies. Such a license may not be available on commercially reasonable terms or at all. Even if the Company successfully prosecute or defend against such claims, litigation could result in substantial costs and distract the Company's management from its day-to-day activities.

In addition, while it is the Company's policy to require the Company's employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to the Company, the Company may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that the Company regards as the Company's own. The assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, and the Company may be forced to bring claims against third parties, or defend claims that they may bring against the Company, to determine the ownership of what the Company regards as the Company's intellectual property. Such claims could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Intellectual Property Rights of Third Parties

The Company's commercial success depends upon its ability and the ability of any future collaborators to develop, manufacture, market, and sell any investigational therapies that the Company may develop and use its proprietary technologies without infringing, misappropriating or otherwise violating the intellectual property and proprietary rights of third parties. The various markets in which the Company plans to operate are subject to frequent and extensive litigation regarding patents and other intellectual property rights. In the future, the Company may become party to, or threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to its current or any future therapeutic candidates. If the outcome of any such proceeding or litigation is adverse to the Company, it may affect the Company's ability to compete effectively.

Additionally, the Company's competitive position may suffer if patents issued to third parties or other third-party intellectual property rights cover the Company's therapies or elements thereof, the Company's manufacture or uses relevant to its development plans, the targets of the Company's current or any future therapeutic candidates, or other attributes of the Company's current or any future therapeutic candidates. In such cases, the Company may not be in a position to develop or commercialize such therapeutic candidates unless the Company successfully pursues litigation to nullify or invalidate the third-party intellectual property right concerned, or enter into a license agreement with the intellectual property right holder, which may not be available on commercially reasonable terms or at all. In the event that a patent has not expired at the time of approval of such investigational therapies or therapeutic candidate and the patent owner were to bring an infringement action against the Company, the Company may have to argue that its investigational therapies or the manufacture or use of the underlying therapeutic substances do not infringe a valid claim of the patent in question. Alternatively, if the Company were to challenge the validity of any issued US patent in court, the Company would need to overcome a statutory presumption of validity that attaches to every US patent. This means that in order to prevail, the Company would need to present clear and convincing evidence as to the invalidity of the patent's claims. The same applies to other jurisdictions. Even if the Company believe third-party intellectual property claims are without merit, there is no assurance that a court would find in the Company's favor on questions of infringement, validity, enforceability, or priority. In the event that a third party successfully asserts its patent against the Company such that such third party's patent is found to be valid and enforceable and infringed by the Company's investigational therapies, unless the Company obtains a license to such patent, which may not be available on commercially reasonable terms or at all, the Company could be prevented from continuing to develop or commercialize the Company's investigational therapies. There can be no assurance any such patents will not be asserted against the Company or that the Company will not need to seek licenses from such third parties. The Company may not be able to secure such licenses on acceptable terms, or at all, and any such litigation would be costly and time-consuming.

It is possible that the Company has failed, and in the future may fail, to identify relevant patents or applications that may be asserted against the Company. For example, certain US applications filed after November 29, 2000 can remain confidential until and unless issued as patents, provided that inventions disclosed in the applications have not and will not be the subject of a corresponding application filed outside the US In general, patent applications in the US and elsewhere are published approximately 18 months after the earliest filing for which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Therefore, patent applications covering the Company's therapies could have been filed by others without the Company's knowledge. Furthermore, the Company operates in a highly competitive field, and given its limited resources, it is unreasonable to monitor all patent applications in the areas in which they are active. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover the Company's therapies or the use of the Company's therapies.

Third-party intellectual property right holders, including the Company's competitors, may actively bring infringement, misappropriation or violation claims against the Company based on existing or future intellectual property rights, regardless of their merit. The Company may not be able to successfully settle or otherwise resolve such infringement claims. If the Company are unable to successfully settle future claims on terms acceptable to it, the Company may be required to engage or continue costly, unpredictable and time-consuming litigation and may be prevented from or experience substantial delays in marketing its therapies.

If the Company is unsuccessful in defending any such claim, in addition to being forced to pay damages, the Company or its licensees may be temporarily or permanently prohibited from commercializing any of its investigational therapies that were held to be infringing. If possible, the Company might be forced to redesign its current or any future therapeutic candidates so that the Company no longer infringes the intellectual property rights of third parties, or the Company may be required to seek a license to any such technology that it is found to infringe, which license may not be available on commercially reasonable terms or at all. Even if the Company or any potential future licensor or collaboration partners obtain a license, it may be non-exclusive, thereby giving the Company's competitors access to the same technologies licensed to the Company or its licensors or collaboration partners and it could require the Company to make significant licensing and royalty payments. In addition, the Company could be found liable for significant monetary damages, including treble damages and attorneys' fees, if the Company is found to have willfully infringed a patent or other intellectual property right. Claims that the Company have misappropriated the confidential information or trade secrets of third parties could have a similar material adverse effect on the Company's business, financial condition, results of operations, and prospects. Any of these events, even if the Company were ultimately to prevail, could require the Company to divert substantial financial and management resources that the Company would otherwise be able to devote to its business.

In addition, if the breadth or strength of protection provided by the Company or the Company's potential future licensors' or collaboration partners' patents and patent applications is threatened, it could dissuade companies from collaborating with the Company to license, develop or commercialize current or future investigational therapies. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Company's confidential information could be compromised by disclosure during this type of litigation.

Obtaining or Maintaining Necessary Rights For Current or Future Therapeutic Candidates Through Acquisitions and In-Licenses

In the future, the Company's programs may require the use of proprietary rights held by third parties, and the growth of the Company's business will likely depend in part on its ability to acquire, in-license, maintain or use these proprietary rights. In addition, with respect to any patents the Company co-owns with third parties, the Company may require licenses to such co-owners' interest in such patents. The Company may be unable to acquire or in-license any compositions, methods of use, processes, or other third-party intellectual property rights from third parties that the Company identifies as necessary for its current or any future therapeutic candidates. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies may pursue strategies to license or acquire third-party intellectual property rights that the Company may consider attractive or necessary. These established companies may have a competitive advantage over the Company due to their size, cash resources and greater clinical development and commercialization capabilities. In addition, companies that perceive the Company to be a competitor may be unwilling to assign or license rights to the Company. If the Company is unable to successfully obtain a license to third-party intellectual property rights necessary for the development of an investigational therapy or program, the Company may have to abandon development of that investigational therapy or program, which could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Patent Law Reform

As is the case with other biotechnology and pharmaceutical companies, the Company's success is heavily dependent on intellectual property rights, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry is a technologically and legally complex process, and obtaining and enforcing biopharmaceutical patents is costly, time consuming and inherently uncertain. Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of the Company's and its licensors' or collaborators' patent applications and the enforcement or defense of the Company or its licensors' or collaborators' issued patents.

Difficulties Securing Jurisdictional Intellectual Property Rights

Filing, prosecuting and defending patents on therapeutic candidates in all countries and jurisdictions throughout the world would be prohibitively expensive and the Company's intellectual property rights in some countries outside of Canada, the EU, the US, and the UK, could be less extensive than those in Canada, the EU, the US, and the UK, assuming that rights are obtained in Canada, the EU, the US, and the UK. Consequently, the Company may not be able to prevent third parties from practicing the Company's inventions in all countries outside Canada, the EU, the US, and the UK, or from selling therapies or importing therapeutic substances made using the Company's inventions in and into Canada, the EU, the US, and the UK, or other jurisdictions. In addition, the Company may decide to abandon national and regional patent applications before grant. Finally, the grant proceeding of each national/regional patent is an independent proceeding which may lead to situations in which applications might in some jurisdictions be refused by the relevant patent offices, while granted by others. It is also quite common that depending on the country, the scope of patent protection may vary for the same therapeutic candidate or technology.

Competitors may use the Company's and the Company's licensors' or collaboration partners' technologies in jurisdictions where the Company has not obtained patent protection to develop their own therapies and, further, may export otherwise infringing therapies to territories where the Company and the Company's licensors or collaboration partners have patent protection, but enforcement is not as strong as that in Canada, the EU, the US, and the UK. These therapies may compete with future therapeutic candidates, and the Company's and the Company's licensors' or collaboration partners' patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

The laws of some jurisdictions do not protect intellectual property rights to the same extent as the laws in Canada, the EU, the US, and the UK, and companies have encountered significant difficulties in protecting and defending such rights in such jurisdictions. If the Company or the Company's licensors encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for the Company's business in such jurisdictions, the value of these rights may be diminished and the Company may face additional competition from others in those jurisdictions.

Some countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, some countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If the Company or any of the Company's licensors or collaboration partners is forced to grant a license to third parties with respect to any patents relevant to the Company's business, the Company's competitive position may be impaired and the Company's business and results of operations may be adversely affected.

Proceedings to enforce the Company's and the Company's licensors' or collaboration partners' patent rights in foreign jurisdictions could result in substantial costs and divert the Company's and the Company's licensors' or collaboration partners' efforts and attention from other aspects of the Company's business, regardless of whether the Company or the Company's licensors or collaboration partners are successful, and could put the Company's and the Company's licensors' or collaboration partners' patents at risk of being invalidated or interpreted narrowly. In addition, such proceedings could put the Company's and the Company's licensors' or collaboration partners' patent applications at risk of not issuing and could provoke third parties to assert claims against the Company or the Company's licensors or collaboration partners. The Company or the Company's licensors or collaboration partners may not prevail in any lawsuits that the Company or the Company's licensors or collaboration partners initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Risks Related to the Common Shares

Substantial Number of Authorized but Unissued Common Shares

The Company has a class of authorized capital consisting of an unlimited number of Common Shares that may be issued by the board without further action or approval of shareholders. While the Board will be required to fulfill its fiduciary obligations in connection with the issuance of such Common Shares, Common Shares may be issued in transactions with which not all shareholders agree, and the issuance of such Common Shares will cause dilution to the ownership interests of shareholders.

Dilution

The financial risk of the Company's future activities will be borne to a significant degree by its shareholders. If additional Common Shares are issued from treasury for financing purposes, control of the Company may change and purchasers may suffer additional dilution.

Market for the Common Shares

There can be no assurance that an active trading market for the Common Shares will develop or, if developed, that any market will be sustained. The Company cannot predict the prices at which the Common Shares will trade in the future. Fluctuations in the market prices of Common Shares could cause an investor to lose all or part of its investment in the Company. Factors that could cause fluctuations in the trading price of the Common Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events the Company or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of psychedelic companies; (iv) fluctuations in the trading volume of the Common Shares or the size of the Company's public float; (v) actual or anticipated changes or fluctuations in the Company's results of operations; (vi) whether the Company's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving the Company, its industry, or both; (ix) regulatory developments; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the Common Shares; (xiii) departures of key employees or members of management; (xiv) any material changes to the business plans, clinical trials, operations, or strategies of the Company; or (xv) an adverse impact on the Company from any of the other risks cited herein.

Significant Sales of Common Shares

A portion of the Common Shares held by the Company's directors, executive officers, control persons and certain other securityholders continue to be subject to contractual lock-up restrictions and escrow restrictions pursuant to the policies of the TSXV. Sales of a substantial number of the Common Shares in the public market after the expiry of lock-up or escrow restrictions, or the perception that these sales could occur, could adversely affect the market price of the Common Shares and may make it more difficult for investors to sell Common Shares at a favourable time and price.

Volatile Market Price for the Common Shares

The securities market in Canada has recently experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company. The value of the Common Shares distributed by the Company have been affected by such volatility.

The volatility of the Common Shares may affect the ability of holders to sell the Common Shares at an advantageous price or at all. Market price fluctuations in the Common Shares may be adversely affected by a variety of factors relating to the Company's business, including fluctuations in the Company's operating and financial results, such results failing to meet the expectations of securities analysts or investors and downward revisions in securities analysis' estimates in connection therewith, sales of additional Common Shares, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors, including, without limitation, those set forth under the heading "*Forward-Looking Statements*". In addition, the market price for securities on stock markets, including the TSXV is subject to significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may materially adversely affect the market price of the Company.

Additionally, the value of the Common Shares are subject to market value fluctuations based upon factors that influence the Company's operations, such as legislative or regulatory developments, competition, technological change and changes in interest rates or foreign exchange rates. There can be no assurance that the market price of the Common Shares will not continue to experience significant fluctuations in the future, including fluctuations that are unrelated to the Company's performance.

Tax Issues

There may be income tax consequences in relation to the Common Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

Discretion Over the Use of Proceeds

The Company will in most cases have discretion concerning the use of the net proceeds of any financings by the Company as well as the timing of their expenditures. The results and the effectiveness of the application of the net proceeds are uncertain. If the net proceeds are not applied effectively, the Company's business, prospects, financial position, financial condition or results of operations may suffer.

No Dividends

The Company's current policy is, and will be, to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Company. Therefore, the Company does not anticipate paying cash dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board in the context of its earnings, financial condition and other relevant factors. Until the time that the Company does pay dividends, which it might never do, its shareholders will not be able to receive a return on their Common Shares unless they sell them.

Enforcement of Legal Rights

The Company's subsidiary and the majority of the Company's assets are located outside of Canada in the UK. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Company, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws or otherwise. Consequently, investors may be effectively prevented from pursuing remedies against the Company under Canadian securities laws or otherwise.

A number of directors and officers of the Company reside outside of Canada. It may not be possible for shareholders to effect service of process outside of Canada against the directors and officers of the Company, and independent qualified persons engaged by the Company, who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of such persons for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against persons not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law or other claims in original actions instituted in the UK. Courts in the UK may refuse to hear a claim based on a violation of Canadian securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

Principal Shareholder Risk

According to the public record, Mr. Peter Rands, a director, officer and promoter of the Company and his spouse collectively own or control 88,050,434 Common Shares, representing approximately 27.4% of the Company's issued and outstanding Common Shares. By virtue of his status as the principal shareholder of the Company, Mr. Rands has the power to exercise significant influence over all matters requiring shareholder approval, including the election of directors, amendments to the Company's constating documents and strategic transactions, including mergers, acquisitions, business combinations and the sale of substantially all of the Company's assets.

SMALL PHARMA INC.

Interim Condensed Consolidated Financial Statements

Three months ended May 31, 2023 and 2022

(Expressed in Canadian Dollars)

SMALL PHARMA INC.

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SMALL PHARMA INC.
Interim Condensed Consolidated Statements of Financial Position as at
(Expressed in Canadian dollars)

	May 31, 2023 $	February 28, 2023 $
ASSETS		
Current assets		
Cash	13,151,992	18,536,958
Trade and other receivables (Note 5)	625,774	800,173
Prepaid expenses (Note 6)	874,069	987,114
Total current assets	14,651,835	20,324,245
Non-current assets		
Property and equipment (Note 3)	48,756	54,341
Right-of-use asset (Note 3)	540,962	605,233
Total non-current assets	589,718	659,574
Total assets	15,241,553	20,983,819
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6 & 10)	2,686,680	3,217,785
Lease liabilities (Note 4)	315,120	303,650
Total current liabilities	3,001,800	3,521,435
Non-current liabilities		
Lease liabilities (Note 4)	233,136	305,903
Total non-current liabilities	233,136	305,903
Total liabilities	3,234,936	3,827,338
Shareholders' equity (deficit)		
Share capital (Note 7)	69,722,807	69,722,807
Share-based payment reserve (Notes 8 & 9)	4,232,653	4,117,212
Accumulated other comprehensive loss	(1,664,649)	(2,043,011)
Deficit	(60,284,194)	(54,640,527)
Total shareholders' equity (deficit)	12,006,617	17,156,481
Total liabilities and shareholders' equity (deficit)	15,241,553	20,983,819

Commitments (Note 11)
Subsequent event (Note 13)

Approved and authorized for issuance on behalf of the board of directors on July 27, 2023:

/s/ Michael Wolfe
Michael Wolfe, Director

/s/ George Tziras
George Tziras, Director

SMALL PHARMA INC.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss for the
(Expressed in Canadian dollars)

	Three months ended May 31, 2023 $	Three months ended May 31, 2022 $
Revenue	-	-
Expenses		
Investor and public relations	169,777	348,363
Consulting fees	4,856	177,092
Depreciation	85,526	5,686
Directors' fees	81,612	73,000
Foreign exchange loss	4,308	7,940
Office and miscellaneous	247,059	134,900
Professional fees	933,150	887,732
Occupancy costs	13,407	51,593
Research and development	2,494,099	2,088,702
Salaries and benefits (Note 6)	1,586,042	1,881,123
Share-based payment expense (Note 9)	115,441	109,598
Transfer agent and filing fees	14,206	19,899
Total expenses	5,749,483	5,785,628
Loss before other items	(5,749,483)	(5,785,628)
Other items		
Interest expense (Note 4)	(7,617)	-
Interest income	113,433	3,924
Total other items	105,816	3,924
Net loss for the period before income taxes	(5,643,667)	(5,781,704)
Income tax expense	-	-
Net loss for the period	(5,643,667)	(5,781,704)
Other comprehensive income (loss)		
Foreign currency translation gain (loss)	378,362	(2,255,379)
Comprehensive loss for the period	(5,265,305)	(8,037,083)
Net loss per share, basic and diluted (Note 7 (e))	(0.02)	(0.02)
Weighted average shares outstanding (Note 7 (e))	321,562,487	320,091,655

The accompanying notes are an integral part of these interim condensed consolidated financial statements

SMALL PHARMA INC.
Interim Condensed Consolidated Statements of Changes in Equity (Deficit) for the
(Expressed in Canadian dollars)

Three months ended May 31, 2023	Share capital		Share-based payment reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' equity (deficit)
	Number of shares	Amount				
		$	$	$	$	$
Balance, March 1, 2023	321,562,487	69,722,807	4,117,212	(2,043,011)	(54,640,527)	17,156,481
Share-based payment expense	-	-	115,441	-	-	115,441
Foreign currency translation gain	-	-	-	378,362	-	378,362
Net loss for the period	-	-	-	-	(5,643,667)	(5,643,667)
Balance, May 31, 2023	321,562,487	69,722,807	4,232,653	(1,664,649)	(60,284,194)	12,006,617

Year ended February 28, 2023	Share capital		Share-based payment reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' equity (deficit)
	Number of shares	Amount				
		$	$	$	$	$
Balance, March 1, 2022	319,625,487	69,970,184	3,009,042	(193,657)	(31,708,958)	41,076,611
Shares issued pursuant to exercise of stock options	3,725,000	140,307	(80,441)	-	-	59,866
Purchase of shares through normal course issuer bid for cancellation (Note 7 (b))	(1,788,000)	(387,684)	-	-	(95,356)	(483,040)
Share-based payment expense	-	-	1,188,611	-	-	1,188,611
Foreign currency translation loss	-	-	-	(1,849,354)	-	(1,849,354)
Net loss for the year	-	-	-	-	(22,836,213)	(22,836,213)
Balance, February 28, 2023	321,562,487	69,722,807	4,117,212	(2,043,011)	(54,640,527)	17,156,481

The accompanying notes are an integral part of these interim condensed consolidated financial statements

SMALL PHARMA INC.
Interim Condensed Consolidated Statements of Cash Flows for the
(Expressed in Canadian dollars)

	Three months ended May 31, 2023 $	Three months ended May 31, 2022 $
Operating activities		
Net loss for the period	(5,643,667)	(5,781,704)
Items not involving cash:		
Depreciation	85,526	5,686
Foreign exchange loss	4,308	7,940
Share-based payment expense (Note 9)	115,441	109,598
Accretion of interest on lease liabilities (Note 4)	7,617	-
Changes in non-cash operating working capital:		
Trade and other receivables	191,959	483,940
Prepaid expenses	133,461	(257,817)
Accounts payable and accrued liabilities	(653,645)	(871,321)
Net cash used in operating activities	(5,759,000)	(6,303,678)
Investing activities		
Acquisition of property and equipment	-	(10,710)
Net cash used in investing activities	-	(10,710)
Financing activities		
Proceeds from exercise of stock options (Note 7 (d))	-	15,156
Lease liabilities rent paid (Note 4)	(83,417)	-
Net cash (used in) provided by financing activities	(83,417)	15,156
Effect of exchange rate changes on cash	457,451	(2,357,492)
Change in cash	(5,384,966)	(8,656,724)
Cash, beginning of period	18,536,958	40,656,069
Cash, end of period	13,151,992	31,999,345

There were no non-cash transactions during the three months ended May 31, 2023 or May 31, 2022.

The accompanying notes are an integral part of these interim condensed consolidated financial statements

1. Nature of Operations and Continuance of Business

Small Pharma Inc. (formerly, Unilock Capital Corp.) (the "Company" or "Small Pharma Inc.") was incorporated under the *Business Corporations Act* (British Columbia) (the "BCBCA") on January 23, 2018. The Company is a biotechnology company focused on developing short-duration psychedelic-assisted therapies for the treatment of mental health conditions. The Company's head office is located at 50 Featherstone Street, London, UK.

Effective April 29, 2021, and pursuant to the terms of an agreement entered into between the Company, certain shareholders of the Company and Small Pharma Ltd on November 30, 2020, as amended on February 23, 2021, the Company completed its acquisition of all of the issued outstanding ordinary shares of Small Pharma Ltd which constituted the Company's qualifying transaction under TSX Venture Exchange ("TSXV") Policy 2.4 - *Capital Pool Companies*. This transaction constituted a reverse acquisition of the Company by Small Pharma Ltd, with Small Pharma Ltd being identified as the accounting acquirer. As a result, these interim condensed consolidated financial statements are a continuation of Small Pharma Ltd. The Company's results of operations are included from April 29, 2021, onwards, except for capital which has been retroactively adjusted to reflect the capital of the Company.

2. Significant Accounting Policies

(a) Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to interim financial information, as outlined in International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and using the accounting policies consistent with those in the audited consolidated financial statements as at and for the year ended February 28, 2023.

These interim condensed consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the annual consolidated financial statements as at and for the year ended February 28, 2023. Interim results are not necessarily indicative of the results expected for the fiscal year.

These interim condensed consolidated financial statements were authorized for issuance by the board of directors on July 27, 2023.

These interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, including Small Pharma Ltd, a company incorporated in the UK on February 4, 2015, Small Pharma (US) Inc., a company incorporated in the State of Delaware, USA on July 5, 2022 that does not currently have significant assets and is not currently conducting active business operations and an amalgamated entity ("Amalco") formed between 1292589 B.C. Ltd. ("Subco") and Small Pharma Financing Inc. in connection with the qualifying transaction until Amalco's dissolution on October 7, 2021.

Subsidiaries are those entities over which the Company has control. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date control commences until the date that control ceases.

All intercompany transactions have been eliminated on consolidation.

(b) Basis of Presentation

These interim condensed consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and equity instruments which are measured at fair value. All monetary references expressed in these notes are in Canadian dollars unless otherwise indicated.

3. Non-current assets

	Property and equipment $	Right-of-use asset $
Cost:		
Balance, February 28, 2023	107,117	630,988
Foreign currency translation	2,635	15,528
Balance, May 31, 2023	109,752	646,516
Accumulated depreciation:		
Balance, February 28, 2023	(52,776)	(25,755)
Foreign currency translation	(1,343)	(1,150)
Depreciation	(6,877)	(78,649)
Balance May 31, 2023	(60,996)	(105,554)
Net book value at May 31, 2023	48,756	540,962

	Property and equipment $	Right-of-use asset $
Cost:		
Balance, February 28, 2022	91,320	-
Foreign currency translation	(2,806)	422
Additions	18,603	630,566
Balance, February 28, 2023	107,117	630,988
Accumulated depreciation:		
Balance, February 28, 2022	(29,531)	-
Foreign currency translation	236	(795)
Depreciation	(23,481)	(24,960)
Balance, February 28, 2023	(52,776)	(25,755)
Net book value at February 28, 2023	54,341	605,233

The right-of-use asset relates to the lease of office space. Refer to Note 4.

4. Lease Liabilities

The Company's leases are for office space and contain no renewal options.

As at May 31, 2023 and February 28, 2023, the Company had lease liabilities as follows:

	$
Carrying value, February 28, 2022	-
Recognition on inception	620,149
Accretion of interest	2,565
Foreign currency translation gain	75
Rental payments made	(13,236)
Carrying value, February 28, 2023	609,553
Accretion of interest	7,617
Foreign currency translation gain	14,503
Rental payments made	(83,417)
Carrying value, May 31, 2023	548,256

The following amounts are the future minimum annual lease payments as at May 31, 2023 and February 28, 2023:

	May 31, 2023 $	February 28, 2023 $
Within one year	335,857	327,790
In the second to third years	237,899	314,133
Total lease obligations	573,756	641,923
Discount at incremental borrowing rate of 5.24%	(25,500)	(32,370)
Net lease liabilities	548,256	609,553
Current lease liabilities	315,120	303,650
Non-current lease liabilities	233,136	305,903

Total cash outflows for lease liabilities for the three months ended May 31, 2023 was $83,417 (2022: $nil). In addition there were cash outflows for short-term leases for the three months ended May 31, 2023 of $13,407 (2022: $51,593).

5. Trade and Other Receivables

The Company's trade and other receivables are comprised of the following:

	May 31, 2023 $	February 28, 2023 $
Sales tax receivables	619,630	793,895
Other receivables	6,144	6,278
Total	625,774	800,173

During the three months ended May 31, 2023, the Company received a $nil tax credit relating to research and development expenditures claimed (three months ended May 31, 2022 - $655,166 tax credit relating to research and development expenditures claimed for the year ended February 28, 2021). As at May 31, 2023, the Company had $nil in research and development tax credits receivable (February 28, 2023 - $nil) included in the trade and other receivables balance.

6. Related Party Transactions

The key management personnel of the Company are considered to be the directors of the Company and those other members of senior management who are directly involved in strategic decision-making.

The Company incurred salaries and benefits to key management personnel as follows:

	Three months ended May 31, 2023 $	Three months ended May 31, 2022 $
Base compensation and bonuses	1,067,035	1,024,886
Pension benefits	13,632	24,601
Share-based payments	6,029	13,121
Total	1,086,696	1,062,608

At May 31, 2023, amounts owed by the Company to related parties in relation to directors' fees of $21,250 (February 28, 2023 - $21,250) as well as key management compensation and bonuses of $114,902 (February 28, 2023 - $67,184) were included in accounts payable and accrued liabilities. At May 31, 2023, $474,244 (February 28, 2023 - $617,138) in key management compensation was included in prepaid expenses. At May 31, 2023, this amount reflected a retention payment to an officer of the Company which was eligible to clawback in whole or in part pursuant to the terms and conditions of such officer's retention agreement. Following period-end, the Company and the officer entered into an agreement pursuant to which it was agreed that, in addition to other matters, the obligations for full payment of the retention amount have been satisfied, with no repayment due.

7. Share Capital

Authorized: Unlimited number of common shares without par value.

(a) Share capital continuity:

	Number of shares	$
Balance, February 28, 2022	319,625,487	69,970,184
Shares issued pursuant to exercise of stock options	3,725,000	140,307
Purchase and cancellation of shares through normal course issuer bid	(1,788,000)	(387,684)
Balance, February 28, 2023 and May 31, 2023	321,562,487	69,722,807

(b) Normal course issuer bid program

On August 18, 2022, the TSXV accepted the Company's notice of intention to establish an NCIB. The NCIB permits the purchase for cancellation of up to 5,000,000 of the Company's common shares, over a 12 month period, representing 1.55% of the Company's issued and outstanding shares on the date of announcement.

The NCIB commenced on August 19, 2022 and will terminate by the earlier of: August 18, 2023 and the date the Company has acquired the maximum number of common shares under the NCIB. The Company may also, at its discretion, terminate the NCIB prior to such date. The price paid for any common shares purchased under the NCIB will be the market price of such shares at the time of the applicable purchases.

During the year ended February 28, 2023, the Company purchased and cancelled 1,788,000 common shares at a weighted average price of $0.270 per share, net of commission costs, for a total amount of $483,040. No purchases or cancellations occurred during the three months ended May 31, 2023. The Company intends to cancel all future purchases of common shares under the NCIB within eight days following the month in which such purchases occurred.

(c) Movements in issued share capital in the current period:

- There were no movements in share capital during the three months ended May 31, 2023.

(d) Movements in issued share capital in the prior year:

- On April 14, 2022, the Company issued 912,500 common shares for proceeds of $15,156 pursuant to the exercise of stock options. The fair value of stock options exercised of $20,504 was transferred from share-based payment reserve to share capital.
- On June 15, 2022, the Company issued 1,050,000 common shares for proceeds of $16,574 pursuant to the exercise of stock options. The fair value of stock options exercised of $22,389 was transferred from share-based payment reserve to share capital.
- On June 21, 2022, the Company issued 912,500 common shares for proceeds of $14,628 pursuant to the exercise of stock options. The fair value of stock options exercised of $19,795 was transferred from share-based payment reserve to share capital.
- On July 26, 2022, the Company issued 850,000 common shares for proceeds of $13,508 pursuant to the exercise of stock options. The fair value of stock options exercised of $17,753 was transferred from share-based payment reserve to share capital.
- Pursuant to the NCIB (Note 7 (b) above), during the year ended February 28, 2023 the Company purchased for cancellation 1,788,000 common shares for a total cost of $483,040. All 1,788,000 common shares were cancelled during the year ended February 28, 2023.

7. Share Capital (continued)

(e) Loss per share

The calculation of basic and diluted loss per share is based on the following losses and number of common shares:

	Three months ended May 31, 2023	Three months ended May 31, 2022
Net loss for the period	$ (5,643,667)	$ (5,781,704)
Weighted average number of shares outstanding - basic and diluted	321,562,487	320,091,655
Loss per share - basic and diluted	$ (0.02)	$ (0.02)

The diluted weighted average number of shares does not take into account the effects of stock options and warrants outstanding as they would be anti-dilutive for all periods above.

(f) Restrictions on shares

Following completion of the Qualifying Transaction, at February 28, 2022 140,426,893 common shares and 11,384,127 stock options were required to be held in escrow or subject to a contractual restriction on transfer. On November 4, 2022 all remaining common shares and options under restrictions were released from escrow. As a result, at February 28, 2023 and May 31, 2023 no common shares or options were subject to escrow or contractual restrictions on transfer.

8. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, February 28, 2022 and February 28, 2023	3,947,547	0.96
Expired	(3,947,547)	(0.96)
Balance, May 31, 2023	-	-

All outstanding warrants expired without exercise on April 29, 2023.

9. Stock Options

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price $
Outstanding, February 28, 2022	19,951,833	0.08
Granted	7,300,000	0.17
Exercised	(3,725,000)	0.02
Expired	(130,433)	0.46
Outstanding, February 28, 2023	23,396,400	0.12
Granted	3,725,000	0.09
Lapsed	(525,000)	0.17
Outstanding, May 31, 2023	26,596,400	0.11

Additional information regarding stock options outstanding as at May 31, 2023 is as follows:

	Outstanding			Vested	Non-vested
Range of exercise prices $	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of options outstanding	Number of options outstanding
0.0175	9,160,100	7.6	0.0175	9,160,100	-
0.0035	2,891,300	6.9	0.0035	2,891,300	-
0.49	1,090,000	8.2	0.49	1,090,000	-
0.40	150,000	8.2	0.40	150,000	-
0.435	30,000	8.5	0.435	30,000	-
0.245	1,437,500	8.7	0.245	387,500	1,050,000
0.30	1,075,000	8.8	0.30	268,750	806,250
0.175	6,300,000	9.0	0.175	6,300,000	-
0.105	1,000,000	9.1	0.105	1,000,000	-
0.09	3,462,500	9.8	0.09	731,250	2,731,250
	26,596,400	8.3	0.11	22,008,900	4,587,500

9. Stock Options (continued)

Additional information regarding stock options outstanding as at February 28, 2023 is as follows:

	Outstanding			Vested	Non-vested
Range of exercise prices $	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of options outstanding	Number of options outstanding
0.0175	9,160,100	7.8	0.0175	9,160,100	-
0.0035	2,891,300	7.1	0.0035	2,891,300	-
0.49	1,090,000	8.4	0.49	1,090,000	-
0.40	150,000	8.5	0.40	150,000	-
0.435	30,000	8.7	0.435	30,000	-
0.245	1,700,000	8.9	0.245	212,500	1,487,500
0.30	1,075,000	9.0	0.30	134,375	940,625
0.175	6,300,000	9.3	0.175	6,300,000	-
0.105	1,000,000	9.4	0.105	750,000	250,000
	23,396,400	8.4	0.12	20,718,275	2,678,125

During the three months ended May 31, 2023, the Company recorded share-based payment of $115,441 (2022 - $109,598).

The fair values for stock options granted have been estimated using the Black-Scholes option-pricing model assuming no expected dividends, no forfeitures, and the following weighted average assumptions:

	Three months ended May 31, 2023	Three months ended May 31, 2022	Year ended February 28, 2023
Risk-free interest rate	4.04%	n/a	2.48%-2.65%
Expected volatility	100%	n/a	100%
Expected option life (in years)	5	n/a	5

10. Fair Value Measurements and Risk Management

(a) Fair Values

The fair values of the Company's financial instruments, which include cash, trade and other receivables (excluding sales tax receivables), and accounts payable, accrued liabilities and lease liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

Fair value hierarchy

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

10. Fair Value Measurements and Risk Management (continued)

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and trade and other receivables. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. For trade and other receivables, the Company limits its exposure to credit risk by dealing with what management believes to be financially sound counter parties. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in a foreign currency.

Small Pharma Ltd, the Company's operating subsidiary, operates in the UK and has certain monetary financial instruments denominated in British pound sterling. Small Pharma (US) Inc., an indirect subsidiary of the Company, operates in the US and has certain monetary financial instruments denominated in US dollars. The Company has not entered into foreign exchange rate contracts to mitigate this risk.

The following table indicates the impact of foreign currency exchange risk on net working capital as at May 31, 2023. The table below also provides a sensitivity analysis of a 10% strengthening of the foreign currency against functional currencies identified which would have increased (decreased) the Company's comprehensive loss for the period by the amounts shown in the table below. A 10% weakening of the foreign currency against the functional currencies would have had the equal but opposite effect as at May 31, 2023 and February 28, 2023.

	May 31, 2023 $	February 28, 2023 $
Cash	13,035,972	17,724,885
Trade and other receivables	523,667	713,588
Accounts payable and accrued liabilities	(1,948,104)	(2,699,903)
Lease liabilities	(548,256)	(609,553)
Total foreign currency financial assets and liabilities	11,063,279	15,129,017
Impact of a 10% strengthening or weakening of foreign exchange rate	1,106,328	1,512,902

(d) 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 is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

10. Fair Value Measurements and Risk Management (continued)

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company relies on raising debt or equity financing in a timely manner.

The following amounts are the contractual maturities of financial liabilities as at May 31, 2023 and February 28, 2023:

As at May 31, 2023	Total $	Within 1 year $	Within 2-5 years $
Accounts payable and accrued liabilities	2,686,680	2,686,680	-
Lease liabilities	573,756	335,857	237,899
Total financial liabilities	3,260,436	3,022,537	237,899

As at February 28, 2023	Total $	Within 1 year $	Within 2-5 years $
Accounts payable and accrued liabilities	3,217,785	3,217,785	-
Lease liabilities	641,923	327,791	314,133
Total financial liabilities	3,859,709	3,545,576	314,133

11. Commitments

The Company has commitments primarily for contracts supporting clinical trials. The Company is subject to commitments as follows:

As at May 31, 2023	$
Within one year	3,045,963
In the second to third years	391,247
In the fourth to fifth years	77,508
Total	3,514,718

As at May 31, 2023 there is an unprovided contingent liability of $2,156,183 in relation to officers and employee bonuses in relation to the financial year ended February 28, 2023. The board approved payment of these bonuses in the event that certain conditions are satisfied. Management's view is that it is unlikely that the conditions will be satisfied to trigger the payment of these bonuses and therefore $nil has been included in accounts payable and accrued liabilities at May 31, 2023.

12. Segmented Information

The Company has one operating segment, research and development of psychedelic and non-psychedelic medicine. The Company's head office and operations are in the UK. Geographic information for non-current assets is as follows:

As at May 31, 2023	Canada $	UK $	Total $
Property and equipment	-	48,756	48,756
Right-of-use asset	-	540,962	540,962
	-	589,718	589,718

As at February 28, 2023	Canada $	UK $	Total $
Property and equipment	-	54,341	54,341
Right-of-use asset	-	605,233	605,233
	-	659,574	659,574

For the three months ended May 31, 2023, the Company did not generate any revenue (May 31, 2022 - $nil).

13. Subsequent Event

Effective as of July 1, 2023, Mr. Peter Rands, co-founder, Chief Innovation & Intellectual Property Officer and former Chief Executive Officer of the Company, left his positions as an executive officer and director of the Company and its subsidiaries. In connection with his departure, compensation payments of $275,628 were made.

SMALL PHARMA INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the three months to May 31, 2023

Date: July 27, 2023

Management's Discussion and Analysis

This Management's Discussion and Analysis ("**MD&A**") has been prepared by management of Small Pharma Inc. ("**Small Pharma**" or the "**Company**") and should be read in conjunction with Small Pharma's audited consolidated financial statements and notes for the three months ended May 31, 2023 and 2022 (the "**Financial Statements**"), which may be viewed under the Company's SEDAR profile at www.sedar.com. The Financial Statements have been prepared using International Financial Reporting Standards. All amounts are in Canadian dollars unless otherwise specified.

This MD&A contains disclosure of material changes related to Small Pharma occurring up to and including July 27, 2023, except where otherwise noted.

Exchange Rates

The following table sets forth the value of one £ expressed in Canadian dollars, based on the daily average exchange rates quoted by the Bank of Canada for the dates indicated:

	Three months ended May 31, 2023	**Three months ended May 31, 2022**
As at end of period	1.6862	1.5937
Low for the period	1.6258	1.5819
High for the period	1.7070	1.6959
Average rate for the period	1.6752	1.6338

Forward-Looking Statements

Certain statements contained in this MD&A constitute "forward-looking information" and "forward-looking statements". All statements other than statements of historical fact contained in this MD&A are forward-looking statements. Such statements can, in some cases, be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," or "anticipate," "potential," "proposed," "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. The forward-looking statements included in this MD&A are made only as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by applicable securities laws.

Forward-looking statements in this MD&A are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. These forward-looking statements include, but are not limited to, statements regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding business and operating strategies, and the Company's ability to operate on a profitable basis. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include:

Risks related to the Company's financial position:

- limited operating history;
- clinical-stage biotechnology company with history of losses since inception;
- additional capital requirements;
- speculative nature of investment risk;
- costs of operating as a public company;
- milestones and use of funds;

Risks pertaining to the Company's business and industry:

- early stage of the industry and product development;
- negative operating cash flow and going concern;
- limited product scope;
- limited marketing and sales capabilities;
- research and development ("**R&D**") objectives and milestones;
- management of growth;
- no assurance of commercial success;
- risk of partnering or out-licensing products;
- lack of commercialization experience;
- achieving publicly announced milestones;
- market access and acceptance;
- unfavourable publicity or consumer perception;
- future pandemics, epidemics and other health risks;
- social media;
- biotechnology and pharmaceutical market competition;
- decriminalization of psychedelics;
- product liability;
- product and material recalls;
- distribution and supply chain interruption;
- difficulty to forecast;
- product viability;
- success of quality control systems;
- reliance on key inputs;
- enforcing contracts;
- business expansion, growth and business combinations;
- reliance on key executives and scientists;
- employee misconduct;
- liability arising from fraudulent or illegal activity;
- conflicts of interest;
- operating risk and insurance coverage;
- computer system failures;
- foreign operations;
- dependence on foreign operating subsidiary;
- exchange rate fluctuations;
- estimates or judgments relating to critical accounting policies;
- effects of inflation;
- political and economic conditions;
- cybersecurity and privacy risk;
- environmental regulation and risks;
- litigation;
- anti-corruption and anti-bribery laws;

Risks related to regulatory compliance:

- products subject to controlled substance laws and regulations;

- risks pertaining to legislation changes;
- nature of regulatory approvals;
- continued regulatory review and obligations;
- failure to comply with health and data protection laws and regulations;
- failure to comply with pharmaceutical industry standards;

Risks pertaining to clinical development:
- reliance on third parties for clinical development activities;
- risks related to third party relationships;
- reliance on contract manufacturers;
- commercial scale product manufacturing;
- safety and efficacy of products;
- clinical testing and commercialization of product candidates;
- clinical trial publications;
- completion of clinical trials;
- later stage clinical trials failure;
- negative results of external client trials or studies;
- lack of expedited status;

Risks related to intellectual property:
- reliance on patents and other intellectual property rights;
- patent litigation;
- invalid or unenforceable patents;
- compliance with procedural requirements;
- trade secrets;
- trademark protection;
- intellectual property litigation costs;
- third-party licenses;
- failure to comply with potential future intellectual property or license agreements;
- intellectual property rights may fail to protect competitive advantage;
- employee patent claim liability;
- intellectual property rights of third parties;
- obtaining or maintaining necessary rights for current or future therapeutic candidates through acquisitions and in-licenses;
- patent law reforms;
- difficulties securing jurisdictional intellectual property rights;

Risks related to the common shares in the capital of the Company (the "**Common Shares**")
- substantial number of authorized but unissued Common Shares;
- dilution;
- market for Common Shares;
- significant sales of Common Shares;
- volatile market price for Common Shares;
- normal course issuers bids;
- tax issues;
- discretion over the use of proceeds;
- no dividends;
- enforcement of legal rights; and
- principal shareholder risk

Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, the Company cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. In particular, the Company has made assumptions regarding, among other things:

- substantial fluctuation of losses from quarter to quarter and year to year due to numerous external risk factors, and anticipation that we will continue to incur significant losses in the future;
- uncertainty as to the Company's ability to raise additional funding to support operations;
- the Company's ability to access additional funding;
- the fluctuation of foreign exchange rates;
- the risks associated with the development of the Company's product candidates which are at early stages of development;
- reliance upon industry publications as the Company's primary sources for third-party industry data and forecasts;
- reliance on third parties to plan, conduct and monitor the Company's preclinical studies and clinical trials;
- reliance on third party contract manufacturers to deliver quality clinical and preclinical materials;
- the Company's product candidates may fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or may not otherwise produce positive results;
- risks related to filing investigational new drug applications to commence clinical trials and to conduct clinical trials, if approved;
- the risks of delays and inability to complete clinical trials due to difficulties enrolling patients;
- competition from other biotechnology and pharmaceutical companies;
- the Company's reliance on the capabilities and experience of the Company's key executives and scientists and the resulting loss of any of these individuals;
- the Company's ability to fully realize the benefits of potential acquisitions;
- the Company's ability to adequately protect the Company's intellectual property and trade secrets;
- the risk of patent-related or other litigation; and
- the risk of unforeseen changes to the laws or regulations in the United Kingdom ("**U.K.**"), the European Union ("**EU**"), the United States ("**U.S.**") and other jurisdictions in which the Company operates or plans to operate.

Drug development involves long lead times, is very expensive and involves many variables of uncertainty. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Company. Every subject treated in future studies can change those assumptions either positively (to indicate a faster timeline to new drug applications and other approvals) or negatively (to indicate a slower timeline to new drug applications and other approvals). This MD&A contains certain forward-looking statements regarding anticipated or possible drug development timelines. Such statements are informed by, among other things, regulatory guidelines for developing a drug with safety and tolerability studies, proof of concept studies, and pivotal studies for new drug application submission and approval, and assumes the success of implementation and results of such studies on timelines indicated as possible by such guidelines, other industry examples, and the Company's development efforts to date.

Please refer to Appendix "A" for additional and detailed risks that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein.

In addition to the factors set out above and those identified in this MD&A under "Risks and uncertainties" and Appendix "A", other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

Overview of Small Pharma's Business

Small Pharma is a biotechnology company focused on developing short-duration psychedelic-assisted therapies for the treatment of mental health conditions. The Company has initiated programs across its "First-generation" and "Second-generation" psychedelics portfolio. First-generation psychedelics refer to the well-known classic psychedelics such as psilocybin, N, N-dimethyltryptamine ("**DMT**") and Lysergic acid diethylamide (LSD). Second-generation psychedelics refer to those that have been chemically modified with the aim to optimize their therapeutic benefit. The Company is focused on the development of its pharmaceutical psychedelic assets with the inclusion of supportive therapy, anticipating this treatment paradigm to be important for optimizing beneficial patient outcomes.

Company Description

Small Pharma was incorporated under the *Business Corporations Act* (British Columbia) (the "**BCBCA**") on January 23, 2018. On April 29, 2021, the Company changed its name from Unilock Capital Corp. in connection with the completion of the Qualifying Transaction (defined below). The Company's head office is located at 50 Featherstone Street, London, United Kingdom.

The Common Shares were listed for trading on the TSX Venture Exchange (the "**TSXV**") under the symbol "UUU.P" on November 16, 2018. Pursuant to TSXV Policy 2.4 - *Capital Pool Companies* ("**TSXV Policy 2.4**"), the Company did not carry on any business or operations other than identifying and evaluating business opportunities for the purpose of completing a qualifying transaction until completion of the Qualifying Transaction.

On November 30, 2020, the Company, Small Pharma Ltd ("**SPL**") and certain shareholders of the Company entered into an agreement, as amended on February 23, 2021, pursuant to which the Company agreed to acquire all of the issued and outstanding ordinary shares of SPL (the "**Qualifying Transaction**"). On March 25, 2021, in connection with the Qualifying Transaction, the Company made an offer to all holders of the outstanding ordinary shares of SPL ("**SPL Shares**") to purchase all of their SPL Shares currently held or to be held prior to the closing of the Qualifying Transaction. On April 29, 2021, the Company completed its acquisition of all of the SPL Shares. The Qualifying Transaction constituted the Company's "qualifying transaction" as such term is defined in TSXV Policy 2.4.

In conjunction with the Qualifying Transaction, Small Pharma Financing Inc. ("**Finco**"), a special purpose financing vehicle incorporated solely for the purposes of completing a financing for aggregate gross proceeds of approximately $58,000,000 (the "**Brokered Offering**") in connection with the Qualifying Transaction, completed a "three-cornered" amalgamation pursuant to the provisions of the BCBCA with the Company and a wholly-owned subsidiary of the Company (the "**Amalgamation**"). Pursuant to the Amalgamation, all common shares in the capital of Finco were exchanged for Common Shares on a one-for-one basis. Finco and the Company's wholly-owned subsidiary amalgamated, with the resulting entity ("**Amalco**") becoming a wholly-owned subsidiary of the Company. On October 7, 2021, Amalco was dissolved under the BCBCA and is no longer a subsidiary of the Company.

On completion of the Qualifying Transaction, the Company continued the business of SPL as a biotechnology company specializing in intellectual property ("**IP**") led development of short-duration psychedelic-assisted therapies for the treatment of mental health conditions. In connection with the Qualifying Transaction, the Common Shares commenced trading on the TSXV on May 6, 2021, under the symbol "DMT".

On October 20, 2021, the Company was successfully upgraded from the OTC Pink to the OTCQB® Venture Market (the "**OTCQB**"). The Common Shares are trading on the OTCQB under the symbol "DMTTF".

Select Recent Business Developments

During the three months ended May 31, 2023, the following material developments occurred in the Company's business and securities:

Business Developments

On March 7, 2023, the Company announced further positive data from additional secondary and exploratory endpoints of the SPL026 Phase IIa clinical trial. Further analyses demonstrated that patient-reported depression scores corroborate the MADRS assessments conducted by independent clinical raters. Further, patients receiving at least a single dose of IV SPL026 with supportive therapy experienced clinically relevant improvements in wellbeing and anxiety across all study timepoints, further supporting previously announced topline efficacy results.

On April 4, 2023, the Company announced positive six month data from the SPL026 Phase IIa clinical trial, which showed that, in addition to other matters, among the patients who achieved remission within three months of treatment with SPL026, 64% sustained remission to six months.

On May 25, 2023, the Company announced significant developments in their intellectual property portfolio, including the following updates since the Company's previous portfolio update: (i) five new granted patents; (ii) three additional patents expected to be granted by May 31, 2023, and (iii) five new Notices of Allowance. The patent's cover the Company's four focused areas of protection across multiple markets. Refer to *"Intellectual Property Portfolio"* for additional information.

Securities Developments

On March 1, 2023, the Company granted stock options ("**Options**") to purchase up to an aggregate of 3,725,000 Common Shares to certain employees of the Company pursuant to the Company's stock option plan (the "**Option Plan**'). Each Option is exercisable at $0.09 per Common Share for a period of ten years and is subject to certain vesting requirements.

On April 29, 2023, compensation warrants to purchase 3,947,547 Common Shares at $0.96 per Common Share expired without exercise.

Intellectual Property Portfolio

The Company is building a robust IP portfolio and as of the date of this MD&A, the Company's patent portfolio consists of 17 active patent families with 95 pending applications and 26 granted patents across its psychedelic and non-psychedelic portfolio. The oldest family claims a priority date of June 2016 and the most recently initiated family claims an earliest priority date of March 2023.

Candidate/Program	Relevant patents in portfolio (No. active patents/pending patent applications)[(1)]
Combined SPL026, SPL028 and SPL029[(2)(3)]	4 granted patents, 32 patents pending
SPL028[(4)]	11 granted patents, 32 pending applications
Combined SPL028 and SPL029[(5)(6)]	1 granted patent, 14 pending applications
SPL029[(7)]	5 granted patents, 10 pending applications
SPL801B	5 granted patents, 6 pending applications
Other[(8)]	1 pending application

Notes:

(1) Granted European patents have been counted as a single granted patent (as opposed to multiple patents in each European territory in which the patent is in force). Hong Kong patents and applications have not been included in the figures counted above as they are re-registrations of European rights, as opposed to freestanding patent filings. Patent Cooperation Treaty applications have been included as pending applications unless the deadlines for national / regional phase entries of those applications have passed in which case they are not included in the figures above.

(2) Relevant patents and applications provide, or are anticipated to provide, protection for the SPL026, SPL028, and SPL029 candidates/programs.
(3) On May 4, 2023, the Company received issuance of granted Australian patent no. 2021334933. On May 9, 2023, the Company received issuance of granted US patent no. 11,643,390.
(4) On May 24, 2023, the Company received issuance of granted Great Britain ("GB") patent no. 2 595 776. On June 6, 2023, the Company received issuance of granted GB patent numbers 2 586 940 and 2 592 822. On June 6, 2023 the Company received issuance of granted Japan patent number 7288154. On June 29, 2023, the Company received issuance of granted Australian patent number 2021204158. On July 4, 2023, the Company received issuance of granted New Zealand patent number 794833.
(5) Relevant patents and applications are anticipated to provide protection for the SPL028 and SPL029 candidates.
(6) On May 30, 2023, the Company received issuance of granted US patent no. 11,660,289.
(7) On July 11, 2023, the Company received issuance of granted US patent no. 11,697,638.
(8) Protects other preclinical research.

Results of operations for the three months ended May 31, 2023

The Company currently has one reportable segment, primarily relating to the R&D of psychedelic and non-psychedelic medicine. All financial results in this MD&A relate to this segment.

Net cash used in operating activities for the three months ended May 31, 2023 was $5,759,000 (May 31, 2022 - $6,303,678).

For the three months ended May 31, 2023, Small Pharma incurred a comprehensive loss of $5,265,305, a reduction of $2,771,778 compared to a net comprehensive loss of $8,037,083 during the three months ended May 31, 2022. The reduced loss was primarily the result of foreign currency retranslation gains of $378,362 compared to retranslation losses of $2,255,379 in the three months ended May 31, 2022, in addition to reduced salaries and benefits by $295,081, a reduction in spending on investor and public relations expenditure of $178,586, and lower consulting fees by $172,236 due to a reduction in the use of external service providers. This was partially offset by R&D costs being $405,397 higher due to the advancement of clinical trials and additional spend of $112,159 in office and miscellaneous fees due to additional insurance costs. The retranslation gain arising from foreign exchanges in the three months ended May 31, 2023 was a result of a small weakening of the Canadian dollar against the British pound sterling ("**GBP**") in the first three months of the financial year.

Revenue

The Company is a clinical stage biotechnology company and has not generated revenue to date other than minimal consultancy fees in its initial years as a company.

The Company generated revenue of $nil during the three months ended May 31, 2023 and May 31, 2022.

Cost of Sales

During the three months ended May 31, 2023, the Company did not recognize cost of sales.

Operating expenses - three months ended May 31, 2023

For the three months ended May 31, 2023, total operating expenses were marginally reduced to $5,749,483 from $5,785,628 for the three months ended May 31, 2022. This reduction was largely attributable to the net impact of a reduction in staff costs, costs related to investor and public relations and consulting fees, offset by an increase in R&D and office and miscellaneous fees, each as described under *"Results of operations for the three months ended May 31, 2023*" above and further explained below. The increase in R&D costs reflects the significant progress made regarding (i) the Company's SPL026 and SPL028 clinical programs with three Phase I clinical trials in progress and (ii) the expansion and maturation of the Company's intellectual property portfolio.

R&D costs of $2,494,099 were $405,397 higher than the same period in the prior year due to the significant advancement of the Company's pipeline programs. Staff costs, which include salaries, bonuses, social security and other pension costs were $1,586,042 for the three months ended May 31, 2023, which was a reduction of $295,081 as a result of lower bonus accrual compared to the same period in the previous year. Consulting fees reduced by $172,236 and costs related to investor and public relations fees decreased by $178,586 primarily due to continued targeting of activity in these areas and performing more of these functions in-house. Office and miscellaneous costs increased by $112,159 largely due to an increase in directors' and officers' insurance (with the Company purchasing an insurance policy to replace a $2,500,000 trust indenture with a third-party trustee from April 2021 to cover indemnification claims against the Company's directors and officers.

For the three months ended May 31, 2023, the Company's net finance income amounted to $105,816 compared to finance income of $3,924 in the three months ended May 31, 2022.

Selected Quarterly Information

This selected information is derived from the Company's financial statements prepared for each of the last eight quarters:

	As at and for the three months ended May 31, 2023 $	**As at and for the three months ended February 28, 2023 $**	**As at and for the three months ended November 30, 2022 $**	**As at and for the three months ended August 31, 2022 $**
Total Revenue	Nil	Nil	Nil	Nil
Loss and Comprehensive Loss	(5,265,305)	(1,961,307)	(6,094,830)	(8,667,061)
Basic and Diluted Loss Per Share	(0.02)	(0.01)	(0.02)	(0.02)
Total Assets	15,241,553	20,983,819	25,021,725	29,422,557
Total Non-Current Financial Liabilities	233,136	305,903	Nil	Nil

	As at and for the three months ended May 31, 2022 $	**As at and for the three months ended February 28, 2022 $**	**As at and for the three months ended November 30, 2021 $**	**As at and for the three months ended August 31, 2021 $**
Total Revenue	Nil	Nil	Nil	Nil
Loss and Comprehensive Loss	(8,037,083)	(4,721,393)	(5,657,209)	(3,953,073)
Basic and Diluted Loss Per Share	(0.02)	(0.02)	(0.02)	(0.01)
Total Assets	36,542,854	45,573,882	48,620,708	53,292,897
Total Non-Current Financial Liabilities	Nil	Nil	Nil	Nil

The Company has not paid dividends on the Common Shares and does not anticipate declaring any dividends in the near future.

The increase in comprehensive loss over most periods is largely driven by an increase in activity in the Company's clinical trials, which has resulted in an increase in R&D costs, an increased number of employees and increased costs related to payment of professional and consulting fees to assist in conducting those activities. For the quarter ended November 30, 2022, the increase in R&D costs incurred by the Company was offset by a gain arising from movements in exchange rates of $1,061,593. For the quarter ended February 28, 2023, the increase in R&D costs incurred by the Company was offset by a gain arising from movements in exchange rates of $411,234 income tax recovery in relation to R&D tax credits of $1,885,196. For the most recent quarter ended May 31, 2023, R&D costs are slightly lower than the previous two quarters and partly offset by a gain arising from movement in exchange rates of $378,362.

In January 2021, the Company raised $5,000,000 through the issue of convertible loans and, in April 2021, the Company raised $58,000,000 from the Brokered Offering. Given that cash is the largest element of total assets and that the Company is currently not generating revenue, the decrease in total assets since May 2021 is due to funding the operating costs of the Company's business without a corresponding increase in revenue as the Company undergoes clinical trials and develops its assets in its pipeline portfolio.

Liquidity and Capital Resources

As at May 31, 2023, the Company had positive working capital of $11,650,035. This was primarily the result of the Company continuing to hold cash following the raise of approximately $58,000,000 from the Brokered Offering in connection with the Qualifying Transaction, as described above. In its early clinical phase of operations as a biotechnology company, Small Pharma is, in the short-term, in the pre-revenue stage of its planned growth.

Cash used in operating activities during the three months ended May 31, 2023 was $5,759,000, a decrease of $544,678 from the period ended May 31, 2022. There were no cash inflows from operating activities during the period. Cash outflows from operating activities mainly relate to a net operating loss before other items for the three months ended May 31, 2023 of $5,749,483. The primary elements of the net operating loss relate to R&D costs of $2,494,099, salaries and benefits of $1,586,042, and professional fees of $933,150, each as discussed above in "*Results of Operations for the three months ended May 31, 2023*." At May 31, 2023, $474,244 (February 28, 2023 - $617,138) in key management compensation was included in prepaid expenses. This amount reflects a retention payment to an officer of the Company during the prior year which was eligible to be subject to clawback in whole or in part pursuant to the terms and conditions of such officer's retention agreement. Following period-end, the Company and the officer entered into an agreement pursuant to which it was agreed that, in addition to other matters, the obligations for full payment of the retention payment amount have been satisfied, with no repayment due from the officer.

Cash from financing activities during the three months ended May 31, 2023 was an outflow of $83,417 representing rent paid in relation to lease liabilities. During the three months ended May 31, 2022, cash from financing activities was a $15,156 inflow which was the result of proceeds received from an exercise of Options.

Cash used in investing activities during the during the three months ended May 31, 2023 was $nil. Cash used in investing activities during the three months ended May 31, 2022 was $10,710 and represented the purchase of equipment.

During the three months ended May 31, 2023, the Company incurred a $457,451 unrealized gain on exchange on cash balances (May 31, 2022 - loss of $2,357,492). This gain was a result of a weakening of the Canadian dollar against GBP and has very little impact on the underlying cash burn of the Company.

The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion. As at May 31, 2023, the Company had a cash balance of $13,151,992 and current liabilities of $3,001,800.

The Company's current financial resources are sufficient to meet its short-term liquidity requirements and to fund its operations for at least the following 12 months, exclusive of any additional proceeds to be raised through an equity or debt financing, dependent on timing of the planned clinical trials. The Company may also raise funds pursuant to a supplement to the final base shelf prospectus filed on March 29, 2022.

Contractual obligations and commitments

As at May 31, 2023, the payments due by period are set out in the following table:

	Less than 1 year $	**1-3 years $**	**4 - 5 years $**	**After 5 years $**	**Total $**
Debt	Nil	Nil	Nil	Nil	Nil
Finance Lease Obligations	335,857	237,899	Nil	Nil	573,756
Operating Leases	846	Nil	Nil	Nil	846
Purchase Obligations	Nil	Nil	Nil	Nil	Nil
Future Other Obligations	3,045,117	391,247	77,508	Nil	3,513,872
Total Contractual Obligations	3,381,820	629,146	77,508	Nil	4,088,474

Off-balance sheet arrangements

As at May 31, 2023 and the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company.

Transactions between related parties

Related parties to the Company are considered to be key management personnel including persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined its key management personnel to be executive officers and directors of the Company whom at this time are either full time employees or consultants to the Company. The consultants invoice the Company based on their contract agreements on a monthly basis.

The remuneration of key management personnel during the three months ended May 31, 2023 is provided in Note 6 of the Financial Statements. Remuneration to key management personnel includes base compensation, bonuses, share-based payments and pension benefits. There were no other transactions between related parties.

Risks and uncertainties

Psychedelic products are a new industry globally and, currently, the industry is at a very early stage. As a result, there is a high degree of risk associated with the Company's business. There is a significant risk that the expenditures made by the Company in developing its short-duration psychedelic development programs will not result in profitable operations.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues.

There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

There are a number of risk factors that could cause future results to differ materially from those described herein. Additional risks and uncertainties, including those that the Company does not know about or that it currently deems immaterial, could also adversely affect the Company's business and results of operations.

Information related to the risks and uncertainties faced by the Company can be found in Appendix "A" to this MD&A.

Critical accounting estimates

Refer to Note 2 of the Financial Statements.

Significant accounting policies

Disclosure regarding the Company's significant accounting policies are set out in Note 2 of the Financial Statements. This MD&A should be read in conjunction with the Financial Statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Financial Statements.

Disclosure controls and procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company.

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

Outstanding share data

The authorized capital of the Company consists of an unlimited number of Common Shares without par value, of which 321,562,487 were issued and outstanding as of May 31, 2023. As of the date of this MD&A, the number of Common Shares issued and outstanding remains unchanged.

As at May 31, 2023, 26,596,400 Common Shares were issuable pursuant to Options granted under the Option Plan. As at the date of this MD&A, there are 25,102,650 Common Shares issuable pursuant to granted Options as a result of the following post-quarter end: (i) the cancellation of 525,000 unvested options following an employee's resignation, in accordance with the terms of the Option Plan, and (ii) the deemed cancellation of 968,750 unvested options of staff following the implementation of operational efficiencies which resulted in a headcount reduction of approximately one-third of staff following period-end. Refer to *"Subsequent Events*" for additional information.

As at May 31, 2023, there were nil compensation warrants outstanding as all outstanding warrants expired during the three months ended May 31, 2023 without exercise.

Except as noted above, there are no other Common Shares or securities convertible or exercisable into Common Shares outstanding.

Additional information

Additional information relating to the Company is contained on the Company's SEDAR profile at www.sedar.com.

Approval

The Board has approved the disclosure in this MD&A.

Subsequent Events

On June 6, 2023, the Company received two additional grants for GB patents and an additional grant for a Japan patent. Refer to *"Intellectual Property Portfolio"* for additional information.

On June 28, 2023, the Company announced completion of the Phase I SPL026 Intramuscular ("**IM**") /Intravenous ("**IV**") clinical trial. The Company reported the IM route was well tolerated, with no safety concerns reported a mean pharmacokinetic half life of approximately 40 minutes, and a mean psychedelic experience of approximately 45 minutes. The Company also announced preliminary findings from the first two cohorts of the SPL028 Phase I program in which IV administration elicited a mean psychedelic experience of < 1hour.

Effective as of July 1, 2023, Mr. Peter Rands, co-founder, Chief Innovation & Intellectual Property Officer and former Chief Executive Officer of the Company, left his positions as an executive officer and director of the Company and its subsidiaries. In connection with his departure, compensation payments of $275,628 were made.

On July 5, 2023, the Company announced an R&D strategy update of SPL028, its second-generation DMT program, including preliminary findings from the Phase I SPL028 trial that indicate its potential for a unique therapeutic profile. Further, the Company anticipates the potential for an expedited route to an international, multi-site Phase II study with SPL028 in 2024.

On July 3, 2023, it was determined that Dr. Alastair Riddell will leave his role as Chief Operating Officer and Ms. Marie Layzell will assume those responsibilities in addition to her current role as Chief Manufacturing and Development Officer.

On July 5, 2023, the Company also announced the implementation of operational efficiencies in an effort to focus on achieving key value-based milestones, which included a reduction in headcount of approximately one-third. The operational efficiencies are expected to generate material cost savings, a reduction in its historical annual cash burn, and provide anticipated cash runway extension from current resources to at least Q4 2024 (calendar year-end).

Following period-end, the Company and an officer entered into an agreement pursuant to which it was agreed that, in addition to other matters, the obligations for full payment of the retention amount as indicated under the heading "Liquidity and Capital Resources" have been satisfied, with no repayment due from the officer.

APPENDIX "A"

RISK AND UNCERTAINTIES

Risks Pertaining to the Company's Financial Position and Need for Additional Capital

Limited Operating History

The Company has a limited operating history upon which its business and future prospects will be evaluated. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet future operating requirements, it will need to be successful in its growth, marketing and sales efforts. Additionally, where the Company experiences increased production and future sales, its current operational infrastructure may require changes to scale its business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If the Company's products and services are not accepted by new customers, the Company's operating results may be materially and adversely affected.

Since formation, the Company has invested most of its resources in developing a portfolio of compounds targeted for the treatment of mental health challenges, building its intellectual property portfolio, conducting business planning, raising capital and providing administrative support for these operations. The Company has not yet demonstrated an ability to conduct later-stage clinical trials, partner their late stage development, sell or out licence any of its assets, obtain regulatory approvals, manufacture a commercial-scale product, conduct sales and marketing activities necessary for successful product commercialization.

The Company may encounter unforeseen expenses, difficulties, complications, delays and other known or unknown factors in achieving its business objectives. The Company will eventually need to transition from a company with a development focus to a company capable of supporting commercial activities. The Company may not be successful in such a transition.

Clinical-Stage Biotechnology Company with History of Losses Since Inception

The Company is a clinical-stage biotechnology company and has not generated any sales revenue from any candidates in development. The Company has incurred operating losses since its formation. The Company incurred total net losses of $26,789,961 and $22,278,657 respectively, for the fiscal years ended February 28, 2023 and 2022. The Company's historical losses resulted principally from costs incurred in connection with R&D activities and general and administrative costs associated with its operations. In the future, the Company intends to continue to conduct R&D, nonclinical testing, clinical trials, regulatory compliance, market access, commercialization and business development activities that, together with anticipated general and administrative expenses, will result in incurring further significant losses for at least the next several years. The Company's expected losses, among other things, may continue to cause its working capital and shareholders' equity (deficit) to decrease. The Company anticipates that its expenses will increase substantially if and as the Company, among other things:

- continues the clinical development of the Company's current and future therapeutic candidates including initiating additional and larger clinical trials;
- continues to facilitate the training of therapists who are qualified to deliver the Company's current and future therapeutic candidates in the Company's clinical trials;
- seeks additional indications for the Company's current therapeutic candidate;
- seeks regulatory approvals for any future therapeutic candidates that successfully complete clinical trials;

- experiences heightened regulatory scrutiny;
- explores external business development opportunities through acquisitions, partnerships, licensing deals to add future therapeutic candidates and technologies to the Company's portfolio;
- obtains, maintains, expands and protects the Company's intellectual property portfolio, including litigation costs associated with defending against alleged patent or other intellectual property infringement claims;
- adds clinical, scientific, operational, financial and management information systems and personnel, including personnel to support the Company's therapeutic development and potential future commercialization efforts;
- experiences any delays or encounters any issues with respect to any of the above, including failed studies, ambiguous trial results, safety issues or other regulatory challenges;
- expands the Company's operations in the U.K., EU, US and Canada and potential other geographies in the future;
- establishes a sales, marketing and distribution infrastructure and scale-up manufacturing capabilities to commercialize any therapeutic candidates for which the Company may obtain regulatory approval or partners with other companies and / or governmental, supranational, non-profit and academic institutions or organisations through partnership, out-licensing or other agreements to do so;
- establishes and expands the network of public healthcare institutions and private clinics that administer the Company's therapeutic candidates in conjunction with psychological support; and
- advances its commercialization strategy in North America and Europe, including using digital technologies to enhance the Company's proposed therapeutic offering.

Because of the numerous risks and uncertainties associated with therapeutic development, the Company is unable to accurately predict the timing or amount of increased expenses or when, or if, the Company will be able to achieve profitability. If the Company is required by the MHRA, the European Medicines Agency ("**EMA**"), the US Food and Drug Administration ("**FDA**") or other comparable foreign authorities to perform studies in addition to those the Company currently anticipates, or if there are any delays in completing the Company's clinical trials or the development of the Company's current or any future therapeutic candidates, the Company's expenses could increase beyond current expectations and revenue could be further delayed.

To date, the Company has funded its operations through private placements of equity, convertible notes, as well as grant funding, and consultancy in its early years. To become and remain profitable, the Company will need to continue developing and eventually commercialize therapies that generate significant revenue. Even if the Company or any future collaborators do generate sales, the Company may never achieve, sustain or increase profitability on a quarterly or annual basis. The Company's failure to sustain profitability would depress the market price of the Common Shares and could impair the Company's ability to raise capital, expand the Company's business, diversify the Company's therapeutic offerings or continue the Company's operations. If the Company continues to suffer losses, investors may not receive any return on their investment and may lose their entire investment.

Additional Capital Requirements

To date, the Company and SPL has funded its operations through predominantly private placements of equity and convertible notes in addition to revenue generated from grant funding and consultancy in its early years. The Company expects to require substantial additional funding in the future to sufficiently finance its operations and advance development of its current and/or any future therapeutic candidates. Further, changing circumstances, some of which may be beyond the Company's control, could cause the Company to consume capital significantly faster than the Company currently anticipates, and the Company may need to seek additional funds sooner than planned. The Company's future funding requirements, both short-term and long-term, will depend on many factors, including:

- the progress, timing and completion of nonclinical testing and clinical trials for the Company's current and future therapeutic candidates;
- the outcome, timing and cost of seeking and obtaining regulatory approvals from the MHRA, the EMA, the FDA, the Pharmaceutical Drugs Directorate (formerly the Therapeutic Drugs Directorate) ("**PDD**"), if applicable, or other comparable foreign authorities, including the potential for such authorities to require that the Company perform more nonclinical studies or clinical trials than those that the Company currently expects or change their requirements on studies that had previously been agreed to;
- the number of potential future therapeutic candidates identified and developed, either internally through the Company's R&D efforts or externally through acquisitions, licensing or other collaboration agreements;
- the costs involved in growing the Company's organization to the size needed to allow for the research, development and potential commercialization of the Company's current and any future therapeutic candidates;
- the costs of training therapists who are supporting or will support the Company's clinical trials;
- generating and collecting data and intellectual property; and strengthening the Company's regional presence as a scientific and clinical resource;
- the costs of developing and testing potential digital technology solutions;
- the costs involved in filing patent applications and maintaining and enforcing patents or defending against claims of infringements raised by third parties;
- the time and costs involved in obtaining regulatory approval for the Company's current or any future therapeutic candidates, and any delays the Company may encounter as a result of evolving regulatory requirements or adverse results with respect to its current or any future therapeutic candidates;
- selling and marketing activities undertaken in connection with the potential commercialization of the Company's current or any future therapeutic candidates, if approved, and costs involved in the creation of an effective sales and marketing organization;
- the amount of revenue, if any, the Company may derive either directly or in the form of royalty payments from future sales of its current or any future therapeutic candidates, if approved;
- the costs of operating as a public company; and
- whether the Company considers generating revenue from consulting based activities in the future.

Until the Company can generate sufficient revenue to finance its cash requirements, which the Company may never do, the Company expects to finance its future cash needs through a combination of equity offerings, grant funding, revenue generating consultancy, debt financings, strategic collaborations and alliances, licensing arrangements or monetization transactions.

The Company's ability to raise additional funds will depend on financial, economic and market conditions and other factors, over which the Company may have no or limited control. If adequate funds are not available on commercially acceptable terms when needed, the Company may be forced to delay, reduce or terminate the development or commercialization of all or part of its research programs or its current or any future therapeutic candidate, or the Company may be unable to take advantage of future business opportunities. Market volatility resulting from any future pandemics and the related global economic impact or other factors could also adversely impact the Company's ability to access capital as and when needed.

The Company cannot guarantee that future financing will be available in sufficient amounts, or on commercially reasonable terms, or at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of holders of the Common Shares, the issuance of additional securities, whether equity or debt, by the Company, or the possibility of such issuance, may cause the market price of the Common Shares to decline. The incurrence of indebtedness could result in increased fixed payment obligations and the Company may be required to agree to certain restrictive covenants, such as limitations on its ability to incur additional debt, limitations on its ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact the Company's ability to conduct its business. The Company could also be required to seek funds through arrangements with collaborators or others at an earlier stage than otherwise would be desirable and the Company may be required to relinquish rights to its current or any future therapeutics candidates or otherwise agree to terms unfavorable to the Company, any of which may have a material adverse effect on the Company's business, operating results and prospects. Further, any additional fundraising efforts may divert the Company's management from its day-to-day activities, which may adversely affect the Company's ability to develop and commercialize its current or any future therapeutic candidates.

In addition, heightened regulatory scrutiny could have a negative impact on the Company's ability to raise capital. The Company's business activities rely on developing laws and regulations in multiple jurisdictions. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's current or any future therapeutic candidates may adversely affect the Company's business and operations, including without limitation, the Company's ability to raise additional capital.

Speculative Nature of Investment Risk

An investment in the securities of the Company carries a high degree of risk and should be considered as a speculative investment. The Company has no history of earnings, limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future.

Costs of Operating as a Public Company

As a public company, the Company will incur significant legal, accounting and other expenses. As a public company, the Company is subject to various securities rules and regulations, which impose various requirements on the Company, including the requirement to establish and maintain effective disclosure and financial controls and corporate governance practices. The Company's management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased the Company's legal and financial compliance costs and have made some activities more time-consuming and costly.

Milestones and Use of Funds

As the Company further expands its business, it is possible that results and circumstances may dictate a departure from the current estimates of expected uses of available funds based on the Company's business objectives and milestones. Further, the Company may, from time to time, as opportunities arise, utilize its financial resources to participate in additional opportunities that arise and fit within the Company's broader objectives, as a means of advancing shareholder value.

Risks Pertaining to the Company's Business and Industry

Early Stage of the Industry and Product Development

The clinical efficacy of DMT and its pipeline products have not been confirmed and require further rigorous development. Given the early stage of its product development programs, the Company can make no assurance that its R&D programs will result in regulatory approval or commercially viable products. To achieve profitable operations, the Company, alone or with others, must successfully develop, gain regulatory approval for, and market its future products. The Company currently has no products that have been approved by the MHRA, the EMA, the FDA, the PDD, if applicable, and other comparable foreign authorities. To obtain regulatory approvals for its product candidates being developed and to achieve commercial success, clinical trials must demonstrate that the product candidates are safe for human use and that they demonstrate efficacy.

Many product candidates never reach the stage of clinical testing and even those that do have only a small chance of successfully completing clinical development and gaining regulatory approval. Product candidates can fail for a number of reasons, including, but not limited to, being unsafe for human use or due to the failure to provide therapeutic benefits equal to or better than the current standard of treatment at the time of testing. Unsatisfactory results obtained from a particular study relating to a R&D program may cause the Company or its collaborators to abandon commitments to that program. Positive results of early nonclinical research may not be indicative of the results that will be obtained in later stages of nonclinical or clinical research. Similarly, positive results from early-stage clinical trials may not be indicative of favourable outcomes in later-stage clinical trials, and the Company can make no assurance that any future studies, if undertaken, will yield favourable results.

The early stage of the Company's product development makes it particularly uncertain whether any of its product development efforts will prove to be successful and meet applicable regulatory requirements, and whether any of its product candidates will receive the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or be successfully marketed. If the Company is successful in developing its current and future product candidates into approved products, it will still experience many potential obstacles, which would affect its ability to successfully market and commercialize such approved products, such as the need to develop or obtain manufacturing, marketing and distribution capabilities, price pressures from third-party payors, or proposed changes in health care systems. If the Company is unable to successfully market and commercialize any of its products, its financial condition and results of operations may be materially and adversely affected.

The Company can make no assurance that any future studies, if undertaken, will yield favorable results. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in later-stage clinical trials after achieving positive results in early-stage development, and the Company cannot be certain that it will not face similar setbacks. These setbacks have been caused by, among other things, nonclinical findings made while clinical trials were underway or safety or efficacy observations made in clinical trials, including previously unreported adverse events. Moreover, nonclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in nonclinical studies and clinical trials nonetheless failed to obtain approval from the MHRA, the EMA, the FDA, the PDD, if applicable, and other comparable foreign authorities. If the Company fails to produce positive results in future clinical trials and other programs, the development timeline and regulatory approval and commercialization prospects for the Company's leading product candidates, and, correspondingly, its business and financial prospects, would be materially adversely affected.

Nonclinical testing and clinical trials for the Company's products may not achieve the desired results. The results of nonclinical testing and clinical trials are uncertain. Product approvals are subject to a number of contingencies and may not be obtained in the time expected or at all. The Company's products may not attract a following among patients, health professionals and/or providers. The Company expects to face an inherent risk of exposure to product liability claims, regulatory action and litigation if the products it plans to distribute are alleged to have caused loss or injury. There can be no assurance that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities.

The Company's business relies on its ability to access, develop, and sell DMT-based compounds and other psychedelic compounds. DMT and other psychedelics compounds are controlled substances in many jurisdictions, including in the UK, the EU, the US, and Canada. The Company may face difficulty accessing the public capital markets in Canada as a result of the response of regulators, stock exchanges, and other market participants to the Company's development and sale of a controlled substance. The Company may also have limited access to traditional banking services, as well as limited access to debt financing from traditional institutional lenders.

Negative operating cash flow and going concern

The Company has negative cash flow from operating activities and has historically incurred net losses. There is no assurance that sufficient revenues will be generated in the near future. To the extent that the Company has negative operating cash flows in future periods, it may need to deploy a portion of its existing working capital to fund such negative cash flows. The Company will be required to raise additional funds through the issuance of additional equity securities or through loan financing. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all. The Company's ability to successfully raise additional capital and maintain liquidity may by impaired by factors outside of its control, such as a shift in consumer attitudes towards certain therapeutic methods or a downturn in the economy.

Any inclusion in the Company's financial statements of a going concern opinion may negatively impact the Company's ability to raise future financing and achieve future revenue. The threat of the Company's ability to continue as a going concern will be removed only when, in the opinion of the Company's auditor, the Company's revenues have reached a level that is able to sustain its business operations. If the Company is unable to obtain additional financing from outside sources and eventually generate enough revenues, the Company may be forced to sell a portion or all of the Company's assets, or curtail or discontinue the Company's operations. If any of these events happen, you could lose all or part of your investment. The Company's financial statements do not include any adjustments to the Company's recorded assets or liabilities that might be necessary if the Company becomes unable to continue as a going concern.

Limited Product Scope

The Company will be heavily reliant on the production and distribution of psychedelic-based products. If they do not achieve sufficient market acceptance, it will be difficult for the Company to achieve profitability.

The Company's future revenue may be derived in large part from the sales of psychedelic-based medicines, either directly or indirectly through partnership, sale, out licensing or other agreements.

Even if the medicines to be distributed by the Company conform to international safety and quality standards, sales could be adversely affected if patients, health professionals and/or providers in target markets lose confidence in the safety, efficacy, and quality of its psychedelic based medicines. Adverse publicity about psychedelic treatments may discourage health providers from offering DMT therapy as a treatment as well as discourage patients from agreeing to undergo such treatment.

Limited Marketing and Sales Capabilities

The Company will, for the immediate future, have limited marketing and sales capabilities, and there can be no assurance that it will be able to develop or acquire these capabilities at the level needed to produce and deliver for sale, through industry partners, its products in sufficient commercial quantities. Further, there can be no assurance that the Company, either on its own or through arrangements with other industry participants, will be able to develop or acquire such capabilities on a cost-effective basis, or at all. Finally, there can be no assurance that the Company's industry partners will be able to market or sell the Company's products in compliance with requisite regulatory protocols or on a cost-effective basis. The Company's dependence upon third parties for the production, and marketing or sale, as applicable, of the Company's products could have a material adverse effect on the Company's business, financial condition and results of operations.

No Assurance of Commercial Success

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

No Profits or Significant Revenues

The Company has no history upon which to evaluate its performance and future prospects. The Company's proposed operations are subject to all the business risks associated with new enterprises. These include likely fluctuations in operating results as the Company makes significant investments in research, development and product opportunities, and reacts to developments in its market, including purchasing patterns of customers, and the entry of competitors into the market. The Company will only be able to pay dividends on any shares once its directors determine that it is financially able to do so. The Company cannot make any assurance that it will be profitable in the next three years or generate sufficient revenues to pay dividends to the holders of the Common Shares.

Risk of Partnering or Out-licensing products; Lack of Commercialization Experience

The Company may select to partner one or more products prior to late stage clinical development, or choose to out-licence one or more products during the course of their development plans. A strategy to partner or out-license products requires significant management resources and expense to negotiate such out-licencing deals and the Company may fail in identifying a suitable third party. If the Company enters into arrangements with third parties to perform market access and commercial services for any approved therapies, the revenue or the profitability of these revenues to the Company could be lower than if the Company were to commercialize any therapies that the Company develops itself. Such collaborative arrangements may place the commercialization of any approved therapies outside of the Company's control and would make the Company subject to a number of risks including that the Company may not be able to control the amount or timing of resources that the Company's collaborative partner devotes to the Company's therapies or that the Company's collaborator's willingness or ability to complete its obligations, and the Company's obligations under the Company's arrangements may be adversely affected by business combinations or significant changes in the Company's collaborator's business strategy. The Company may not be successful in entering into arrangements with third parties to commercialize the Company's therapies or may be unable to do so on terms that are favorable to the Company. Acceptable third parties may fail to devote the necessary resources and attention to commercialize the Company's therapies effectively, to set up sufficient number of treatment centers in third-party therapy sites, or to recruit, train and retain adequate number of therapists to administer the Company's therapies. In addition, the Company may explore ways in which it can use digital technology to facilitate the development of or to compliment its therapies. Commercialization partners may lack incentives to promote any future digital technology adopted by the Company and the Company may face difficulties in implementing its digital technologies in third-party therapy sites through such third parties.

The Company may also plan to assemble a sales and marketing infrastructure; however, the Company has limited experience as an organization in the sale or marketing of therapeutic candidates. Should the Company progress towards this commercial strategy, in order to achieve commercial success for any approved therapy, the Company will need to develop or acquire a sales and marketing organization, outsource these functions to third parties or enter into partnerships.

Alternatively, if a product is approved for commercial sale, the Company may decide to establish its own market access and commercialization capabilities in primary markets in Europe and North America. In select geographies, the Company might also consider relying on the support of a contract sales organization, or enter into commercialization arrangements with companies with relevant commercialization capabilities. There are risks involved in establishing the Company's own sales and marketing capabilities, as well as with entering into arrangements with third parties to perform these services. Even if the Company establishes sales and marketing capabilities, the Company may fail to launch the Company's therapies effectively or to market the Company's therapies effectively since the Company has limited organizational experience in the sales and marketing of therapeutic substances. In addition, recruiting and training a sales force is expensive and time-consuming, and could delay any therapeutic launch. In the event that any such launch is delayed or does not occur for any reason, the Company would have prematurely or unnecessarily incurred these commercialization expenses, and the Company's investment would be lost if the Company cannot retain or reposition the Company's sales and marketing personnel. Factors that may inhibit the Company's efforts to commercialize the Company's therapies on the Company's own include:

- the Company's inability to gain access to an adequate number of therapists to meet the demand for DMT therapy;
- the inability of therapists to perform their roles consistently with the Company's training and the Company's guidelines for the administration of the Company's future therapeutic products;
- the Company's inability to recruit, train and retain effective market access and commercial personnel;
- the inability of commercial personnel to obtain access to or educate adequate numbers of physicians on the benefits of prescribing any future therapies;
- the Company's inability to identify a sufficient number of treatment centers in third-party therapy sites to meet the demands of the Company's therapies;
- unforeseen costs and expenses associated with creating an independent market access and commercial organization; and
- costs of market access and commercialization above those anticipated by the Company.

If the Company enters into arrangements with third parties to perform market access and commercial services for any approved therapies, the revenue or the profitability of these revenue to the Company could be lower than if the Company were to commercialize any therapies that the Company develops itself. Such collaborative arrangements may place the commercialization of any approved therapies outside of the Company's control and would make the Company subject to a number of risks including that the Company may not be able to control the amount or timing of resources that the Company's collaborative partner devotes to the Company's therapies or that the Company's collaborator's willingness or ability to complete its obligations, and the Company's obligations under the Company's arrangements may be adversely affected by business combinations or significant changes in the Company's collaborator's business strategy. The Company may not be successful in entering into arrangements with third parties to commercialize the Company's therapies or may be unable to do so on terms that are favorable to the Company. Acceptable third parties may fail to devote the necessary resources and attention to commercialize the Company's therapies effectively, to set up sufficient number of treatment centers in third-party therapy sites, or to recruit, train and retain adequate number of therapists to administer the Company's therapies. In addition, the Company may explore ways in which the Company can use digital technology to improve the patient experience and therapeutic outcomes of the Company's therapies. Commercialization partners may lack incentives to promote the Company's digital technology and the Company may face difficulties in implementing the Company's digital technologies in third-party therapy sites through such third parties.

If the Company does not establish commercial capabilities successfully, either on the Company's own or in collaboration with third parties, the Company may not be successful in commercializing the Company's therapies, which in turn would have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Achieving Publicly Announced Milestones

From time to time, the Company may announce the timing of certain events it expects to occur, such as the anticipated timing of results from clinical trials. These statements are forward-looking and are based on the best estimates of management at the time relating to the occurrence of such events. However, the actual timing of such events may differ from what has been publicly disclosed. The timing of events such as initiation or completion of a clinical trial, filing of an application to obtain regulatory approval, or announcement of additional clinical trials for a product candidate may ultimately vary from what is publicly disclosed. Any variation in the timing of previously announced milestones could have a material adverse effect on the Company's business plan, financial condition or operating results and the trading price of the Common Shares.

Market Access and Acceptance

The Company may never have a therapy that is commercially successful. To date, the Company has no therapy authorized for marketing. The Company's future therapeutic products require further clinical investigation, regulatory review, significant market access and marketing efforts and substantial investment before it can produce any revenue. Furthermore, if approved, the Company's therapy may not achieve an adequate level of acceptance by payors, health technology assessment bodies, healthcare professionals, patients and the medical community at large, and the Company may not become profitable. The level of acceptance the Company ultimately achieves may be affected by negative public perceptions and historic media coverage of psychedelic substances, including DMT. Because of this history, efforts to educate the medical community and third-party payors and health technologies assessment bodies on the benefits of the Company's therapeutic compounds may require significant resources and may never be successful, which would prevent the Company from generating significant revenue or becoming profitable. Market acceptance of the Company's future therapies by healthcare professionals, patients, healthcare payors and health technology assessment bodies will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to, the following:

- acceptance by healthcare professionals, patients and healthcare payors of each therapy as safe, effective and cost-effective;
- changes in the standard of care for the targeted indications for any therapeutic candidate;
- the strength of sales, marketing and distribution support;
- potential product liability claims;
- the therapeutic candidate's relative convenience, ease of use, ease of administration and other perceived advantages over alternative therapies;
- the prevalence and severity of adverse events or publicity;
- limitations, precautions or warnings listed in the summary of therapeutic characteristics, patient information leaflet, package labeling or instructions for use;
- the cost of treatment with the Company's therapy in relation to alternative treatments;

- the steps that prescribers and dispensers must take, as well as the perceived risks based upon its controlled substance status;
- the ability to manufacture the Company's product in sufficient quantities and yields with adequate purity;
- the availability and amount of coverage and reimbursement from healthcare payors, and the willingness of patients to pay out of pocket in the absence of healthcare payor coverage or adequate reimbursement;
- the willingness of the target patient population to try, and of healthcare professionals to prescribe, the therapy;
- any potential unfavorable publicity, including negative publicity associated with recreational use or abuse of DMT;
- any restrictions on the use, sale or distribution of the Company's future therapeutic candidates;
- the extent to which therapies are approved for inclusion and reimbursed on formularies of hospitals and managed care organizations; and
- whether the Company's therapies are designated under physician treatment guidelines or under reimbursement guidelines as a first-line, second-line, third-line or last-line therapy.

If the Company's future therapeutic candidates fail to gain market access and acceptance, this will have a material adverse impact on the Company's ability to generate revenue to provide a satisfactory, or any, return on the Company's investments. Even if some therapies achieve market access and acceptance, the market may prove not to be large enough to allow the Company to generate significant revenue.

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

Unfavourable Publicity or Consumer Perception

The Company believes the psychedelic drug industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of psychedelic products. Consumer perception of the Company's psychedelic products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of psychedelics. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the psychedelic drug industry or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's psychedelic products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's psychedelic products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of psychedelic products in general, or the Company's psychedelic products and services specifically, or associating the consumption of psychedelics with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to take such products legally, appropriately or as directed.

The psychedelic medicine industry is highly dependent upon consumer perception regarding the medical benefits, safety, efficacy and quality of the DMT distributed for medical purposes to such consumers. There can be no assurance that future scientific research or findings on the medical benefits, viability, safety, efficacy and dosing of DMT or any of the Company's other psychedelic medicines to enter into clinical trials, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the industry or the Company or any particular product, or consistent with earlier publicity.

Pandemics, Epidemics and Other Health Risks

Pandemics, epidemics and other health risks, could have an adverse effect on the Company's business. Pandemics, epidemics and other health risks could occur, which could adversely affect the Company's ability to maintain operational networks and provide products and services to customers, as well as the ability of suppliers to provide the Company with products and services needed to operate the business.

Pandemics, epidemics and other health risks could also have an adverse effect on the economy and financial markets resulting in a declining level of commercial activity. Any of these events could have an adverse effect on our business and financial performance.

Social Media

There has been a marked increase in the use of social media platforms and similar channels that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. Information posted about the Company may be adverse to the Company's interests or may be inaccurate, each of which may harm the Company's business, financial condition and results of operations.

Biotechnology and Pharmaceutical Market Competition

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. The Company's competitors include large, well-established pharmaceutical companies, biotechnology companies, and academic and research institutions developing therapeutics for the same indications the Company is targeting and competitors with existing marketed therapies. Current marketed products and therapies include antidepressants such as SSRIs, SNRIs, antipsychotics, cognitive behavioural therapy, electroconvulsive therapy, and esketamine and ketamine. Many other companies are developing or commercializing therapies to treat the same diseases or indications for which the Company's product candidates may be useful. In addition, risk of direct competition is heightened due to the nature of DMT as a naturally occurring known substance that is not subject to primary Composition of Matter patent protection, which may enable competitors to develop alternate substitutes of SPL026.

Many of the Company's competitors have substantially greater financial, technical and human resources than the Company does and have significantly greater experience than the Company in conducting nonclinical testing and human clinical trials of product candidates, scaling up manufacturing operations and obtaining regulatory approvals of products. Accordingly, the Company's competitors may succeed in obtaining regulatory approval for products more rapidly than the Company does. The Company's ability to compete successfully will largely depend on:

- the efficacy and safety profile of its product candidates relative to marketed products and other product candidates in development;
- the Company's ability to develop and maintain a competitive position in the product categories and technologies on which it focuses;

- the time it takes for the Company's product candidates to complete clinical development and receive marketing approval;
- the Company's ability to partner and/or outlicense product candidates for late stage development;
- the Company's ability to obtain required regulatory approvals;
- the Company's ability to commercialize any of its product candidates that receive regulatory approval;
- the Company's ability to establish, maintain and protect intellectual property rights related to its product candidates; and
- acceptance of any of the Company's product candidates that receive regulatory approval by physicians and other healthcare providers and payers.

Competitors have developed and may develop technologies that could be the basis for products that challenge the discovery research capabilities of products the Company is developing. Some of those products may have an entirely different approach or means of accomplishing the same desired therapeutic effect as the Company's product candidates and may be more effective or less costly than its product candidates. The success of the Company's competitors and their products and technologies relative to the Company's technological and R&D capabilities and competitiveness could have a material adverse effect on the future nonclinical studies and clinical trials of the Company's product candidates, including its ability to obtain the necessary regulatory approvals for the conduct of such clinical trials. This may further negatively impact the Company's ability to generate future product development programs using psychedelic based compounds.

If the Company is not able to compete effectively against its current and future competitors, the Company's business will not grow, and its financial condition and operations will substantially suffer.

Further, there can be no assurance that potential competitors of the Company, which may have greater financial, production, sales and marketing experience, and personnel and resources than the Company, are not currently developing, or will not in the future develop; products and strategies that are equally or more effective and/or economical as any products or strategies developed by the Company or which would otherwise render the Company's business, products and strategies, as applicable, ineffective, or obsolete. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Decriminalization of psychedelics

Despite the current status of DMT as a Schedule I controlled substance in the US, there may be changes in the status of DMT under the laws of certain jurisdictions. Possession of psilocybin, for example, was voted to be decriminalized in May 2019 in Denver and in November 2020, voters in Oregon approved the legal medical use of "psilocybin products," including magic mushrooms, to treat mental health conditions in licensed facilities with registered therapists (Measure 109). The legalization of psychedelics with inadequate regulatory oversight may lead to the development of psychedelic tourism in such states in clinics without proper therapeutic infrastructure or adequate clinical research. While drug laws pertaining to DMT are less likely to be as forthcoming, the expansion of such an industry which could put patients at risk may bring reputational and regulatory risk to the entire industry, leading to challenges for the Company to achieve regulatory approval. The legalization of psilocybin, and potentially other psychedelic compounds (including DMT) in the future may also impact commercial sales for the Company due to a reduced barrier to entry leading to a risk of increasing competition.

Product Liability

The Company currently does not carry any product liability insurance coverage. Even though the Company is not aware of any product liability claims at this time, its business exposes itself to potential product liability, recalls and other liability risks. The Company can provide no assurance that such potential claims will not be asserted against it. A successful liability claim or series of claims brought against the Company could have a material adverse effect on its business, financial condition and results of operations.

Although the Company intends to obtain adequate product liability insurance, it cannot provide any assurances that it will be able to obtain or maintain adequate product liability insurance on acceptable terms, if at all, or that such insurance will provide adequate coverage against potential liabilities. Claims or losses in excess of any product liability cover that may be obtained by the Company could have a material adverse effect on its business, financial conditional and results of operations.

Some of the Company's agreements with third parties might require it to maintain product liability insurance. If the Company cannot obtain acceptable amounts of coverage on commercially reasonable terms in accordance with the terms set forth in these agreements, the corresponding agreements would be subject to termination, which could have a material adverse impact on its operations.

Product and Material Recalls

Manufacturers, producers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety, storage deficiencies and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may have to recall material being used in a clinical trial resulting in delays to the trial and additional manufacturing expenses if further drug product is required. If the product is already commercialized, the Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Company's suppliers have detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if the Company is subject to recall, the image of the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses and potential legal fees and other expenses.

Distribution and Supply Chain Interruption

The Company is susceptible to risks relating to distributor and supply chain interruptions. Distribution in the UK, the EU, the US, Canada and other jurisdictions will be largely accomplished through independent contractors, therefore, an interruption (e.g., a labour strike) for any length of time affecting such independent contractors may have a significant impact on the Company's ability to manufacture its products. Supply chain interruptions, including a production or inventory disruption, could impact product quality and availability. Inherent to producing products is a potential for shortages or surpluses in future years if demand and supply are materially different from long-term forecasts. The Company intends to monitor category trends and regularly review maturing inventory levels over time.

Difficulty to Forecast

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

Product Viability

If the Company's psychedelic products are not perceived to have the effects intended by the end user, the Company's business may suffer. In general, psychedelic products have minimal data with respect to efficacy, long-term side effects and interactions with supplements or other medications. As a result, the Company's psychedelic products could have certain side effects if not used as directed or if taken by an end user that has certain known or unknown medical conditions.

Success of Quality Control Systems

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality of training programs and adherence by employees to quality control guidelines. Any significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

Reliance on Key Inputs

The Company's business is expected to be dependent on a number of key inputs and their related costs including raw materials and supplies. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Enforcing contracts

Due to the nature of the business of the Company and the fact that certain of its contracts involve the possession, manufacture, production or supply of DMT, the use of which is not legal under UK, EU, US or Canadian law and in certain other jurisdictions, the Company may face difficulties in enforcing its contracts in the courts in the UK, EU, US or Canada. The inability to enforce any of its contracts could have a material adverse effect on its business, operating results, financial condition or prospects.

In order to manage its contracts with contractors, the Company will ensure that such contractors are appropriately licensed. Were such contractors to operate outside the terms of these licenses, the Company may experience an adverse effect on its business, including the pace of development of its product.

Business Expansion, Growth and Business Combinations

The Company operates in a rapidly evolving industry and, as such, the Company may in the future seek to expand its pipeline and capabilities by entering into collaborations, acquiring one or more companies or businesses, or in-licensing one or more product candidates. Collaborations, acquisitions, and in-licenses involve numerous risks, including, but not limited to substantial cash expenditures, technology development risks, potentially dilutive issuances of equity securities, incurrence of debt and contingent liabilities, some of which may be difficult or impossible to identify at the time of deal negotiation, difficulties in assimilating the operations of the companies with the Company, entering markets in which the Company has limited or no direct experience, and potential loss of the Company's key employees or key employees of the acquired or collaborating companies or businesses.

Management may evaluate opportunities for strategic growth through acquisitions. Potential issues associated with these acquisitions could include, among other things, the Company's ability to realize the full extent of the benefits or cost savings that it expects to realize as a result of the completion of the acquisition within the anticipated time frame, or at all; the ability of the Company to gain the necessary consents, clearances and approvals in connection with the acquisition; the diversion of management's attention from base strategies and objectives; and, with respect to acquisitions, the Company's ability to successfully combine its businesses with the business of the acquired company in a manner that permits cost savings to be realized; areas which may challenge the success of integrating the businesses of acquired companies with the Company's business include: motivating, recruiting and retaining executives and key employees, conforming standards, controls, procedures and policies, business cultures and compensation structures among the Company and the acquired company, consolidating and streamlining corporate and administrative infrastructures, consolidating sales and marketing operations, retaining existing service providers and attracting new providers, identifying and eliminating redundant and underperforming operations and assets, coordinating geographically dispersed organizations, and managing tax costs or inefficiencies associated with integrating the Company's operations following completion of the acquisitions. The process of integrating acquired companies and operations into the Company's operations may result in unforeseen operating difficulties and may require significant financial resources and management's time and attention that would otherwise be available for the ongoing development or expansion of its existing operations. In addition, acquisitions outside of Canada increase the Company's exposure to risks associated with foreign operations, including fluctuations in foreign exchange rates and compliance with foreign laws and regulations. If an acquisition is not successfully completed or integrated into the Company's existing operations, its business, results of operations and financial condition could be materially adversely impacted.

The Company has limited experience in making acquisitions, entering collaborations and in-licensing product candidates and therefore cannot provide assurance that any acquisition, collaboration or in-license will result in short-term or long-term benefits to it. The Company may incorrectly judge the value or worth of an acquired company or business or in-licensed product candidate. In addition, the Company's future success would depend in part on its ability to manage the rapid growth associated with some of these acquisitions, collaborations and in-licenses. The Company cannot provide assurance that it would be able to successfully combine its business with that of acquired businesses, manage a collaboration or integrate in-licensed product candidates. Furthermore, the development or expansion of the Company's business may require a substantial capital investment by the Company.

The Company and its management may evaluate opportunities of being acquired by other issuers or the Company may be subject to unsolicited takeover bids. In such circumstances, there can be no assurances regarding the availability of alternative strategic options for the Company and management and whether any such options will represent greater value to the Company's shareholders. Any rejection of such an offer by management may also adversely influence current share prices, as well as affect long-term shareholder value. Any accepted business combination, whether the Company is the acquiree or acquiror, would involve a number of risks including, but not limited to, potentially dilutive issuances of equity securities, contingent liabilities, some of which may be difficult or impossible to identify at the time of deal negotiation, difficulties in assimilating the operations of the acquiror with the Company's, the entering into of markets in which the Company has limited or no direct experience, and the potential loss of the Company's key employees and management as a result of the acquisition.

Reliance on Key Executives and Scientists

The loss of key members of the Company's staff could harm the Company. Although the Company enters into employment agreements with all members of its staff, such employment agreements do not guarantee their retention. The Company also depends on its scientific and clinical collaborators and advisors, all of whom have outside commitments that may limit their availability to the Company. In addition, the Company believes that its future success will depend in large part upon its ability to attract and retain highly skilled scientific, managerial, medical, manufacturing, clinical and regulatory personnel, particularly as the Company expands its activities and seeks regulatory approvals for clinical trials. The Company enters into agreements with its scientific and clinical collaborators and advisors, key opinion leaders and academic partners in the ordinary course of its business. The Company also enters into agreements with physicians and institutions who will recruit patients into the Company's clinical trials on its behalf in the ordinary course of its business. Should key academic and scientific personnel including employees or collaborative partners who work on the development of the Company's research activities leave, the Company's current and future development programmes may be delayed or adversely affected. Notwithstanding these arrangements, the Company faces significant competition for these types of personnel from other companies, research and academic institutions, government entities and other organizations. The Company cannot predict its success in hiring or retaining the personnel it requires for continued growth. In addition, due to limited financial resources, the Company may not be able to successfully expand its operations due to challenges in recruiting and training qualified new staff. Expansion of personnel may result in significant diversion of management time and resources. The loss of the services of any of the Company's executive officers or other key personnel could potentially harm its business, operating results or financial condition.

Employee Misconduct

The Company is exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include failures to comply with the MHRA, the EMA, the FDA, the PDD, and other comparable international authorities' regulations, provide accurate information to the MHRA, the EMA, the FDA, the PDD, comply with manufacturing standards the Company has established, comply with federal and provincial healthcare fraud and abuse laws and regulations, report financial information or data accurately or disclose unauthorized activities to the Company. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing, and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to the Company's reputation. If any such actions are instituted against the Company, and the Company is not successful in defending itself or asserting its rights, those actions could have a substantial impact on the Company's business and results of operations, including the imposition of substantial fines or other sanctions.

Liability Arising from Fraudulent or Illegal Activity

The Company is exposed to the risk that its employees, independent contractors, consultants, service providers and licensors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional undertakings of unauthorized activities, or reckless or negligent undertakings of authorized activities, in each case on the Company's behalf or in its service that violate (i) various laws and regulations, including healthcare laws and regulations, (ii) laws that require the true, complete and accurate reporting of financial information or data, (iii) the terms of the Company's agreements with third parties. Such misconduct could expose the Company to, among other things, class actions and other litigation, increased regulatory inspections and related sanctions, and lost sales and revenue or reputational damage.

The precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. Such misconduct may result in legal action, significant fines or other sanctions and could result in loss of any regulatory license held by the Company at such time.

The Company may be subject to security breaches at its facilities or in respect of electronic document or data storage, which could lead to breaches of applicable privacy laws and associated sanctions or civil or criminal penalties. Failure to comply with health and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's manufacturing operations. Events, including those beyond the control of the Company, which may risk breaches to various laws and regulations include, but are not limited to non-performance by third party contractors; breakdown or failure of equipment; failure of quality control processes; contractor or operator errors; and major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms. Such events risk damage to the Company's operations and may negatively affect demand for the Company's future products.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. The Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These outside business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company, and from time to time, these persons may be competing with the Company for available investment opportunities.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Operating Risk and Insurance Coverage

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

Computer System Failures

The Company's current internal computer systems are managed by third party vendors, and are at risk of failure and vulnerable to damage from viruses, unauthorised access, natural disasters amongst others. Any system failure, accident or security breach may have material negative outcomes including delays and significant disruption on the advancement of development programmes and business operations as well as inappropriate disclosure of confidential or proprietary data. While the Company has not to date experienced a material system failure or security breach, for example the loss of clinical data in the future due to system failure could impact regulatory approval efforts of the Company's development programmes. Furthermore, rectifying any damages, disruptions or breaches may lead to the Company incurring additional financial costs.

Foreign Operations

The Company carries out operations primarily, but not exclusively, in the UK through SPL. As a result, the Company may be subject to political, economic and other uncertainties, including, but not limited to, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections.

Additional implications that may have a material impact on the Company's ability to operate in other jurisdictions include:

- differences in the regulatory requirements for drug approvals;
- differing requirements for securing, maintaining or obtaining freedom to operate;
- the potential for reduced protection for intellectual property rights;
- challenges with compliance to different regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;
- differing reimbursement regimes and price controls in certain international markets;
- differing labor relations that create challenges with staffing and managing international operations; and
- impacts on manufacturing capabilities leading to production shortages.

The Company's international operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with its foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or enforcing Canadian judgments in foreign jurisdictions.

Dependence on Foreign Subsidiary

The Company is a holding company that conducts substantially all of its operations through its subsidiary, SPL, incorporated outside of Canada. The Company has no direct operations and no significant assets other than the shares of SPL and cash proceeds received from any financings, which cash is subsequently provided to SPL for operating expenses. Assuming this holding company structure remains, the Company will be dependent on the cash flows from its subsidiary to meet its obligations. The ability of SPL to provide the Company with payments may be constrained by the following factors: (i) the cash flows generated by operations, investment activities and financing activities; and (ii) the level of taxation, particularly corporate profits and withholding taxes.

Cash flows from SPL will depend, in the long term, on the subsidiary's ability to generate operating cash flows in excess of their own capital expenditures. In addition, SPL is a separate and distinct legal entity that could be precluded from making such cash distributions to the Company under certain circumstances, including as a result of legislation or regulation or in times of financial distress. The ability of the Company's subsidiary to make payments to the Company may be constrained by the level of taxation, particularly corporate profits and withholding taxes, in the jurisdictions in which they operate, and the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated.

On July 6, 2022, SPL incorporated a wholly-owned US subsidiary under the laws of the State of Delaware. This subsidiary does not currently carry on active operations.

Exchange Rate Fluctuations

Due to the international scope of the Company's current and future operations, the Company's assets, future earnings and cash flows may be influenced by movements in exchange rates of several currencies, particularly the British Pound, the US dollar, Canadian Dollar and Euro. The Company's reporting currency is denominated in Canadian dollars and the Company's functional currency is the British Pound and the majority of the Company's operating expenses are paid in British Pounds. The Company may also regularly acquire services, consumables and materials in British Pounds, US dollars, Canadian dollars and other currencies. Further, future revenue may be derived from abroad. As a result, the Company's business and the price of the Company's products may be affected by fluctuations in foreign exchange rates between the British Pound and other currencies, which may also have a significant impact on the Company's results of operations and cash flows from period to period. Currently, the Company does not have any exchange rate hedging arrangements in place.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with the IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Company's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause its operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates will be used in preparing the financial statements including those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

Effects of Inflation

Global markets have, for a prolonged period of time, experienced increased rates of inflation. Inflation itself, as well as certain governmental efforts to combat inflation, may have significant negative effects on any economy, which the Company does business. Past governmental efforts to curb inflation also involved other more drastic economic measures. Any future economic measures to curb inflation could be expected to have similar adverse effects on the level of economic activity in the market, which the Company does business and, in turn, on the operations of the Company.

Political and Economic Conditions

Political and economic conditions directly affect our business and can result in a material adverse effect on the Company. Macroeconomic policies imposed by foreign governments could have significant impact on the Company. As certain global markets experience increased inflation, certain government actions to control inflation may have significant impact on the Company.

The Company cannot control or predict foreign government implementation of changes to existing policies that may impact the Company's operations in foreign markets and, consequently, its business. The Company's business, operating results and financial condition and prospects, as well as the market price of its securities, may be adversely affected by changes in government public policies, whether federal, state or local, that affect, without limitation:

- inflation;
- fluctuations in exchange rates;
- exchange controls and restrictions on remittances abroad;
- interest rates and monetary policies;
- import and export controls;
- liquidity of domestic capital, credit and financial markets;
- expansion or contraction of foreign economies, as measured by rates of growth in gross domestic product, or GDP;
- fiscal policies; and
- other political, social and economic developments in or affecting foreign markets.

Government policies and measures to combat inflation, along with public speculation about such policies and measures, have often had adverse effects on global economies, have contributed to economic uncertainty and may increase volatility in foreign securities markets. Government action to control inflation may involve actions such as price and salary controls, currency devaluations, capital limitations, limits on imports and other actions which could significantly impact the operations of the Company.

Other policies and measures adopted by governments include interest rate adjustments, intervention in the currency markets or actions to adjust or fix the value of the local currency may adversely affect the target market's economy, the Company's business and results of operations.

Uncertainty over whether federal governments will implement reforms or changes in policy or regulation affecting these or other factors in the future may affect economic performance and contribute to economic uncertainty in markets that the Company operates or relies on, which may in turn have adverse effects on the Company's operations in the market and consequently on the results of its operations.

Cybersecurity and Privacy Risk

The Company's information systems and any third-party service providers and vendors are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapidly evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these systems through fraud or other means of deceiving third-party service providers, employees or vendors. The Company's operations depend, in part, on how well networks, equipment, information technology ("**IT**") systems and software are protected against damage from a number of threats. These operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. However, if the Company is unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company may collect and store certain personal information about customers and are responsible for protecting such information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. In addition, theft of data is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such privacy breach or theft could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, there are a number of laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under various legislation governing personal health information protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If the Company were found to be in violation of the privacy or security rules under such legislation protecting the confidentiality of medical patients health information, the Company could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the Company's business, financial condition and results of operations.

Environmental Regulation and Risks

The Company's operations are subject to environmental regulations that mandate, among other things, the maintenance of air and water quality standards. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which could include stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Litigation

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. While the Company is not currently aware of any litigation, tax or regulatory proceedings pending or threatened, the outcome of any future proceedings cannot be predicted with certainty and may be determined to adversely to the Company and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition, and results of operations.

Anti-Corruption and Anti-Bribery Laws

In the development of clinical trials, the Company may become subject to anti-corruption and anti-bribery laws, including the *U.S. Foreign Corrupt Practices* Act, the Canadian *Corruption of Foreign Public Officials Act*, as well as any other applicable domestic or foreign anti-corruption or anti-bribery laws. Any of the laws to which the Company is or may become subject generally prohibit corporations and individuals from engaging in certain activities to obtain or retain business or to influence a person working in an official capacity and requires companies to maintain accurate books and records and internal controls, including at foreign-controlled subsidiaries.

Compliance with these anti-corruption laws and anti-bribery laws may be expensive and difficult, particularly in countries in which corruption is a recognized problem, if the Company pursues activities in those countries.

The Company's internal control policies and procedures may not protect it from reckless or negligent acts committed by the Company's employees, representatives, agents, or other third parties. The Company can make no assurance that they will not engage in prohibited conduct, and the Company may be held liable for their acts under applicable anti- corruption and anti-bribery laws. Noncompliance with these laws could subject the Company to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension or debarment from contracting with certain persons, the loss of export privileges, whistleblower complaints, reputational harm, adverse media coverage, and other collateral consequences. Any investigations, actions or sanctions or other previously mentioned harm could have a material adverse effect on the Company's business, operating results, and financial condition.

Risks Pertaining to Regulatory Compliance

Products Subject to Controlled Substance Laws and Regulations

In the UK, certain psychedelic drugs, including DMT, are classified as Class A drugs under the MDA and as a Schedule 1 drug under the MDR and as such, medical and recreational use is illegal under UK laws. Similarly, in Canada, DMT is classified as a Schedule III drug under the CDSA and is illegal for medical and recreational use. In the US, DMT is strictly controlled under the CSA and is considered a Schedule 1 drug, which means that it currently has no accepted medical use in the US. As well, in the EU, DMT is illegal in EU member states according to the 1971 Convention on Psychotropic Substances of the United Nations and appears on the Green List of the International Narcotics Control.

All facilities engaged with such psychedelic substances, including DMT, by or on behalf of the Company do so under current licenses and permits issued by appropriate federal and local governmental agencies. While the Company is focused on clinical programs using psychedelic compounds, the Company does not have any direct or indirect involvement with the illegal selling, production or distribution of any substances in the jurisdictions in which it operates and does not intend to have any such involvement. However, a violation of any UK laws and regulations or Canadian federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either government entities in the jurisdictions in which the Company operates, or private citizens or criminal charges.

The loss of the necessary licenses and permits for scheduled controlled drugs could have an adverse effect on the Company's operations.

The psychedelic drug industry is a fairly new industry and the Company cannot predict the impact of the ever-evolving compliance regime in respect of this industry. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for future products, or the extent of testing and documentation that may, from time to time, be required by governmental authorities. The impact of compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, its business and products, and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company.

The success of the Company's business is dependent on the reform of controlled substances laws pertaining to DMT. If controlled substances laws are not favourably reformed in the UK, Europe, the US, Canada, and other global jurisdictions, the commercial opportunity that the Company is pursuing may be highly limited.

Under the MDR, Schedule 1 drugs are considered to have no legitimate or medical use. At this point in time, the Company makes no medical or treatment claims about psychedelic-based treatments or the Company's proposed products. Statements regarding psychedelic-based treatments have not been evaluated by the MHRA, the EMA, the FDA, the PDD, if applicable, and other comparable foreign authorities, nor has the efficacy of psychedelic-based treatments been confirmed by MHRA, EMA, FDA or PDD, if applicable, approved research. There is no assurance that psychedelic-based treatments can be used to diagnose, treat, cure or prevent any disease or condition. Robust scientific research is needed. Any references to quality, consistency, efficacy and safety of potential products are not intended to imply that such claims have been verified in clinical trials or that the Company will be able to complete such trials.

Risks pertaining to legislation changes

Following the majority of approval of an exit from the EU, termed Brexit, on June 23, 2016, the UK's withdrawal from the EU became effective on January 31, 2020 with the transition period that ended on December 31, 2020.

Following this transition period, the UK is now subject to new negotiated regulations pertaining to financial laws and regulations, tax and free trade agreements, intellectual property rights, data protection laws, supply chain logistics, environmental, health and safety laws and regulations medicine licensing and regulations, immigration laws and employment laws. It still remains unclear how the laws and regulations post the Brexit transition period measure alongside EU laws and regulations and may ultimately lead to negative impacts including reducing foreign direct investment in the UK, increasing costs, depressing economic activity and restrictions on access to capital. The Company's headquarters are located in the UK and new laws and regulations may impact the free movement of employees to locations in Europe as well as the free movement of employees and health professions to the UK to support work on its clinical trials.

Given the unprecedented nature of such a withdrawal from the EU, the long term impacts on the UK are unclear and uncertain and subsequently it is unclear how changes to the commercial, legal and regulatory environment will impact the current and future operations of the Company, its third parties and contract manufacturers and its clinical activities in the UK. Any of these effects could have a negative impact on the operations of the Company.

Given that the approval of the Company's therapeutic candidates relies on the regulatory frameworks for medicinal products adopted in the jurisdictions in which they operate and/or intend to operate, Brexit may have a material impact on the future regulatory process required for the approval of its therapeutic candidates including delay or an inability to obtain regulatory approval which would delay or prevent the Company's ability to commercialize its therapeutic candidates in the UK and /or EU and consequently have a material impact on the Company.

Nature of Regulatory Approvals

The Company's development and commercialization activities and product candidates are significantly regulated by a number of governmental entities, including the MHRA, the EMA, the FDA, the PDD, and other comparable foreign authorities. Regulatory approvals are required prior to each clinical trial and the Company may fail to obtain the necessary approvals to commence or continue clinical testing. The Company must comply with regulations concerning the manufacture, testing, safety, effectiveness, labeling, documentation, advertising, and sale of products and product candidates and ultimately must obtain regulatory approval before it can commercialize a product candidate. The time required to obtain approval by such regulatory authorities is unpredictable but typically takes many years following the commencement of nonclinical studies and clinical trials. Any analysis of data from clinical activities the Company performs is subject to confirmation and interpretation by regulatory authorities, which could delay, limit or prevent regulatory approval. Even if the Company believes results from its sponsored clinical trials are favorable to support the marketing of its product candidates, the MHRA, the EMA, the FDA, the PDD, and other comparable foreign authorities may disagree. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. Such requirements for additional data may result in the Company incurring additional unanticipated costs in order to meet requirements for approval within such jurisdiction.

The Company has not obtained regulatory approval for any product candidate and it is possible that none of its product candidates will ever obtain regulatory approval. The Company could fail to receive regulatory approval for its product candidates for many reasons, including, but not limited to failure to demonstrate that a product candidate is safe and effective for its proposed indication, failure of clinical trials to meet the level of statistical significance required for approval, failure to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks, or deficiencies in the manufacturing processes or the failure of facilities of CMOs with whom the Company contracts for clinical and commercial supplies to pass a pre-approval inspection.

A regulatory authority may require more information, including additional nonclinical or clinical data to support approval, which may delay or prevent approval and the Company's commercialization plans, or the Company may decide to abandon the development program. If the Company were to obtain approval, regulatory authorities may approve any of its product candidates for fewer or more limited indications than the Company request, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Moreover, depending on any safety issues associated with the Company's product candidates that garner approval, the MHRA, the EMA, the FDA, the PDD, and other comparable foreign authorities may impose a REMS plan, thereby imposing certain restrictions on the sale and marketability of such products.

If there are changes in the application of legislation, regulations or regulatory policies, or if problems are discovered with the Company products, or if one of its distributors, licensees or co-marketers fails to comply with regulatory requirements, the regulators could take various actions. These include imposing fines on the Company, imposing restrictions on the Company's products or its manufacture and requiring the Company to recall or remove its products from the market. The regulators could also suspend or withdraw the Company's marketing authorizations, requiring it to conduct additional clinical trials, change its labeling or submit additional applications for marketing authorization. If any of these events occurs, the Company's ability to sell its products may be impaired, and it may incur substantial additional expense to comply with regulatory requirements, which could materially adversely affect its business, financial condition and results of operations.

Continued Regulatory Review and Obligations

If the MHRA, the EMA, the FDA, the PDD, or any other comparable regulatory authority approves any the Company therapeutic candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the therapy and underlying therapeutic substance will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs, and with good clinical practices, or GCPs, for any clinical trials that the Company conduct post-approval, all of which may result in significant expense and limit the Company's ability to commercialize such therapies. Later discovery of previously unknown problems with any approved therapeutic candidate, including adverse events of unanticipated severity or frequency, or with the Company's third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the labeling, distribution, marketing or manufacturing of any future therapeutic candidates, withdrawal of the product from the market, or product recalls;
- untitled and warning letters, or holds on clinical trials;
- refusal by the MHRA, the EMA, the FDA, the PDD, or other comparable foreign authorities to approve pending applications or supplements to approved applications the Company filed or suspension or revocation of license approvals;
- requirements to conduct post-marketing studies or clinical trials;
- restrictions on coverage by third-party payors;
- fines, restitution or disgorgement of profits or revenue;
- suspension or withdrawal of marketing approvals;
- product seizure or detention, or refusal to permit the import or export of the product; and
- injunctions or the imposition of civil or criminal penalties.

In addition, any regulatory approvals that the Company receive for any future therapeutic candidates may also be subject to limitations on the approved indicated uses for which the therapy may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase IV clinical trials, and surveillance to monitor the safety and efficacy of such therapeutic candidates.

If there are changes in the application of legislation, regulations or regulatory policies, or if problems are discovered with the Company's future products or the Company's manufacture of an underlying therapeutic substance, or if the Company or one of the Company's distributors, licensees or co-marketers fails to comply with regulatory requirements, the regulators could take various actions. These include imposing fines on the Company, imposing restrictions on the therapeutic or its manufacture and requiring the Company to recall or remove the therapeutic from the market. The regulators could also suspend or withdraw the Company's marketing authorizations, requiring the Company to conduct additional clinical trials, change the Company's therapeutic labeling or submit additional applications for marketing authorization. If any of these events occurs, the Company's ability to sell such therapy may be impaired, and the Company may incur substantial additional expense to comply with regulatory requirements, which could materially adversely affect the Company's business, financial condition and results of operations.

Failure to comply with health and data protection laws and regulations

The Company may be subject to the data protection laws and regulations surrounding privacy and data protection across the relevant jurisdictions. Within the EU and UK, the EU General Data Protection Regulation (the "**GDPR**"), and relevant national data protection legislation including the Data Protection Act 2018 in the UK, impose material requirements in relation to the processing (including collection, use, storage, disclosure and transfer) of personal data, and more importantly the processing of health and other sensitive data. Requirements include the need for individual consent for use/ processing of personal data, as well as certain disclosure to the individuals relating to data processing activities.

While the EU GDPR no longer applies to UK residents' personal data post Brexit transition period, amendments to the UK's Data Protection Act 2018 have established a new regime known as the UK GDPR which shows little material difference between the EU and UK GDPR. The GDPR imposes strict rules on the international transfer of personal data to countries outside the EEA, including the US and now including the UK, and permits data protection authorities to impose large penalties for violations of the GDPR. The Company are registered with the Information Commissioner's Office for data protection.

Expansion of clinical sites to additional jurisdictions including the US, EU and potentially Canada in the future will subject the Company to federal and state data protection laws and regulations, including in accordance with HIPAA, which govern the processing of health related, and other sensitive personal data.

As the sponsor of its clinical trials, the Company does not anticipate holding any personal data collected from subjects. All subject patient data is collected, stored and maintained by the study sites engaged by the Company to undertake its clinical trials.

Personal data collected from subjects from third party health or research institutions engaged by the Company are subject to local privacy and security requirements Selection of study sites, CROs and other institutions by the Company includes an assessment of each study site's and CRO's ability to comply and satisfy the requirements of local privacy and data protection laws and regulations.

Compliance with UK and foreign privacy and data protection laws and regulation may limit study sites affiliated with the Company to process sensitive patient identifiable information and impact its ability to operate in certain jurisdictions. Failure of the company, employees of third party collaborators to comply with the requirements of the data privacy and protection laws may result in litigation claims, which may be costly, time consuming and reputationally damaging.

Failure to comply with pharmaceutical industry standards

Various regional and national authorities govern or influence pharmaceutical industry standards. Numerous statutes and regulations govern the research and development and sale of pharmaceutical products where the Company intends to market its products, including but not limited to, Good Laboratory Practice (GLP), Good Clinical Practice (GCP) and Good Manufacturing Practice (GMP) standards as well as country-specific pharmaceutical advertising laws and regulations. Such standards, laws and regulations govern, among other things, the approval of manufacturing facilities, testing procedures and controlled research, non-clinical and clinical data required prior to and after marketing approval, compliance with GMP affecting production and storage, the advertising, marketing and labelling of products, pharmacovigilance, record keeping, and distribution of the Company's products, including licenses.

Non-compliance with applicable legal and regulatory requirements or pharmaceutical industry standards may affect the Company's ability to progress development of its products by achieving jurisdictional approval which could impact future commercialization to promote and sell the Company's medicines in various jurisdictions. This can lead to a broad range of consequences which could have a material adverse effect on the Company's business, financial position and operating results. In the event that a regulatory authority revokes any clearances or approvals granted in respect of the Company's pharmaceutical products, the Company's business and financial condition could be adversely affected.

Failure to comply with statutes and regulations could result in warning letters, fines and other civil penalties, unanticipated expenditures, withdrawal of regulatory approval, delays in approving or refusing to approve a product, interruption of production, operating restrictions, injunctions or criminal sanctions. The Company and its manufacturers and suppliers are also subject to numerous regional laws relating to such matters as safe working conditions and manufacturing practices.

Furthermore, the global pharmaceutical regulatory environment continues to evolve with changes to regulations, rules, standards and guidelines and the establishment of new health authorities and/or mergers of divisions within them. The Company's existing or future regulatory clearances or approvals may be negatively affected as a result of such changes or reorganization.

Risks Pertaining to Clinical Development

Reliance on Third Parties for Clinical Development Activities

The Company relies and will continue to rely on third parties to conduct a significant portion of its nonclinical and clinical development activities. For example, clinical development activities include trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. If there is any dispute or disruption in its relationship with third parties, or if it is unable to provide quality services in a timely manner and at a feasible cost, the Company's active development programs will face delays. Further, if any of these third parties fails to perform as the Company expects or if their work fails to meet regulatory requirements, the Company's testing could be delayed, cancelled or rendered ineffective.

Risks Related to Third Party Relationships

The Company may enter into strategic alliances with third parties that the Company believes will complement or augment its proposed business or will have a beneficial impact on the Company. Strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Company's business, and may involve risks that could adversely affect the Company, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that the Company's existing strategic alliances will continue to achieve, the expected benefits to the Company's business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition to the foregoing, the success of the Company's business may depend, in large part, on the Company's ability to enter into, and maintain collaborative arrangements with various participants in the psychedelic industry. There can be no assurance that the Company will be able to enter into collaborative arrangements in the future on acceptable terms, if at all. There can be no assurance that such arrangements will be successful, that the parties with which the Company has or may establish arrangements will adequately or successfully perform their obligations under such arrangements, that potential partners will not compete with the Company by seeking or prioritizing alternate, competitor products. The termination or cancellation of any such collaborative arrangement or the failure of the Company and/or the other parties to these arrangements to fulfill their obligations could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, disagreements between the Company and any of its industry partners could lead to delays or time consuming and expensive legal proceedings, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Contract Manufacturers

The Company relies on contract manufacturers ("**CMOs**") to manufacture its product candidates for nonclinical studies and clinical trials. The Company relies on CMOs for manufacturing, filling, packaging, storing and shipping of drug products in compliance with cGMP regulations applicable to its products. The MHRA ensures the quality of drug products by carefully monitoring drug manufacturers' compliance with cGMP regulations. The cGMP regulations for drugs describe the minimum requirements for the methods, facilities and controls used in manufacturing, processing and packing of a drug product. There can be no assurances that CMOs will be able to meet the Company's timetable and requirements. The Company has not contracted with alternate suppliers for drug substance production in the event that it experiences significant problems with its current supplier for its current needs. If the Company is unable to arrange for alternative third-party manufacturing sources on commercially reasonable terms or in a timely manner, the Company may be delayed in the development of its product candidates. Further, CMOs must operate in compliance with cGMP and ensure that their appropriate permits and licences remain in good standing and failure to do so could result in, among other things, the disruption of product supplies. In addition, the Company has not yet completed an assessment of a potential supplier to support the scale up production requirements for late stage and commercial use and will undertake a robust selection process to select an appropriate supplier at the appropriate time of development. The Company's dependence upon third parties for the manufacture of its products may adversely affect its profit margins and its ability to develop and deliver products on a timely and competitive basis.

Commercial Scale Product Manufacturing

The Company's products will be manufactured in small quantities for nonclinical studies and clinical trials by third party manufacturers. In order to commercialize its product, the Company needs to manufacture commercial quality drug supply for use in registration clinical trials. Most, if not all, of the clinical material used in Phase III/pivotal/registration studies must be derived from the defined commercial process including scale, manufacturing site, process controls and batch size. If the Company has not scaled up and validated the commercial production of its product prior to the commencement of pivotal clinical trials, it may have to employ a bridging strategy during the trial to demonstrate equivalency of early stage material to commercial drug product, or potentially delay the initiation or completion of the trial until drug supply is available. The manufacturing of commercial quality product may have long lead times, may be very expensive and requires significant efforts including, but not limited to, scale-up of production to anticipated commercial scale, process characterization and validation, analytical method validation, identification of critical process parameters and product quality attributes, and multiple process performance and validation runs. If the Company does not have commercial drug supply available when needed for pivotal clinical trials, the Company's regulatory and commercial progress may be delayed, and it may incur increased product development costs. This may have a material adverse effect on the Company's business, financial condition and prospects, and may delay marketing of the product.

In addition, during the development programme, manufacturing methods and formulations may alter in the attempt to optimise processes and results in preparation for commercial manufacture. Such changes may result in the therapeutic candidate performing differently, impacting the results of future and planned clinical trials. Significant changes to the manufacture processes may require additional testing, notification to the relevant regulatory authorities for approval and subsequently impact initiation of planned clinical trials, require the conduct of bridging clinical trials or repetition of previous trials. This may increase the costs and delay the overall development programme to market approval.

Safety and Efficacy of Products

Before obtaining marketing approval from regulatory authorities for the sale of the Company's product candidates, the Company must conduct nonclinical studies in animals and extensive clinical trials in humans to demonstrate the safety and efficacy of the product candidates. Clinical testing is expensive and difficult to design and implement, can take many years to complete and has uncertain outcomes. The outcome of nonclinical studies and early clinical trials may not predict the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials. The Company does not know whether the clinical trials it may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market any of its product candidates in any jurisdiction. A product candidate may fail for safety or efficacy reasons at any stage of the testing process. A major risk the Company faces is the possibility that none of its product candidates under development will successfully gain market approval from the MHRA, the EMA, the FDA, the PDD, if applicable, or other comparable foreign authorities, resulting in the Company (and its partners) being unable to derive any commercial revenue from them after investing significant amounts of capital in their development.

Clinical trials are conducted in representative samples of the potential patient population which may have significant variability. Clinical trials are by design based on a limited number of subjects and of limited duration for exposure to the product used to determine whether, on a potentially statistically significant basis, the planned safety and efficacy of any such product can be achieved. As with the results of any statistical sampling, the Company cannot be sure that all side effects of its products may be uncovered, and it may be the case that only with a significantly larger number of patients exposed to such products for a longer duration, may a more complete safety profile be identified. Further, even larger clinical trials may not identify rare serious adverse effects or the duration of such studies may not be sufficient to identify when those events may occur. There have been products that have been approved by the regulatory authorities but for which safety concerns have been uncovered following approval. Such safety concerns have led to labelling changes or withdrawal of such products from the market, and the Company's products may be subject to similar risks. The Company might have to withdraw or recall its products from the marketplace. The Company may also experience a significant drop in the potential future sales of its products if and when regulatory approvals for such products are obtained, experience harm to its reputation in the marketplace or become subject to lawsuits, including class actions. Any of these results could decrease or prevent any sales of the Company's products, or substantially increase the costs and expenses of commercializing and marketing its products.

Clinical Testing and Commercialization of Product Candidates

The Company cannot predict whether its proposed clinical trials will begin as planned, will need to be restructured, or will be completed on schedule, or at all. The Company's product development costs will increase if it experiences delays in clinical testing. Significant clinical trial delays could shorten any periods during which the Company may have the exclusive right to commercialize its product candidates or allow its competitors to bring products to market before the Company, which would impair the Company's ability to successfully commercialize its product candidates and may harm its financial condition, results of operations and prospects.

The commencement and completion of clinical trials for the Company's products may be delayed for a number of reasons, including but not limited, to:

- failure by regulatory authorities to grant permission to proceed or placing clinical trials on hold;
- suspension or termination of clinical trials by regulators for many reasons, including concerns about patient safety or failure of the Company's CMOs to comply with cGMP requirements;
- any changes to the Company's manufacturing process that may be necessary or desired, delays or failure to obtain clinical supply from CMOs of the Company's products necessary to conduct clinical trials;
- product candidates demonstrating a lack of safety or efficacy during clinical trials, reports of clinical testing on similar technologies and products raising safety or efficacy concerns;
- clinical investigators not performing the Company's clinical trials on their anticipated schedule, dropping out of a trial, or employing methods not consistent with the clinical trial protocol, regulatory requirements or other third parties not performing data collection and analysis in a timely or accurate manner;
- failure of the Company's contract research organizations to satisfy their contractual duties or meet expected deadlines;
- inspections of clinical trial sites by regulatory authorities;

- regulatory authorities or ethics committees finding regulatory violations that require the Company to undertake corrective action, resulting in suspension or termination of one or more sites or the imposition of a clinical hold on the entire study;
- delays in or failure to recruit a sufficient number of suitable patients to participate in a trial;
- availability of adequately trained therapists and appropriate third-party clinical trial sites for the conduct of the therapy sessions, including preparation, dosing and integration of the therapeutic experience;
- sufficiency of any supporting digital services that may form part of the preparation, integration or long-term follow-up relating to any therapy the Company develops;
- failure to have patients complete a trial or return for post-treatment follow-up;
- one or more regulatory authorities or ethics committees rejecting, suspending or terminating the study at an investigational site, precluding enrollment of additional subjects, or withdrawing its approval of the trial;
- failure to reach agreement on acceptable terms with prospective clinical trial sites; or
- business interruptions resulting from geo-political actions, including war and terrorism, natural disasters including earthquakes, typhoons, floods and fires, pandemics, or failures or significant downtime of the Company's information technology systems resulting from cyber-attacks on such systems or otherwise.

The Company's product development costs will increase if it experiences delays in testing or approval or if the Company needs to perform more or larger clinical trials than planned. Additionally, changes in regulatory requirements and policies may occur, and the Company may need to amend study protocols to reflect these changes. Amendments may require the Company to resubmit its study protocols to regulatory authorities or ethics committees for re-examination, which may impact the cost, timing or successful completion of that trial. Delays or increased product development costs may have a material adverse effect on the Company's business, financial condition and prospects.

Clinical Trial Publications

From time to time, the Company may publish interim, top-line or preliminary data from the Company's clinical trials. The Company may decide to conduct an interim analysis of the data after a certain number or percentage of subjects have been enrolled, but before completion of the trial. Similarly, the Company may report top-line or preliminary results of primary and key secondary endpoints before the final trial results are completed. Interim, top-line and preliminary data from the Company's clinical trials may change as more subject data or analyses become available. Preliminary, top-line or interim data from the Company's clinical trials are not necessarily predictive of final results. Interim, top-line and preliminary data are subject to the risk that one or more of the clinical outcomes may materially change as subject enrollment continues, more data become available and the Company issues the final clinical trial report. Interim, top-line and preliminary data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data the Company previously published. As a result, interim, top-line and preliminary data should be viewed with caution until the final data are available.

Further, others, including regulatory agencies, may not accept or agree with the Company's assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the chance of approval or commercialization of the particular therapeutic candidate and the Company's company in general; in addition certain regulatory agencies may request further data. If the top-line data that the Company reports differ from actual results, or if others, including regulatory authorities, disagree with the conclusions reached, the Company's ability to obtain approval for, and commercialize any future product candidate, the Company's business, operating results, prospects or financial condition may be harmed.

Completion of Clinical Trials

As the Company's product candidates advance from nonclinical testing to clinical testing, the latter through a series of progressively larger and more complex clinical trials, the Company will need to enroll an increasing number of patients that meet its eligibility criteria. There is significant competition for recruiting patients in clinical trials, and the Company may be unable to enroll the patients it needs to complete clinical trials on a timely basis or at all. The factors that affect the Company's ability to enroll patients are largely uncontrollable and include, but are not limited to the size and nature of the patient population, eligibility and exclusion criteria for the trial, design of the clinical trial, competition with other companies for clinical sites or patients, perceived risks and benefits of the product candidate, and the number, availability, location and accessibility of clinical trial sites.

Such delays in completing its clinical trials will likely increase costs as well as slow down the future development programme and path to approval. Depending on the nature of the delay, such factors may lead to the denial of regulatory approval or the Company's therapeutic candidates. Significant delays to the development programme may alternatively lead to additional competitors to bring their therapies to market ahead of the Company as well as reduce the duration to which it holds certain exclusive rights. Such occurrences may harm the overall business, financial status, prospect and reputation of the Company.

Although early nonclinical and clinical data supports the safety and low toxicity of DMT, any side effects identified throughout the development programme could lead to interruptions, delays or halting of the clinical trial. This could lead to denial of regulatory approval or the requirement for a more restrictive label or the need to implement a REMS plan to ensure therapy benefits outweigh the risks. The Company cannot make any assurance that its therapeutic candidates do not lead to any undesirable or unacceptable serious side effects, or even death. In the event of a serious side effect, it is likely the overseeing regulatory authority will order the Company to cease further development of or deny approval of the therapeutic candidate of any related candidate. It is possible that even after market approval, new side effects are uncovered as a result of exposure of therapeutic candidates to a much greater patient population for an extended duration. Should new safety concerns be uncovered following approval, the regulatory authorities may request new labelling changes, new/additional REMS strategies or even complete withdrawal of the candidate from the market. This could lead to significant impact on future sales on the therapeutic candidate, reputational harm and potential litigation risks.

Variability in the psychological experience encountered by subjects may lead to certain subjects encountering a negative experience. Such experience may result in liability claims or public reputational damage to the Company. Such occurrences may harm the overall business, financial status, prospect and reputation of the Company.

Later Stage Clinical Trials Failure

Therapeutic candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through nonclinical studies and initial clinical trials. Furthermore, there can be no assurance that any of the Company's clinical trials will ultimately be successful or support further clinical development of any future therapeutic candidates. There is a high failure rate for drugs proceeding through clinical trials. A number of companies in the pharmaceutical industry have suffered significant setbacks in clinical development even after achieving promising results in earlier studies.

R&D of drugs targeting the central nervous system is particularly difficult, which makes it difficult to predict and understand why the drug has a positive effect on some patients but not others.

Discovery and development of new drugs targeting central nervous system disorders are particularly difficult and time-consuming, evidenced by the higher failure rate for new drugs for central nervous system disorders compared with most other areas of drug discovery. Any such setbacks in the Company's clinical development could have a material adverse effect on the Company's business and operating results. In addition, the Company's later stage clinical trials may present challenges related to conducting adequate and well-controlled clinical trials, including designing an appropriate comparator arm in trials given the potential difficulties related to maintaining the blinding during the trial or placebo or nocebo effects.

Due to the complexity of the human brain and the central nervous system, it can be difficult to predict and understand why a drug may have a positive effect on some patients but not others and why some individuals may react to the drug differently from others.

Negative Results of External Clinical Trials or Studies

From time to time, studies or clinical trials on various aspects of biopharmaceutical products are conducted by academic researchers, competitors or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to the Company's product candidates, or the therapeutic areas in which the Company's product candidates compete could cause the Company or a partner licensee to delay or suspend its studies or clinical trials. Such negative results or delays in clinical trials could adversely affect the Company's share price and its ability to finance future development of its product candidates, and the Company's business and financial results could be materially and adversely affected.

Expedited Status

In October 2021, the MHRA granted an Innovation Passport Designation for SPL026. This designation provides access to the Innovative Licensing and Access Pathway (the "**ILAP**"), which accelerates time to market and facilitates patient access to emerging and novel treatments. The ILAP provides a single integrated platform for sustained collaborative working among the MHRA, its partners and the medicine developer, which potentially allows for enhanced coordination and monitoring of important product development activities culminating in market authorization. Under the ILAP, the Company will have access to a toolkit to support all stages of the design, development and approvals process, as well as identify key areas for future engagement.

The Company may not elect, or be able to, take advantage of any expedited development or regulatory review and approval processes available to drug product candidates granted breakthrough therapy or fast track designation by the ILAP. The Company may also not be granted similar expedited status by regulatory agencies in other jurisdictions it intends to pursue operations, including the FDA in the U.S.

The Company's inability to achieve expedited status in all jurisdictions or benefit from the use of expedited status, such as the ILAP, in jurisdictions it has been granted such status may have a negative effect on the Company's clinical trials. This could have a material adverse effect on the Company's business, operating results, and financial condition, and delay completion of clinical trials.

Risks Related to Intellectual Property

Reliance on patents and other intellectual property rights

The Company's commercial success depends in part on obtaining and maintaining patents and other forms of intellectual property rights for its current and future therapeutic candidates and associated therapies, digital therapies, methods used to manufacture the underlying therapeutic substances, and the methods for treating patients using those substances and therapies, or on licensing in such rights. Failure to obtain, maintain, protect, enforce or extend adequate patent and other intellectual property rights could materially adversely affect the Company's ability to develop and market its current and future therapeutic candidates. The Company also relies on trade secrets and know-how to develop and maintain its proprietary and intellectual property position. Any failure to protect its trade secrets and know-how could adversely affect the Company's operations and prospects.

The Company cannot be certain that patents will be issued or granted with respect to patent applications that are currently pending, or that issued or granted patents will not later be found to be invalid or unenforceable. The patent position of companies like the Company is generally uncertain because it involves complex legal and factual considerations. The standards applied by the UK Intellectual Property Office, the European Patent Office, the USPTO, the Canadian Intellectual Property Office (the "**CIPO**") and foreign patent offices in granting patents are not always applied uniformly or predictably. For example, there is no uniform worldwide policy regarding patentable subject matter or the scope of claims allowable in pharmaceutical patents. Consequently, patents may not issue from the Company's pending patent applications, and even if they do issue, such patents may not issue in a form that effectively prevents others from developing or commercializing competing therapies. As such, the Company does not know the degree of future protection that it will have on its proprietary therapies.

The patent prosecution process is expensive, complex and time-consuming, and the Company, its current or future third party partners, licensors, licensees, or collaboration partners may not be able to prepare, file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that the Company or its licensors, licensees or collaboration partners will fail to identify patentable aspects of inventions made in the course of research, development or commercialization activities before it is too late to pursue patent protection on them. In addition, although the Company enters into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of its R&D output, such as its employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors, and other third parties, any of these parties may breach the agreements and disclose such output before a patent application is filed, thereby jeopardizing the Company's ability to seek patent protection. Furthermore, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the UK and other jurisdictions are typically not published until 18 months after filing, or in some cases not published until and unless granted. Therefore, the Company cannot be certain that it is the first to make the inventions claimed in its patents or pending patent applications, or that it was the first to file for patent protection of such inventions. Similarly the Company cannot be certain that for any licensed patents or pending patent applications, the named applicant(s) were the first to make the inventions claimed in such patents or pending patent applications or that the named applicant(s) were the first to file for patent protection for such inventions.

Further, the issuance, scope, validity, enforceability and commercial value of the Company's and its current or future licensors', licensees' or collaboration partners' patent rights are highly uncertain. The Company and any potential licensors' pending and future patent applications may not result in patents being issued that protect the Company's therapies, in whole or in part, or that effectively prevent others from commercializing competitive technologies and therapies.

Moreover, in some circumstances, the Company may not have the right to control the preparation, filing and prosecution of patent applications, or to maintain such patents, should the Company's license technology from or to third parties and would be reliant on its licensors, licensees or collaboration partners. If the Company engages with licensors, licensees or collaboration partners and they fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced or eliminated. If such licensors, licensees or collaboration partners were not fully cooperative or disagree with the Company as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised.

The patent examination process may require the Company or its licensors, licensees or collaboration partners to narrow the scope of the claims of the Company or the Company's licensors', licensees' or collaboration partners' pending and future patent applications, which may limit the scope of patent protection that may be obtained. The Company cannot guarantee that all of the potentially relevant prior art relating to its patents and patent applications has been found. If such prior art exists, it can invalidate a patent or prevent a patent from issuing from a pending patent application.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and the Company's patents may be challenged in the courts or patent offices in the UK and abroad. Even if patents do successfully issue and even if such patents cover the Company's current and future therapeutic candidates, third parties may initiate an opposition, interference, re-examination, post-grant review, inter parties review, nullification or derivation proceedings in court or before patent offices, or similar proceedings challenging the validity, enforceability or scope of such patents, which may result in the patent claims being narrowed or invalidated.

The Company and the Company's licensors', licensees' or collaboration partners' patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications, and then only to the extent the issued claims cover the technology. In addition, patents and other intellectual property rights also will not protect the Company's current and any future therapeutic candidates if third parties, including the Company's competitors, design around the Company's protected technology and the Company's current and any future therapeutic candidates without infringing, misappropriating or otherwise violating the Company's patents or other intellectual property rights. Moreover, some of the Company's patents and patent applications may in the future be co-owned with third parties. If the Company is unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including the Company's competitors, and the Company's competitors could market competing therapies and technology. In addition, the Company may need the cooperation of any such co-owners of its patents in order to enforce such patents against third parties, and such cooperation may not be provided. Any of the foregoing could have a material adverse effect on the Company's competitive position, business, financial conditions, results of operations, and prospects.

Because patent applications are confidential for a period of time after filing, and some remain so until issued, the Company cannot be certain that the Company or its current or future licensors, licensees or collaborators were or will be the first to file any patent application related to a therapeutic candidate. Even where the Company has a valid and enforceable patent, it may not be able to exclude others from practicing the Company's invention where the other party can show that they used the invention in commerce before the Company's filing date or the other party benefits from a compulsory license. In addition, the Company may be subject to third-party challenges regarding the Company's exclusive ownership of the Company's intellectual property. If a third party were successful in challenging the Company's exclusive ownership of any of the Company's intellectual property, the Company may lose its right to use such intellectual property, such third party may be able to license such intellectual property to other third parties, including the Company's competitors, and the Company's competitors could market competing therapies and technology. Any of the foregoing could have a material adverse effect on the Company's competitive position, business, financial conditions, results of operations, and prospects.

Patent Litigation

Patent litigation is becoming widespread in the pharmaceutical industry and the Company cannot predict how this will affect its efforts to form strategic alliances, conduct clinical testing, or manufacture and market any of its product candidates that it may successfully develop. If the Company becomes involved in any litigation, interference, impeachment or other administrative proceedings, it will likely incur substantial expenses and the efforts of its technical and management personnel will be significantly diverted. The Company cannot make any assurances that it will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. Moreover, if the Company's products infringe patents, trademarks or proprietary rights of others, it could, in certain circumstances, become liable for substantial damages, which also could have a material adverse effect on the business of the Company, its financial condition and results of operation. Patent litigation is less likely during development as many jurisdictions contain exemptions from patent infringement for the purpose of obtaining regulatory approval of a product. Where there is any sharing of patent rights either through co-ownership or different licensed "fields of use", one owner's actions could lead to the invalidity of the entire patent. If the Company is unable to avoid infringing the patent rights of others, the Company may be required to seek a license, defend an infringement action or challenge the validity of the patents in court. Such results could have a material adverse effect on the Company. Regardless of the outcome, patent litigation is costly and time consuming. In some cases, the Company may not have sufficient resources to bring these actions to a successful conclusion, and, even if the Company is successful in these proceedings, it may incur substantial costs and divert management time and attention in pursuing these proceedings, which could have a material adverse effect on the Company.

Any infringement or misappropriation of the Company's intellectual property could damage its value and limit its ability to compete. In addition, the Company's ability to enforce and protect its intellectual property rights may be limited in certain countries outside the US, Canada, the EU or the UK, which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by the Company. Competitors may also harm the Company's sales by designing products that mirror the capabilities of its products or technology without infringing on its intellectual property rights. If the Company does not obtain sufficient protection for its intellectual property, or if it is unable to effectively enforce its intellectual property rights, its competitiveness could be impaired, which would limit its growth and future revenue. The Company may also find it necessary to bring infringement or other actions against third parties to seek to protect its intellectual property rights. Litigation of this nature, even if successful, is often expensive and time- consuming to prosecute and there can be no assurance that the Company will have the financial or other resources to enforce its rights or be able to enforce its rights or prevent other parties from developing similar technology or designing around its intellectual property.

Invalid or Unenforceable Patents

To protect the Company's competitive position, the Company may from time to time need to resort to litigation in order to enforce or defend any patents or other intellectual property rights owned by or licensed to the Company from time to time, or to determine or challenge the scope or validity of patents or other intellectual property rights of third parties. Enforcement of intellectual property rights is difficult, unpredictable and expensive, and many of the Company's or the Company's licensors' or collaboration partners' adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than the Company or the Company's licensors or collaboration partners can. Accordingly, despite the Company's or the Company's licensors' or collaboration partners' efforts, the Company or the Company's licensors or collaboration partners may not prevent third parties from infringing upon, misappropriating or otherwise violating intellectual property rights the Company own or control, particularly in countries where the laws may not protect those rights as fully as in the UK, EU, the US and Canada. The Company may fail in enforcing its rights, in which case the Company's competitors and other third parties may be permitted to use the Company's therapies without payment to the Company.

In addition, litigation involving the Company's licensed patents carries the risk that one or more of the Company's licensed patents will be narrowed, held invalid (in whole or in part, on a claim-by-claim basis) or held unenforceable. Such an adverse court ruling could allow third parties to commercialize the Company's therapies, and then compete directly with the Company, without payment to the Company.

If the Company were to initiate legal proceedings against a third party to enforce a patent covering one of the Company's investigational therapies, the defendant could counterclaim that the Company's patent is invalid or unenforceable. In patent litigation in the UK, EU, the US or Canada, defendant counterclaims alleging invalidity or unenforceability are commonplace. A claim for a validity challenge may be based on failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. A claim for unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the UK Intellectual Property Office, European Patent Office, the USPTO, the CIPO or made a misleading statement, during prosecution. Third parties may also raise challenges to the validity of the Company's patent claims before administrative bodies in the US or abroad, even outside the context of litigation. Such mechanisms include re-examination, post-grant review, inter partes review, interference proceedings, derivation proceedings, and equivalent proceedings in foreign jurisdictions (i.e., opposition proceedings). Such proceedings could result in the revocation of, cancellation of, or amendment to the Company's patents in such a way that they no longer cover the Company's current or any future therapeutic candidates. The outcome following legal assertions of invalidity and unenforceability during patent litigation or other proceedings is unpredictable. With respect to the validity question, for example, the Company cannot be certain that there is no invalidating prior art, of which the Company and the patent examiner were unaware during prosecution. If a defendant or third party were to prevail on a legal assertion of invalidity or unenforceability, the Company would lose at least part, and perhaps all, of the patent protection on the Company's current or one or more of any future therapeutic candidates. Such a loss of patent protection could have a material adverse impact on the Company's business financial condition, results of operations, and prospects. Further, litigation could result in substantial costs and diversion of management resources, regardless of the outcome, and this could harm the Company's business and financial results.

Compliance with Procedural Requirements

Periodic maintenance and annuity fees on any issued patent are due to be paid to the UK Intellectual Property Office, the European Patent Office, the USPTO, the CIPO and foreign patent agencies in several stages over the lifetime of the patent. The European Patent Office, the USPTO, the CIPO and various foreign governmental patent agencies also require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In certain circumstances, the Company may rely on collaboration partners to pay these fees due to US and comparable foreign patent agencies and take the necessary action to comply with such requirements with respect to the Company's intellectual property. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If the Company, its licensors or collaboration partners fail to maintain the patents and patent applications covering the Company's investigational therapies, third parties, including its competitors might be able to enter the market with similar or identical therapies or technologies, which would have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Trade Secrets

The Company relies on third parties to develop its products and as a result, must share trade secrets with them. The Company seeks to protect its proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with its collaborators, advisors, employees and consultants prior to beginning research or disclosing proprietary information. These agreements typically restrict the ability of the Company's collaborators, advisors, employees and consultants to publish data potentially relating to its trade secrets. Its academic and clinical collaborators typically have rights to publish data, provided that the Company is notified in advance and may delay publication for a specified time in order to secure any intellectual property rights arising from the collaboration. In other cases, publication rights are controlled exclusively by the Company, although in some cases the Company may share these rights with other parties. The Company may also conduct joint R&D programs which may require it to share trade secrets under the terms of R&D collaboration or similar agreements. Despite the Company's efforts to protect its trade secrets, the Company's competitors may discover its trade secrets, either through breach of these agreements, independent development or publication of information. A competitor's discovery of the Company's trade secrets may impair its competitive position and could have a material adverse effect on its business and financial condition.

Trademark Protection

Failure to register trademarks for the Company or its products could require the Company to rebrand its products resulting in a material adverse impact on its business.

Intellectual Property Litigation Costs

Even if resolved in the Company's favour, litigation or other legal proceedings relating to intellectual property claims may cause the Company to incur significant expenses and could distract the Company's technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the Company. Such litigation or proceedings could substantially increase the Company's operating losses and reduce the Company's resources available for development and commercialization activities. The Company may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of the Company's competitors may be able to sustain the costs of such litigation or proceedings more effectively than the Company can because of their substantially greater financial resources. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Company's confidential information could be compromised by disclosure during this type of litigation. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on the Company's ability to compete in the marketplace.

Third-Party Licenses

If the Company obtains third-party licenses but fails to pay annual maintenance fees, development and sales milestones, or it is determined that the Company does not use commercially reasonable efforts to commercialize licensed products, the Company could lose those licenses which could have a material adverse effect on its business and financial condition.

In addition, a certain number of patents have already been issued to other biotechnology and pharmaceutical companies. To the extent that valid third-party patent rights cover the Company's products or services, the Company, the licensor of the Company's intellectual property rights, or its strategic collaborators would be required to seek licenses from the holders of these patents in order to manufacture, use or sell these products and services and payments under them would reduce the Company's profits from these products and services.

Third-party intellectual property right holders, including the Company's competitors, may actively bring infringement, misappropriation or violation claims against the Company based on existing or future intellectual property rights, regardless of their merit. The Company may not be able to successfully settle or otherwise resolve such infringement claims. If the Company is unable to successfully settle future claims on terms acceptable to the Company, the Company may be required to engage or continue costly, unpredictable and time-consuming litigation and may be prevented from or experience substantial delays in marketing the Company's therapies.

If the Company is unsuccessful defending in any such claim, in addition to being forced to pay damages, the Company or the Company's licensor or licensees may be temporarily or permanently prohibited from commercializing any of the Company's investigational therapies that were held to be infringing. If possible, the Company might be forced to redesign the Company's therapeutic candidates or any future therapeutic candidates so that the Company no longer infringe the intellectual property rights of third parties, or the Company may be required to seek a license to any such technology that the Company is found to infringe, which license may not be available on commercially reasonable terms or at all. Even if the Company or the Company's licensors or collaboration partners obtain a license, it may be non-exclusive, thereby giving the Company's competitors access to the same technologies licensed to the Company or the Company's licensors or collaboration partners and it could require the Company to make significant licensing and royalty payments. In addition, the Company could be found liable for significant monetary damages, including treble damages and attorneys' fees, if the Company is found to have willfully infringed a patent or other intellectual property right. Claims that the Company has misappropriated the confidential information or trade secrets of third parties could have a similar material adverse effect on the Company's business, financial condition, results of operations, and prospects. Any of these events, even if the Company were ultimately to prevail, could require the Company to divert substantial financial and management resources that the Company would otherwise be able to devote to the Company's business.

In addition, if the breadth or strength of protection provided by the Company's or the Company's licensors' or collaboration partners' patents and patent applications is threatened, it could dissuade companies from collaborating with the Company to license, develop or commercialize current or future investigational therapies. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Company's confidential information could be compromised by disclosure during this type of litigation.

Failure to Comply with Potential Future Intellectual Property or License Agreements

The Company may become a party to third-party agreements under which the Company grants or is granted rights to intellectual property that are potentially important to the Company's business and the Company expects that it may need to enter into additional license or collaboration agreements in the future. Future third party agreements undertaken by the Company may impose various obligations related to, among other things, therapeutic development and payment of royalties and fees based on achieving certain milestones. In addition, the Company may enter into collaboration agreements in which the Company is prohibited from developing and commercializing therapies that would compete with the therapies licensed under such agreements. If the Company were to fail to comply with the Company's obligations under these agreements, the Company's licensor or collaboration partner may have the right to terminate the agreement, including any licenses included in such agreement.

The termination of any license or collaboration agreements or failure to adequately protect such license agreements or collaboration could prevent the Company from commercializing the Company's therapeutic candidates or any future therapeutic candidates covered by the agreement or licensed intellectual property. For example, the Company may rely on license agreements which grant the Company rights to certain intellectual property and proprietary materials that the Company use in connection with the development of the Company's therapies. If such an agreement were to terminate, the Company would be unable to timely license similar intellectual property and proprietary materials from an alternate source, on commercially reasonable terms or at all, and may be required to conduct additional bridging studies on the Company's therapeutic candidates or any future therapeutic candidates, which could delay or otherwise have a material adverse effect on the development and commercialization of the Company's therapeutic candidates or any future therapeutic candidates.

The Company may enter into license agreements which are sublicenses from third parties which are not the original licensor of the intellectual property at issue. Under such agreements, the Company must rely on the Company's licensor to comply with its obligations under the primary license agreements under which such third party obtained rights in the applicable intellectual property, where the Company may have no relationship with the original licensor of such rights. If the licensors fail to comply with their obligations under these upstream license agreements, the original third-party licensor may have the right to terminate the original license, which may terminate the sublicense. If this were to occur, the Company would no longer have rights to the applicable intellectual property and, in the case of a sublicense, if the Company were not able to secure the Company's own direct license with the owner of the relevant rights, which it may not be able to do at a reasonable cost or on reasonable terms, it may adversely affect the Company's ability to continue to develop and commercialize the Company's therapeutic candidates or any future therapeutic candidates incorporating the relevant intellectual property.

Disputes may arise regarding intellectual property subject to a license or collaboration agreement, including the following:

- the scope of rights granted under the agreement and other interpretation-related issues;
- the extent to which the Company's technology and processes infringe on intellectual property of the licensor or collaboration partner that is not subject to the agreement;
- the sublicensing of patent and other rights under any current or future collaboration relationships;
- the Company's diligence obligations under the agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by the Company's licensors and the Company and the Company's collaboration partners; and
- the priority of invention of patented technology.

In addition, the Company's third-party agreements are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what the Company believes to be the scope of the Company's rights to the relevant intellectual property or technology, or increase what the Company believes to be the Company's financial or other obligations under the relevant agreement, either of which could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that the Company has licensed prevent or impair the Company's ability to maintain the Company's current licensing arrangements on commercially acceptable terms, the Company may be unable to successfully develop and commercialize the affected therapeutic candidate, which could have a material adverse effect on the Company's business, financial conditions, results of operations, and prospects

Intellectual Property Rights May Fail to Protect Competitive Advantage

The degree of future protection afforded by the Company's intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect the Company's business, or permit the Company to maintain the Company's competitive advantage. The following examples are illustrative:

- others may be able to make compounds or develop digital assets that are the same as or similar to the Company's future therapeutic candidate, any future therapeutic candidates and digital assets but that are not covered by the claims of the patents that the Company owns or control;
- the patents of third parties may have an adverse effect on the Company's business;
- the Company or the Company's licensors or any current or future collaboration partners might not have been the first to conceive or reduce to practice the inventions covered by the issued patent or pending patent application that the Company own or control;
- the Company or the Company's licensors or any current or future collaboration partners might not have been the first to file patent applications covering certain of the Company's inventions;
- others may independently develop similar or alternative technologies or duplicate any of the Company's technologies without infringing misappropriating or otherwise violating the Company's intellectual property rights;
- issued patents that the Company may exclusively license may not provide the Company with any competitive advantage, or may be held invalid or unenforceable, as a result of legal challenges by third parties;
- the Company's competitors might conduct R&D activities in countries where the Company do not have patent rights and then use the information learned from such activities to develop competitive therapies for sale in the Company's major commercial markets;
- third parties performing manufacturing or testing for the Company using the Company's therapies or technologies could use the intellectual property of others without obtaining a proper license;
- the Company may not develop additional technologies that are patentable; and
- the Company may choose not to file a patent in order to maintain certain trade secrets or know-how, and a third party may subsequently file a patent covering such intellectual property, or otherwise develop similar know-how.

Should any of these events occur, they could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Employee Patent Claim Liability

Some of the Company's present and future consultants, advisors and employees, including the Company's senior management, may have previously been employed at other biotechnology or pharmaceutical companies, including the Company's competitors and potential competitors. Some of these individuals executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although the Company intends that the Company's consultants, advisors and employees do not use proprietary information or know-how of their former employers while working for the Company, the Company may be subject to claims that the Company or these individuals have used or disclosed confidential information or intellectual property, including trade secrets or other proprietary information, of any such individual's former employer. Litigation may be necessary to defend against these claims.

If the Company fails in prosecuting or defending any such claims, in addition to paying monetary damages, the Company may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party, and the Company could be required to obtain a license from such third party to commercialize the Company's therapies. Such a license may not be available on commercially reasonable terms or at all. Even if the Company successfully prosecute or defend against such claims, litigation could result in substantial costs and distract the Company's management from its day-to-day activities.

In addition, while it is the Company's policy to require the Company's employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to the Company, the Company may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that the Company regards as the Company's own. The assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, and the Company may be forced to bring claims against third parties, or defend claims that they may bring against the Company, to determine the ownership of what the Company regards as the Company's intellectual property. Such claims could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Intellectual Property Rights of Third Parties

The Company's commercial success depends upon its ability and the ability of any future collaborators to develop, manufacture, market, and sell any investigational therapies that the Company may develop and use its proprietary technologies without infringing, misappropriating or otherwise violating the intellectual property and proprietary rights of third parties. The various markets in which the Company plans to operate are subject to frequent and extensive litigation regarding patents and other intellectual property rights. In the future, the Company may become party to, or threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to its current or any future therapeutic candidates. If the outcome of any such proceeding or litigation is adverse to the Company, it may affect the Company's ability to compete effectively.

Additionally, the Company's competitive position may suffer if patents issued to third parties or other third-party intellectual property rights cover the Company's therapies or elements thereof, the Company's manufacture or uses relevant to its development plans, the targets of the Company's current or any future therapeutic candidates, or other attributes of the Company's current or any future therapeutic candidates. In such cases, the Company may not be in a position to develop or commercialize such therapeutic candidates unless the Company successfully pursues litigation to nullify or invalidate the third-party intellectual property right concerned, or enter into a license agreement with the intellectual property right holder, which may not be available on commercially reasonable terms or at all. In the event that a patent has not expired at the time of approval of such investigational therapies or therapeutic candidate and the patent owner were to bring an infringement action against the Company, the Company may have to argue that its investigational therapies or the manufacture or use of the underlying therapeutic substances do not infringe a valid claim of the patent in question. Alternatively, if the Company were to challenge the validity of any issued US patent in court, the Company would need to overcome a statutory presumption of validity that attaches to every US patent. This means that in order to prevail, the Company would need to present clear and convincing evidence as to the invalidity of the patent's claims. The same applies to other jurisdictions. Even if the Company believe third-party intellectual property claims are without merit, there is no assurance that a court would find in the Company's favor on questions of infringement, validity, enforceability, or priority. In the event that a third party successfully asserts its patent against the Company such that such third party's patent is found to be valid and enforceable and infringed by the Company's investigational therapies, unless the Company obtains a license to such patent, which may not be available on commercially reasonable terms or at all, the Company could be prevented from continuing to develop or commercialize the Company's investigational therapies. There can be no assurance any such patents will not be asserted against the Company or that the Company will not need to seek licenses from such third parties. The Company may not be able to secure such licenses on acceptable terms, or at all, and any such litigation would be costly and time-consuming.

It is possible that the Company has failed, and in the future may fail, to identify relevant patents or applications that may be asserted against the Company. For example, certain US applications filed after November 29, 2000 can remain confidential until and unless issued as patents, provided that inventions disclosed in the applications have not and will not be the subject of a corresponding application filed outside the US In general, patent applications in the US and elsewhere are published approximately 18 months after the earliest filing for which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Therefore, patent applications covering the Company's therapies could have been filed by others without the Company's knowledge. Furthermore, the Company operates in a highly competitive field, and given its limited resources, it is unreasonable to monitor all patent applications in the areas in which they are active. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover the Company's therapies or the use of the Company's therapies.

Third-party intellectual property right holders, including the Company's competitors, may actively bring infringement, misappropriation or violation claims against the Company based on existing or future intellectual property rights, regardless of their merit. The Company may not be able to successfully settle or otherwise resolve such infringement claims. If the Company are unable to successfully settle future claims on terms acceptable to it, the Company may be required to engage or continue costly, unpredictable and time-consuming litigation and may be prevented from or experience substantial delays in marketing its therapies.

If the Company is unsuccessful in defending any such claim, in addition to being forced to pay damages, the Company or its licensees may be temporarily or permanently prohibited from commercializing any of its investigational therapies that were held to be infringing. If possible, the Company might be forced to redesign its current or any future therapeutic candidates so that the Company no longer infringes the intellectual property rights of third parties, or the Company may be required to seek a license to any such technology that it is found to infringe, which license may not be available on commercially reasonable terms or at all. Even if the Company or any potential future licensor or collaboration partners obtain a license, it may be non-exclusive, thereby giving the Company's competitors access to the same technologies licensed to the Company or its licensors or collaboration partners and it could require the Company to make significant licensing and royalty payments. In addition, the Company could be found liable for significant monetary damages, including treble damages and attorneys' fees, if the Company is found to have willfully infringed a patent or other intellectual property right. Claims that the Company have misappropriated the confidential information or trade secrets of third parties could have a similar material adverse effect on the Company's business, financial condition, results of operations, and prospects. Any of these events, even if the Company were ultimately to prevail, could require the Company to divert substantial financial and management resources that the Company would otherwise be able to devote to its business.

In addition, if the breadth or strength of protection provided by the Company or the Company's potential future licensors' or collaboration partners' patents and patent applications is threatened, it could dissuade companies from collaborating with the Company to license, develop or commercialize current or future investigational therapies. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of the Company's confidential information could be compromised by disclosure during this type of litigation.

Obtaining or Maintaining Necessary Rights For Current or Future Therapeutic Candidates Through Acquisitions and In-Licenses

In the future, the Company's programs may require the use of proprietary rights held by third parties, and the growth of the Company's business will likely depend in part on its ability to acquire, in-license, maintain or use these proprietary rights. In addition, with respect to any patents the Company co-owns with third parties, the Company may require licenses to such co-owners' interest in such patents. The Company may be unable to acquire or in-license any compositions, methods of use, processes, or other third-party intellectual property rights from third parties that the Company identifies as necessary for its current or any future therapeutic candidates. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies may pursue strategies to license or acquire third-party intellectual property rights that the Company may consider attractive or necessary. These established companies may have a competitive advantage over the Company due to their size, cash resources and greater clinical development and commercialization capabilities. In addition, companies that perceive the Company to be a competitor may be unwilling to assign or license rights to the Company. If the Company is unable to successfully obtain a license to third-party intellectual property rights necessary for the development of an investigational therapy or program, the Company may have to abandon development of that investigational therapy or program, which could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Patent Law Reform

As is the case with other biotechnology and pharmaceutical companies, the Company's success is heavily dependent on intellectual property rights, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry is a technologically and legally complex process, and obtaining and enforcing biopharmaceutical patents is costly, time consuming and inherently uncertain. Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of the Company's and its licensors' or collaborators' patent applications and the enforcement or defense of the Company or its licensors' or collaborators' issued patents.

Difficulties Securing Jurisdictional Intellectual Property Rights

Filing, prosecuting and defending patents on therapeutic candidates in all countries and jurisdictions throughout the world would be prohibitively expensive and the Company's intellectual property rights in some countries outside of Canada, the EU, the US, and the UK, could be less extensive than those in Canada, the EU, the US, and the UK, assuming that rights are obtained in Canada, the EU, the US, and the UK. Consequently, the Company may not be able to prevent third parties from practicing the Company's inventions in all countries outside Canada, the EU, the US, and the UK, or from selling therapies or importing therapeutic substances made using the Company's inventions in and into Canada, the EU, the US, and the UK, or other jurisdictions. In addition, the Company may decide to abandon national and regional patent applications before grant. Finally, the grant proceeding of each national/regional patent is an independent proceeding which may lead to situations in which applications might in some jurisdictions be refused by the relevant patent offices, while granted by others. It is also quite common that depending on the country, the scope of patent protection may vary for the same therapeutic candidate or technology.

Competitors may use the Company's and the Company's licensors' or collaboration partners' technologies in jurisdictions where the Company has not obtained patent protection to develop their own therapies and, further, may export otherwise infringing therapies to territories where the Company and the Company's licensors or collaboration partners have patent protection, but enforcement is not as strong as that in Canada, the EU, the US, and the UK. These therapies may compete with future therapeutic candidates, and the Company's and the Company's licensors' or collaboration partners' patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

The laws of some jurisdictions do not protect intellectual property rights to the same extent as the laws in Canada, the EU, the US, and the UK, and companies have encountered significant difficulties in protecting and defending such rights in such jurisdictions. If the Company or the Company's licensors encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for the Company's business in such jurisdictions, the value of these rights may be diminished and the Company may face additional competition from others in those jurisdictions.

Some countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, some countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If the Company or any of the Company's licensors or collaboration partners is forced to grant a license to third parties with respect to any patents relevant to the Company's business, the Company's competitive position may be impaired and the Company's business and results of operations may be adversely affected.

Proceedings to enforce the Company's and the Company's licensors' or collaboration partners' patent rights in foreign jurisdictions could result in substantial costs and divert the Company's and the Company's licensors' or collaboration partners' efforts and attention from other aspects of the Company's business, regardless of whether the Company or the Company's licensors or collaboration partners are successful, and could put the Company's and the Company's licensors' or collaboration partners' patents at risk of being invalidated or interpreted narrowly. In addition, such proceedings could put the Company's and the Company's licensors' or collaboration partners' patent applications at risk of not issuing and could provoke third parties to assert claims against the Company or the Company's licensors or collaboration partners. The Company or the Company's licensors or collaboration partners may not prevail in any lawsuits that the Company or the Company's licensors or collaboration partners initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Risks Related to the Common Shares

Substantial Number of Authorized but Unissued Common Shares

The Company has a class of authorized capital consisting of an unlimited number of Common Shares that may be issued by the board without further action or approval of shareholders. While the Board will be required to fulfill its fiduciary obligations in connection with the issuance of such Common Shares, Common Shares may be issued in transactions with which not all shareholders agree, and the issuance of such Common Shares will cause dilution to the ownership interests of shareholders.

Dilution

The financial risk of the Company's future activities will be borne to a significant degree by its shareholders. If additional Common Shares are issued from treasury for financing purposes, control of the Company may change and purchasers may suffer additional dilution.

Market for the Common Shares

There can be no assurance that an active trading market for the Common Shares will develop or, if developed, that any market will be sustained. The Company cannot predict the prices at which the Common Shares will trade in the future. Fluctuations in the market prices of Common Shares could cause an investor to lose all or part of its investment in the Company. Factors that could cause fluctuations in the trading price of the Common Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events the Company or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of psychedelic companies; (iv) fluctuations in the trading volume of the Common Shares or the size of the Company's public float; (v) actual or anticipated changes or fluctuations in the Company's results of operations; (vi) whether the Company's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving the Company, its industry, or both; (ix) regulatory developments; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the Common Shares; (xiii) departures of key employees or members of management; (xiv) any material changes to the business plans, clinical trials, operations, or strategies of the Company; or (xv) an adverse impact on the Company from any of the other risks cited herein.

Significant Sales of Common Shares

A portion of the Common Shares held by the Company's directors, executive officers, control persons and certain other securityholders continue to be subject to contractual lock-up restrictions and escrow restrictions pursuant to the policies of the TSXV. Sales of a substantial number of the Common Shares in the public market after the expiry of lock-up or escrow restrictions, or the perception that these sales could occur, could adversely affect the market price of the Common Shares and may make it more difficult for investors to sell Common Shares at a favourable time and price.

Volatile Market Price for the Common Shares

The securities market in Canada has recently experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company. The value of the Common Shares distributed by the Company have been affected by such volatility.

The volatility of the Common Shares may affect the ability of holders to sell the Common Shares at an advantageous price or at all. Market price fluctuations in the Common Shares may be adversely affected by a variety of factors relating to the Company's business, including fluctuations in the Company's operating and financial results, such results failing to meet the expectations of securities analysts or investors and downward revisions in securities analysis' estimates in connection therewith, sales of additional Common Shares, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors, including, without limitation, those set forth under the heading "*Forward-Looking Statements*". In addition, the market price for securities on stock markets, including the TSXV is subject to significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may materially adversely affect the market price of the Company.

Additionally, the value of the Common Shares are subject to market value fluctuations based upon factors that influence the Company's operations, such as legislative or regulatory developments, competition, technological change and changes in interest rates or foreign exchange rates. There can be no assurance that the market price of the Common Shares will not continue to experience significant fluctuations in the future, including fluctuations that are unrelated to the Company's performance.

Tax Issues

There may be income tax consequences in relation to the Common Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

Discretion Over the Use of Proceeds

The Company will in most cases have discretion concerning the use of the net proceeds of any financings by the Company as well as the timing of their expenditures. The results and the effectiveness of the application of the net proceeds are uncertain. If the net proceeds are not applied effectively, the Company's business, prospects, financial position, financial condition or results of operations may suffer.

No Dividends

The Company's current policy is, and will be, to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Company. Therefore, the Company does not anticipate paying cash dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board in the context of its earnings, financial condition and other relevant factors. Until the time that the Company does pay dividends, which it might never do, its shareholders will not be able to receive a return on their Common Shares unless they sell them.

Enforcement of Legal Rights

The Company's subsidiary and the majority of the Company's assets are located outside of Canada in the UK. Accordingly, it may be difficult for investors to enforce within Canada any judgments obtained against the Company, including judgments predicated upon the civil liability provisions of applicable Canadian securities laws or otherwise. Consequently, investors may be effectively prevented from pursuing remedies against the Company under Canadian securities laws or otherwise.

A number of directors and officers of the Company reside outside of Canada. It may not be possible for shareholders to effect service of process outside of Canada against the directors and officers of the Company, and independent qualified persons engaged by the Company, who are not resident in Canada. In the event a judgment is obtained in a Canadian court against one or more of such persons for violations of Canadian securities laws or otherwise, it may not be possible to enforce such judgment against persons not resident in Canada. Additionally, it may be difficult for an investor, or any other person or entity, to assert Canadian securities law or other claims in original actions instituted in the UK. Courts in the UK may refuse to hear a claim based on a violation of Canadian securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a foreign court agrees to hear a claim, it may determine that the local law, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law.

Principal Shareholder Risk

According to the public record, Mr. Peter Rands, a former director, officer and promoter of the Company, and his spouse, collectively own or control 88,050,434 Common Shares, representing approximately 27.4% of the Company's issued and outstanding Common Shares. By virtue of his status as the principal shareholder of the Company, Mr. Rands has the power to exercise significant influence over all matters requiring shareholder approval, including the election of directors, amendments to the Company's constating documents and strategic transactions, including mergers, acquisitions, business combinations and the sale of substantially all of the Company's assets.

FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 **Name and Address of Company**

Small Pharma Inc. ("**Small Pharma**")
50 Featherstone Street, 1st Floor
London, UK
EC1Y 8RT

Item 2 **Date of Material Change**

August 28, 2023

Item 3 **News Release**

A joint press release between Small Pharma and Cybin Inc. ("**Cybin**") disclosing the material change was disseminated on August 28, 2023 through the facilities of BusinessWire (the "**News Release**") and has been filed under Small Pharma's profile on SEDAR+ at www.sedarplus.ca.

Item 4 **Summary of Material Change**

Small Pharma and Cybin have entered into a definitive arrangement agreement dated August 28, 2023 (the "**Arrangement Agreement**") pursuant to which Cybin has agreed to acquire all of Small Pharma's issued and outstanding securities in an all-share transaction (the "**Transaction**").

Under the terms of the Transaction, Small Pharma shareholders are expected to receive 0.2409 of a common share of Cybin (each whole share, a "**Cybin Share**") for each common share of Small Pharma held (a "**Small Pharma Share**"). Holders of options to purchase Small Pharma Shares that are "in-the-money" based on the volume weighted average trading price of the Small Pharma Shares on the TSX Venture Exchange (the "**TSXV**") for the five trading days immediately preceding the effective time of the Transaction (the "**Small Pharma Share Value**") will receive from Small Pharma a number of Small Pharma Shares equal to the number of Small Pharma options held, multiplied by the amount by which the Small Pharma Share Value exceeds the exercise price of such Small Pharma options, divided by the Small Pharma Share Value. Such newly issued Small Pharma Shares will be acquired by Cybin on the same terms as the other Small Pharma Shares. Each Small Pharma option that is "out-of-the-money" based on the Small Pharma Share Value will be deemed to be surrendered to Small Pharma for $0.001 and cancelled.

As of the date of the material change, it is expected that existing Cybin shareholders and Small Pharma securityholders will own approximately 74.5% and 25.5% of Cybin, respectively, following completion of the Transaction.

The Transaction is to be carried out by way of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia). Completion of the Transaction is subject to court, stock exchange and regulatory approvals, including the Supreme Court of British Columbia and the TSXV, approvals by the shareholders of both Cybin and Small Pharma, and other closing conditions customary in transactions of this nature. The shareholders' meetings are expected to occur on or about October 12, 2023.

In connection with the Transaction, each of Small Pharma's directors and officers, and Small Pharma's largest shareholder, who collectively beneficially hold or exercise control or direction over, directly or indirectly, an aggregate of approximately 28.8% of the outstanding Small Pharma Shares as of the date of the Arrangement Agreement, have entered into voting and support agreements with Cybin, pursuant to which each of them has agreed, among other things, to support and vote their Small Pharma Shares in favour of the Transaction (the "**Small Pharma Shareholder Voting Support Agreements**"). In addition, each of Cybin's directors and officers, and certain Cybin shareholders, who collectively hold or exercise control or direction over an aggregate of approximately 17% of the outstanding Cybin Shares as of the date of the Arrangement Agreement, have entered into voting and support agreements with Small Pharma, pursuant to which each of them has agreed, among other things, to support and vote their Cybin Shares in favour of the Transaction.

It is currently expected that the Transaction will close in late October 2023. Further details with respect to the Transaction will be included in the respective management information circulars to be mailed to the Small Pharma shareholders and Cybin shareholders in connection with their respective shareholder meetings.

A copy of the Arrangement Agreement and the Small Pharma Shareholder Voting Support Agreements have been filed on Small Pharma's SEDAR+ profile at www.sedarplus.ca.

Item 5 **Full Description of Material Change**

See the full text of the News Release attached hereto as Schedule "A".

Item 6 **Reliance on subsection 7.1(2) of National Instrument 51-102**

Confidentiality is not requested.

Item 7 **Omitted Information**

No information has been omitted in respect of the material change.

Item 8 **Executive Officer**

The following executive officer of Small Pharma is knowledgeable about the material change disclosed in this report.

George Tziras
Chief Executive Officer
Telephone: +44 (0)7720 326 847
Email: ir@smallpharma.co.uk

Item 9 **Date of Report**

September 7, 2023

Schedule "A"

See attached.

Cybin to Acquire Small Pharma Inc.

- All-share transaction creates international clinical-stage leader in novel psychedelic therapeutics -

- Two proprietary, advanced clinical programs in development for depression and anxiety disorders with demonstrated safety and efficacy -

- Combined portfolio creates the industry's largest, most advanced, well-protected deuterated DMT program -

- Combination creates the largest intellectual property portfolio in the psychedelic drug development sector with 28 patents granted and 158 patents pending -

- Creates strong synergies by combining key assets, personnel, capabilities and intellectual property, as well as access to world-leading scientific and clinical collaborators -

- Multinational operations support scaling to Phase 3 development of CYB003 in early 2024, following planned Phase 2 safety and efficacy readout in late 2023 -

- Cybin and Small Pharma to host conference call today, August 28, 2023, at 11:30 a.m. ET -

(Dollar amounts expressed in Canadian dollars)

TORONTO, CANADA and **LONDON, U.K.** - August 28, 2023 - Cybin Inc. (NYSE American:CYBN) (NEO:CYBN) ("**Cybin**"), a clinical-stage biopharmaceutical company committed to revolutionizing mental healthcare by developing new and innovative psychedelic-based treatment options, and Small Pharma Inc. (TSXV:DMT) (OTCQB:DMTTF) ("**Small Pharma**"), a U.K.-based biotechnology company focused on short-duration psychedelic therapies for mental health conditions, today announced that they have entered into a definitive arrangement agreement (the "**Agreement**") pursuant to which Cybin will acquire all of Small Pharma's issued and outstanding securities in an all-share transaction pursuant to a plan of arrangement (the "**Transaction**").

Under the terms of the Transaction, Small Pharma shareholders will receive 0.2409 common shares in the capital of Cybin ("**Cybin Shares**") for each common share of Small Pharma ("**Small Pharma Share**") held. The exchange ratio implies consideration of approximately $0.10 per Small Pharma Share based on the closing price of the Cybin Shares on the Cboe Canada exchange ("**Cboe Canada**") on August 25, 2023, representing a 43.64% premium based on the 30-day volume weighted average prices of the Cybin Shares on the Cboe Canada and the Small Pharma Shares on the TSX Venture Exchange ("**TSXV**") for the period ended on August 25, 2023. As of the date of this press release, it is expected that existing Cybin shareholders and Small Pharma securityholders will own approximately 74.5% and 25.5% of Cybin, respectively.

The Agreement has been unanimously approved by Small Pharma's board of directors (the "**Small Pharma Board**") on the unanimous recommendation of a special committee of its independent directors (the "**Small Pharma Special Committee**"), and Cybin's board of directors (the "**Cybin Board**").

"This transaction creates a clear market leader in novel psychedelic therapeutics. The synergy of Cybin's and Small Pharma's development programs, intellectual property, and robust datasets enhances our leadership and expertise in developing potentially best-in-class, optimized psychedelic therapeutics, and positions the combined company to generate long-term value for all stakeholders. Our combined portfolios, having an increased number of potential value-catalysts, also create added opportunities to support future funding activities with no added debt. We look forward to welcoming our Small Pharma colleagues into the Cybin team," said Doug Drysdale, Chief Executive Officer of Cybin.

Small Pharma is a leader in the development of short-duration psychedelic therapies for mental health conditions, having raised a total of $63 million in capital since 2021, and demonstrating the first placebo-controlled efficacy results for N,N-dimethyltryptamine ("**DMT**") in treating Major Depressive Disorder ("**MDD**"). In the past years Small Pharma has progressed two clinical-stage DMT-based programs, a pipeline of preclinical assets, and developed a highly robust intellectual property ("**IP**") portfolio to protect them.

With a common goal to create novel, optimized psychedelic-based therapeutics, the combination of Cybin and Small Pharma creates an international, clinical-stage leader with the potential to transform the treatment paradigm for mental health conditions. Cybin's and Small Pharma's combined DMT and deuterated DMT ("**dDMT**") programs creates the largest dataset of systematic research on these short-duration psychedelic molecules. The companies' combined development portfolios are highly complementary and provide multiple opportunities to create operational and cost synergies.

The combined entity will hold the most impressive IP portfolio in the psychedelic drug development sector, with a combined 158 pending patent applications, including two allowed applications, and 28 granted patents protecting the combined companies' clinical and preclinical molecules. This extensive IP portfolio creates an unmatched opportunity for the combined company to develop next-generation novel compounds for a number of mental health disorders that may be amenable to treatment with psychedelic therapies.

George Tziras, Chief Executive Officer of Small Pharma, said, "This marks the beginning of an exciting new chapter for Small Pharma. Since 2015, we have been committed to our mission of accelerating patient access to transformative mental health treatments, and I am incredibly proud of the progress we have made. Cybin shares both our vision and confidence in the potential of our programs. Cybin's senior listing on the NYSE American can also provide increased access to the broader and deeper capital markets of the United States. We look forward to combining the considerable strengths of our teams to create a category leader in novel psychedelic-based therapeutics and bring innovative mental health treatments to patients around the world."

Together, the combined operating teams of Cybin and Small Pharma create a sector-leading organization with deep expertise in DMT and deuterated psychedelic tryptamine-based therapeutics for mental health disorders. The integrated DMT dataset from both companies represents an advanced and extensive DMT clinical program, including:

- Phase 2 safety and efficacy data for IV DMT in patients with MDD (SPL026);

- Extensive Phase 1 dataset for IV formulations of DMT and dDMT (CYB004e, CYB004, SPL026, SPL028);
- Studies exploring more convenient and patient-friendly dosing methods (Phase 1 intramuscular SPL026 and SPL028; subcutaneous CYB004); and
- Phase 1b safety and efficacy of SPL026 administered in conjunction with serotonin reuptake inhibitors ("**SSRIs**") in patients with MDD, with data anticipated in late 2023. Encouraging results could broaden access to DMT-based therapies by removing the requirement for patients to be withdrawn from existing SSRI medication.

Data readouts from both companies' Phase 1 deuterated programs, CYB004 and SPL028 are anticipated by late 2023. This will enable a robust evaluation of formulations and administration routes, and an informed, data-driven approach to launching a Phase 2 efficacy study of dDMT in the United States early in 2024.

Cybin expects to report Phase 2 safety and efficacy data from its CYB003 deuterated psilocybin analog program in participants with MDD, in late 2023. Plans are underway to scale the program for Phase 3, including a partnership with a global clinical research organization, a streamlined EMBARK^{CT} facilitator training program, and preparations for Good Manufacturing Practice (GMP) manufacturing of CYB003 capsules for pivotal clinical trial supplies. Cybin was recently granted a composition of matter patent covering a deuterated psilocybin analog in its CYB003 program, and anticipates the potential for receiving Breakthrough Therapy designation from the U.S. Food and Drug Administration ("**FDA**"), subject to FDA approval, as early as late 2023.

The combined company will be led by Cybin's Chief Executive Officer, Doug Drysdale, who brings over 30 years of experience in the healthcare sector. Small Pharma senior management and staff will be integrated with the existing Cybin team to create a highly experienced and skilled team that is well positioned to deliver on the development and clinical execution of the combined pipeline.

Additional Transaction Details

Pursuant to the Transaction, Small Pharma shareholders will receive 0.2409 Cybin Shares for each Small Pharma Share held. Holders of options to purchase Small Pharma Shares that are "in-the-money" based on the volume weighted average trading price of the Small Pharma Shares on the TSXV for the five trading days immediately preceding the effective time of the Transaction (the "**Small Pharma Share Value**") will receive from Small Pharma a number of Small Pharma Shares equal to the number of Small Pharma options held, multiplied by the amount by which the Small Pharma Share Value exceeds the exercise price of such Small Pharma options, divided by the Small Pharma Share Value. Such newly issued Small Pharma Shares will be acquired by Cybin on the same terms as the other Small Pharma Shares. Each Small Pharma option that is "out-of-the-money" based on the Small Pharma Share Value will be deemed to be surrendered to Small Pharma for $0.001 and cancelled.

The Transaction will be effected by way of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia), requiring the approval of at least $66^{2}/_{3}$% of the votes cast by the shareholders of Small Pharma voting in person**,** virtually or by proxy at an annual and special shareholders' meeting to consider, in addition to certain annual business, the Transaction. The issuance of Cybin Shares pursuant to the Transaction will also require approval by a simple majority of the votes cast by the shareholders of Cybin voting virtually or by proxy at an annual and special meeting of Cybin shareholders, in accordance with the polices of the Cboe Canada. The shareholders' meetings are expected to occur on or about October 12, 2023.

In connection with the Transaction, each of Small Pharma's directors and officers, and Small Pharma's largest shareholder, who collectively beneficially hold or exercise control or direction over, directly or indirectly, an aggregate of approximately 28.8% of the outstanding Small Pharma Shares, have entered into voting and support agreements with Cybin, pursuant to which each of them has agreed, among other things, to support and vote their Small Pharma Shares in favour of the Transaction. In addition, each of Cybin's directors and officers, and certain Cybin shareholders, who collectively hold or exercise control or direction over an aggregate of approximately 17% of the outstanding Cybin Shares, have entered into voting and support agreements with Small Pharma, pursuant to which each of them has agreed, among other things, to support and vote their Cybin Shares in favour of the Transaction.

In addition to shareholder approvals, the Transaction is subject to approval by the Supreme Court of British Columbia, receipt of applicable stock exchange and regulatory approvals, including the approval of the TSXV, and the satisfaction of certain other closing conditions customary in transactions of this nature. It is currently expected that the Transaction will close in late October 2023.

The Agreement includes customary reciprocal "non-solicitation" covenants, subject in the case of "fiduciary out" provisions that would permit Small Pharma to accept a superior proposal under certain circumstances, subject to a "right to match" period in favour of Cybin. The Agreement also provides for reciprocal termination fees of $2 million payable to Cybin or Small Pharma if the Transaction is terminated in certain specified circumstances, and, in certain other customary circumstances, expense reimbursement payable to Small Pharma of $400,000.

Upon completion of the Transaction, the Cybin Board will be increased by one director, and George Tziras, the current Chief Executive Officer of Small Pharma, will join the Cybin Board.

Further information regarding the Transaction will be included in the respective management information circulars of Cybin and Small Pharma, which will be mailed to shareholders in connection with their respective shareholder meetings. The Agreement will be filed on the SEDAR+ profiles of Small Pharma and Cybin at www.sedarplus.ca and with the U.S. Securities and Exchange Commission on EDGAR at www.sec.gov.

Board of Directors' Recommendations

The Small Pharma Board has unanimously determined, after receiving the unanimous recommendation of the Small Pharma Special Committee, that the Transaction is fair to the Small Pharma shareholders, and in the best interests of Small Pharma, and has unanimously recommended that Small Pharma shareholders vote in favour of the Transaction. The Cybin Board has unanimously determined that the Transaction is in the best interests of Cybin, and has unanimously recommended that Cybin shareholders vote in favour of the Transaction.

The Small Pharma Board has received the opinion of Jefferies International Limited to the effect that, as of August 28, 2023 and based on and subject to the various assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken set forth therein, the exchange ratio provided for pursuant to the Agreement was fair, from a financial point of view, to the holders of Small Pharma Shares (other than, as applicable, Cybin and its affiliates).

Upon completion of the Transaction, it is expected that the Small Pharma Shares will be delisted from the TSXV and removed from the OTCQB market, and Small Pharma will cease to be a reporting issuer in each of the provinces and territories in Canada.

The combined company will remain headquartered in Toronto, with operations in Canada, the U.S., the U.K., the Netherlands, and Ireland, and will continue to trade on the NYSE American and the Cboe Canada under the ticker "CYBN".

None of the securities to be issued pursuant to the Transaction have been or will be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any state securities laws, and any securities issuable in the Transaction are anticipated to be issued in reliance upon available exemptions from such registration requirements pursuant to Section 3(a)(10) of the U.S. Securities Act and applicable exemptions under state securities laws. This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities.

Legal and Financial Advisors

Gowling WLG (Canada) LLP is acting as legal counsel to Cybin.

Aird & Berlis LLP is acting as legal counsel to Small Pharma and the Small Pharma Special Committee. Jefferies International Limited is acting as exclusive financial advisor to Small Pharma.

Conference Call and Webcast Details

Cybin and Small Pharma will host a conference call on August 28, 2023 at 11:30 a.m. ET.

To join the conference call via telephone, please register here to receive the dial-in information.

To join the live audio webcast of the call, please register here.

The archived webcast will also be available on Cybin's investor relations website on the Events & Presentations page and on the Investor page of Small Pharma's website under Events & Conferences.

About Cybin

Cybin is a clinical-stage biopharmaceutical company on a mission to create safe and effective psychedelic-based therapeutics to address the large unmet need for new and innovative treatment options for people who suffer from mental health conditions.

Cybin's goal of revolutionizing mental healthcare is supported by a network of world-class partners and internationally recognized scientists aimed at progressing proprietary drug discovery platforms, innovative drug delivery systems, and novel formulation approaches and treatment regimens. Cybin is currently developing CYB003, a proprietary deuterated psilocybin analog for the treatment of major depressive disorder and CYB004, a proprietary deuterated DMT molecule for generalized anxiety disorder and has a research pipeline of investigational psychedelic-based compounds.

Headquartered in Canada and founded in 2019, Cybin is operational in Canada, the United States, the United Kingdom, the Netherlands and Ireland. For company updates and to learn more about Cybin, visit www.cybin.com or follow the team on Twitter, LinkedIn, YouTube and Instagram.

About Small Pharma

Small Pharma is a biotechnology company progressing a pipeline of short-duration psychedelic-assisted therapies for the treatment of mental health conditions. Small Pharma has a portfolio of clinical-stage DMT-based assets, SPL026 and SPL028. Small Pharma was granted an Innovation Passport designation for SPL026 from the U.K. Medicines and Healthcare products Regulatory Agency and has a pipeline of proprietary preclinical assets.

Small Pharma is focused on developing short-duration tryptamine-based therapeutics that are scalable, commercially differentiated, and conveniently dosed, with the goal of addressing key unmet needs in the treatment of depression. Small Pharma's lead clinical-stage program, SPL026, a first-generation DMT molecule, has shown proof-of-concept for the potential treatment of MDD. In a Phase 2a study, IV SPL026 demonstrated a rapid and durable antidepressant effect, as well as a favorable safety and tolerability profile. Small Pharma is also advancing SPL028, a second-generation injectable deuterated DMT molecule, in a Phase 1 trial.

Cautionary Notes and Forward-Looking Statements

Certain statements in this news release relating to the Cybin and Small Pharma are forward-looking statements and are prospective in nature. Forward-looking statements are not based on historical facts, but rather on current expectations and projections about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. These statements generally can be identified by the use of forward-looking words such as "may", "should", "could", "intend", "estimate", "plan", "anticipate", "expect", "believe" or "continue", or the negative thereof or similar variations. Forward-looking statements in this news release include statements regarding Cybin's plans to report Phase 2 safety and efficacy data from its CYB003 deuterated psilocybin analog program in late 2023; progression to Phase 3 development of CYB003 in early 2024; the possibility of obtaining FDA Breakthrough Therapy designation for CYB003, and the timing for receiving such designation; full data readouts from both companies' Phase 1 deuterated programs, CYB004 and SPL028 in late 2023; anticipated timing of Small Pharma's Phase 1b safety and efficacy data in respect of SPL026; anticipated launch of a Phase 2 efficacy study of dDMT in early 2024; the anticipated timing for the meetings of Cybin and Small Pharma shareholders and closing of the Transaction; the consideration to be received by Small Pharma shareholders; the estimated value of the Transaction; the delisting and removal of the Small Pharma Shares from the TSXV and OTCQB, respectively; the satisfaction of closing conditions to the Transaction, including, without limitation (i) the required Cybin shareholder approval; (ii) the required Small Pharma shareholder approval; (iii) necessary court approval in connection with the plan of arrangement; (iv) the appointment of a Small Pharma nominee to the Cybin Board; (v) Cybin obtaining the necessary approvals from the Cboe Canada and NYSE American for the listing of securities in connection with the Transaction; and (vi) other closing conditions, including, without limitation, obtaining certain consents and other regulatory approvals, as applicable, the operation and performance of the Cybin and Small Pharma businesses in the ordinary course until closing of the Transaction and compliance by Cybin and Small Pharma with various covenants contained in the Agreement; Small Pharma ceasing to be a reporting issuer in each of the provinces and territories in Canada; and the anticipated benefits of the Transaction to shareholders and the combined company, including corporate operational, and other synergies.

These forward-looking statements are based on reasonable assumptions and estimates of management of the Cybin and Small Pharma at the time such statements were made. Actual future results may differ materially as forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of Cybin and Small Pharma to materially differ from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors, among other things, include: that the Transaction may not be completed on the expected terms or within expected timelines, or at all; the Transaction may not be approved by the Cybin shareholders and/or the Small Pharma shareholders; applicable stock exchange and other regulatory approvals may not be obtained on terms satisfactory to Cybin and Small Pharma, or at all; the combined company may be unable to realize the anticipated benefits of, and synergies and savings from, the Transaction; implications of the spread of COVID-19 on the operations of Cybin and Small Pharma; fluctuations in general macroeconomic conditions; fluctuations in securities markets; expectations regarding the size of the psychedelics market; the ability of Cybin and Small Pharma to successfully achieve their business objectives; plans for growth; political, social and environmental uncertainties; employee relations; the presence of laws and regulations that may impose restrictions in the markets where the Cybin and Small Pharma operate; the risk that the potential product candidates that Cybin and Small Pharma develop may not progress through clinical development or receive required regulatory approvals or Breakthrough Therapy designation within expected timelines or at all; risks relating to uncertainty regarding the regulatory pathway for Cybin and Small Pharma product candidates; the risk that Cybin and Small Pharma will be unable to successfully market or gain market acceptance of their product candidates; and the risk factors set out Cybin's management's discussion and analysis for the three months ended June 30, 2023, and annual information form for the year ended March 31, 2023, are available under Cybin's SEDAR+ profile at www.sedarplus.ca and with the U.S. Securities and Exchange Commission on EDGAR at www.sec.gov, and Small Pharma's management's discussion and analysis for the three months ended May 31, 2023, which is available on Small Pharma's SEDAR+ profile at www.sedarplus.ca.

Although the forward-looking statements contained in this news release are based upon what management of Cybin and Small Pharma respectively believes to be reasonable assumptions, there can be no assurance that actual results will be consistent with such forward-looking statements, as there may be other factors that cause results not to be as anticipated, estimated or intended. Readers should not place undue reliance on the forward-looking statements and information contained in this news release. Neither Cybin nor Small Pharma assumes any obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

Cybin makes no medical, treatment or health benefit claims about Cybin's proposed products. The U.S. Food and Drug Administration, Health Canada, the European Medicines Agency, the United Kingdom Medicines and Healthcare products Regulatory Agency, or other similar regulatory authorities have not evaluated claims regarding psilocybin, psychedelic tryptamine, tryptamine derivatives or other psychedelic compounds. The efficacy of such products has not been confirmed by approved research. There is no assurance that the use of psilocybin, psychedelic tryptamine, tryptamine derivatives or other psychedelic compounds can diagnose, treat, cure or prevent any disease or condition. Rigorous scientific research and clinical trials are needed. Neither Cybin nor Small Pharma has conducted clinical trials for the use of its proposed products. Any references to quality, consistency, efficacy and safety of potential products do not imply that Cybin or Small Pharma verified such in clinical trials or that Cybin or Small Pharma will complete such trials. If Cybin or Small Pharma cannot obtain the approvals or research necessary to commercialize its business, it may have a material adverse effect on the performance and operations of Cybin or Small Pharma.

Neither the Neo Exchange Inc. nor the NYSE American LLC stock exchange have approved or disapproved the contents of this news release and are not responsible for the adequacy and accuracy of the contents herein.

Neither the TSXV nor its regulation services provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.

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FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Small Pharma Inc. (the "**Company**")

Head Office:
6-8 Bonhill Street
3rd Floor
London, UK
EC2A 4BX

Registered Office:
1400-885 West Georgia Street
Vancouver, BC
V6C 3E8

Item 2 Date of Material Change

January 25, 2023

Item 3 News Release

A press release disclosing the material change was disseminated on January 25, 2023, through GlobeNewswire.

Item 4 Summary of Material Change

On January 25, 2023, the Company announced that SPL026, intravenous N,N-Dimethyltryptamine, with supportive therapy for the treatment of Major Depressive Disorder ("**MDD**") met the primary endpoint in its Phase IIa clinical trial, demonstrating a statistically significant and clinically relevant reduction in depressive symptoms at two-weeks post-dose, as compared to placebo. Further analysis of key secondary endpoints demonstrated a rapid and durable antidepressant effect to 12-weeks.

The trial investigated the efficacy and safety of intravenous ("**IV**") SPL026, with supportive therapy, in 34 patients with moderate/severe MDD. Participants who entered the trial on pharmacological antidepressant medication were withdrawn from their treatment prior to dosing. Patients were dosed with a short IV infusion of 21.5mg of SPL026, resulting in a 20 to 30-minute psychedelic experience.

The results of the Phase IIa trial demonstrated the study met its primary endpoint with a statistically significant -7.4 point difference between SPL026 (21.5mg) and placebo at two-weeks post-dose, as measured by the Montgomery-Asberg Depression Rating Scale change from baseline (p=0.02).

Item 5 Full Description of Material Change

See above and the press release dated January 25, 2023, attached hereto as Schedule "A".

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Confidentiality is not requested.

Item 7 Omitted Information

No information has been omitted in respect of the material change.

Item 8 Executive Officer

The following executive officer of the Company is knowledgeable about the material change disclosed in this report.

George Tziras, Chief Executive Officer, Telephone: +44 (0)7456 915968

Item 9 Date of Report

January 30, 2023

Schedule "A"

(see attached)

Small Pharma Reports Positive Top-line Results from Phase IIa Trial of SPL026 in Major Depressive Disorder

First placebo-controlled efficacy study completed to date exploring a short-duration psychedelic for depression demonstrates rapid and durable response

Primary endpoint met with a statistically significant -7.4 point difference between SPL026 (21.5mg) and placebo at two-weeks post-dose as measured by MADRS change from baseline (p=0.02)

Antidepressant effect of SPL026, with supportive therapy, demonstrated a rapid onset at one-week post-dose with a statistically significant difference in MADRS of -10.8 versus placebo (p=0.002)

Durable antidepressant effect with a 57% remission rate at 12-weeks following a single SPL026 dose with supportive therapy*

No apparent differences identified in antidepressant effect between a one and two dose regimen of SPL026

Favourable safety and tolerability profile demonstrated with no drug-related serious adverse events reported. All adverse events related to treatment were considered mild or moderate

Company to host conference call at 8:30am (EST) / 1:30pm (GMT) January 25, 2023 to discuss results

January 25, 2023 - London, United Kingdom - Small Pharma Inc. (TSXV: DMT) (OTCQB: DMTTF) (the "**Company**" or "**Small Pharma**"), a biotechnology company focused on short-duration psychedelic-assisted therapies for mental health conditions, today announces that SPL026, intravenous N,N-Dimethyltryptamine ("**DMT**"), with supportive therapy for the treatment of Major Depressive Disorder ("**MDD**") met the primary endpoint in its Phase IIa clinical trial, demonstrating a statistically significant and clinically relevant reduction in depressive symptoms at two-weeks post-dose, as compared to placebo. Further analysis of key secondary endpoints demonstrated a rapid and durable antidepressant effect to 12-weeks.

The trial investigated the efficacy and safety of intravenous ("**IV**") SPL026, with supportive therapy, in 34 patients with moderate/severe MDD. Participants who entered the trial on pharmacological antidepressant medication were withdrawn from their treatment prior to dosing. Patients were dosed with a short IV infusion of 21.5mg of SPL026, resulting in a 20 to 30-minute psychedelic experience. The dose was selected as a result of data analysis from the Company's Phase I study confirming that it was well tolerated and delivered a consistent psychedelic experience in healthy volunteers.

The two-staged Phase IIa study included a blinded, randomized, placebo-controlled phase, where the primary endpoint was to assess the efficacy of a single dose of SPL026 with supportive therapy (N=17) versus placebo with therapy (N=17) at two-weeks post-dose. All study participants were subsequently enrolled into an open-label phase of the study where they received a single dose of SPL026 with supportive therapy, and were followed-up for a further 12-weeks in study**. This open-label trial design enabled the assessment of durability of antidepressant effect, as well as the comparative efficacy and safety of a one versus two dose regimen of SPL026.

Efficacy was assessed using the Montgomery-Asberg Depression Rating scale ("**MADRS**") to measure any potential change in patients' depression from baseline. MADRS was assessed by independent raters who were not present at dosing and were blinded to the overall treatment.

The Phase IIa study met the primary endpoint demonstrating a statistically significant and clinically relevant reduction in depressive symptoms two-weeks following a dose of SPL026 with supportive therapy, compared to placebo, demonstrating a -7.4 point difference in MADRS (p=0.02). Analysis of key secondary endpoints demonstrated a rapid onset of antidepressant effect one-week post-dose, with a statistically significant difference in MADRS score between the active and placebo groups of -10.8 (p=0.002).

Across the 12-week open-label phase, patients who received at least one active dose of SPL026 with supportive therapy reported a durable improvement in depression symptoms. No apparent difference in antidepressant effect was observed between a one and two dose regimen of SPL026. The total mean reduction in MADRS from baseline after a single dose of SPL026 was -15.4 at 12-weeks.

Dr. Carol Routledge, Chief Medical and Scientific Officer said: "We are pleased that a significant number of patients benefited from the treatment in our trial. SPL026 with supportive therapy was shown to have a significant antidepressant effect that was rapid and durable, with a remission rate of 57% at three months following a single dose of SPL026. It was encouraging to see that SPL026 demonstrated a favourable safety and tolerability profile in MDD patients in this study, consistent with our Phase I study. The results are clinically meaningful and enable us to progress into an international multi-site Phase IIb study where we seek to further explore the efficacy and safety profile of SPL026 in a larger MDD patient population."

Key Findings

Active, Active (Two dose regimen)	***Blinded phase Active***		***Open-label phase Active, Active***
Phase-related weeks post-dose[a]	**W1**	**W2**	**W12**
MADRS Change From Baseline (**"CFB"**)	-12.7	-11.0	-7.8
p-value (MADRS CFB difference active vs. placebo)	0.002	0.02	n/a
Response %	44%	35%	42%
Remission %	44%	29%	33%

Placebo, Active (One dose regimen)	***Blinded phase Placebo***		***Open-label phase Placebo, Active***
Phase-related weeks post-dose[a]	**W1**	**W2**	**W12**
MADRS CFB	-1.9	-3.6	-15.4
Response %	6%	12%	50%
Remission %	13%	12%	57%

Notes:
a) refers to weeks following dose administered in either the blinded or open-label phase

Rapid onset of antidepressant effect

- Primary endpoint met with a statistically significant -7.4 point difference between SPL026 and placebo (p=0.02) at two-weeks post-dose, as measured by MADRS change from baseline
- Statistically significant -10.8 point difference between SPL026 and placebo (p=0.002) at one-week post-dose, as measured by MADRS change from baseline
- Clinically meaningful difference in response* rates of SPL026 at week one and week two, 44% and 35%, respectively
- Clinically meaningful difference in remission rates of SPL026 at week one and week two of 44% and 29%, respectively

Durability of antidepressant effect

- Durability was measured by a change in MADRS from the original baseline of the study, at one, two, four and 12-weeks after the open-label dose of SPL026
- Durable improvement in depression symptoms from baseline in groups receiving at least one dose of SPL026 observed to 12-weeks following the open-label dose
- No apparent differences identified in antidepressant effect between a one and two dose regimen of SPL026
- Treatment group receiving an open-label dose of SPL026 following placebo showed:
    - Total change in MADRS from baseline of -10.6 and -15.4 at one and 12-weeks post open-label dose
    - Durable response rate from week 1 (43%) to week 12 (50%) post dose
    - Durable remission rate from week 1 (43%) to week 12 (57%) post dose

Safety and tolerability

- SPL026 was well tolerated by all patients receiving an active dose
- No drug-related serious adverse events reported, including no reported suicidal ideation or behaviour

- Adverse events (**"AEs"**) deemed possibly related to treatment in the blinded phase:
  - 19 in the SPL026 group
  - 4 in the placebo group
  - All were deemed mild or moderate in severity
- 24 AEs deemed possibly related to treatment in the open-label phase
- Majority of drug-related AEs (~80%) resolved during the dosing visit
- No clinically significant safety concerns in any treatment group, including with vital signs, electrocardiogram (ECG) or clinical laboratory findings

The detailed results of the Phase IIa trial are expected to be presented at upcoming scientific meetings and published in a peer-reviewed journal.

George Tziras, Chief Executive Officer of Small Pharma said: "MDD affects the lives of hundreds of millions of people worldwide. The scale of the unmet need indicates the importance of investigating alternative new treatments. Our goal is to develop proprietary, scalable and reimbursable short-duration psychedelics with supportive therapy to address this need. I am delighted with our top-line results, which demonstrate proof-of-concept for SPL026 and provide encouraging support for our broader portfolio. I want to thank each patient who took part in this trial, as well as their families, the trial investigators, the employees of the trial sites and everyone who has supported the successful completion of this study."

Dr. David Erritzoe Clinical Psychiatrist at Imperial College London and Chief Investigator of the Phase I/IIa study added: "The results are exciting for the field of psychiatry. We now have the first evidence that SPL026 DMT, combined with supportive therapy, may be effective for people suffering from MDD. For patients who are unfortunate to experience little benefit from existing antidepressants, the potential for rapid and durable relief from a single treatment, as shown in this trial, is very promising."

Conference Call and Webcast Details:
The Small Pharma management team will host a conference call at 8:30am EST / 1:30pm GMT on Wednesday January 25, 2023. To access the call and webcast presentation, select the relevant dial-in number and webcast link below.

Time:	8:30 a.m. (EST) / 1:30 p.m. (GMT)
Dial-in number (from US):	+1-877-423-9813
Dial-in number (from outside US)	+1-201-689-8573
Conference ID:	13735973
Webcast (to view presentation slides):	https://viavid.webcasts.com/starthere.jsp?ei=1595427&tp_key=af827d4034

Following its completion, the webcast will also be available on the Investor section of the Small Pharma website under 'Events & Conferences'. The webcast will be available for 30 days.

About MDD
An estimated 280 million people globally suffer from Major Depressive Disorder, which is a leading cause of disability and a major contributor to the overall burden of disease worldwide. It is a condition characterized by at least two weeks of pervasive low mood, low self-esteem and loss of interest or pleasure in normally enjoyable activities[1].

About Small Pharma
Small Pharma is a biotechnology company progressing a pipeline of short-duration psychedelic-assisted therapies for the treatment of mental health conditions. The Company's current focus is on exploring new therapeutic approaches for depression. Small Pharma's lead candidate, SPL026, is a proprietary synthetic formulation of DMT. The Company is advancing clinical programs of SPL026 and SPL028 with supportive therapy for the treatment of mental health conditions and was granted an Innovation Passport designation from the U.K. Medicines and Healthcare products Regulatory Agency (the "**MHRA**") for intravenous SPL026 with supportive therapy for MDD. In addition, Small Pharma has a pipeline of proprietary preclinical assets in development.

Legend:
*remission = MADRS score ≤10; response = ≥50% reduction in MADRS from baseline
**patients are followed up to 6-months out of study

Source:
1. WHO (2021), Depression fact-sheet.

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Cautionary Note Regarding Forward-Looking Statements

This press release contains statements that constitute "forward-looking information" ("**forward-looking information**") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking information and are based on expectations, estimates and projections as at the date of this news release. Any statement that discusses predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking information. Forward-looking statements in this news release include statements regarding the Company's Phase IIa study of SPL026, including the anticipated impact on the application of SPL026 and the treatment of mental health conditions, as well as the presentation and publishing of detailed trial results; the impact of further analysis of the top-line SPL026 trial data on assumptions made based on top-line data; the anticipated commencement, timing and design of the Company's Phase IIb international multi-site trial of SPL026, including the potential impact of such trial on a larger MDD patient population; the potential effect and impact of SPL026 on individuals suffering from MDD: the Company's ability to develop proprietary, scalable and reimbursable short-duration psychedelics with supportive therapy to address the needs of the MDD community; and the Company's ability to progress short-duration psychedelic assisted therapies for the treatment of mental health conditions.

In disclosing the forward-looking information contained in this press release, the Company has made certain assumptions. Although the Company believes that the expectations reflected in such forward-looking information are reasonable, it can give no assurance that the expectations of any forward-looking information will prove to be correct. Known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information. Such factors include, but are not limited to: compliance with extensive government regulations; domestic and foreign laws and regulations adversely affecting the Company's business and results of operations; the impact of COVID-19; and general business, economic, competitive, political and social uncertainties. Accordingly, readers should not place undue reliance on the forward-looking information contained in this press release. Except as required by law, the Company disclaims any intention and assumes no obligation to update or revise any forward-looking information to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward-looking information or otherwise.

Small Pharma makes no medical, treatment or health benefit claims about its proposed products. The MHRA or other similar regulatory authorities have not evaluated claims regarding DMT-assisted therapies and other next generation psychoactive compounds. The efficacy of such therapies has not been confirmed by MHRA-approved research. There is no assurance that such DMT-assisted therapies and other psychoactive compounds can diagnose, treat, cure or prevent any disease or condition. Vigorous scientific research and clinical trials are needed. Any references to quality, consistency, efficacy and safety of potential therapies do not imply that Small Pharma verified such in clinical trials or that Small Pharma will complete such trials. If Small Pharma cannot obtain the approvals or research necessary to commercialize its business, it may have a material adverse effect on Small Pharma's performance and operations.

*The TSX Venture Exchange ("**TSXV**") has neither approved nor disapproved the contents of this news release. Neither the TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.*

Small Pharma

TSXV: DMT

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

June 20, 2022

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SMALL PHARMA INC.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the "**Meeting**") of the holders of the common shares (collectively, the "**Shareholders**" or individually, a "**Shareholder**") of Small Pharma Inc. (the "**Corporation**") will be held on Tuesday, July 19, 2022 at 10:00 a.m. (Toronto time). The Meeting will be a virtual meeting conducted via live audio webcast. The purpose of the Meeting is as follows:

1. to receive the audited financial statements of the Corporation for the financial year ended February 28, 2022, together with the report of the auditor thereon;

2. to elect the directors of the Corporation;

3. to appoint MNP LLP, as auditor of the Corporation for the ensuing year and to authorize the directors of the Corporation to fix its remuneration;

4. to consider and, if thought appropriate, pass, with or without variation, a resolution approving the Corporation's rolling stock option plan, as more fully described in the accompanying management information circular dated June 20, 2022 (the "**Circular**");

5. to consider and, if thought appropriate, pass, with or without variation, a special resolution approving the consolidation of the Common Shares by a ratio of up to 20:1, as more fully described in the Circular; and

6. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

Accompanying this Notice of Annual and Special Meeting of Shareholders is the Circular and a copy of the audited financial statements of the Corporation for the financial year ended February 28, 2022, together with the report of the auditor thereon. The record date for the determination of those Shareholders entitled to receive the Notice of Annual and Special Meeting of Shareholders and to vote at the Meeting was the close of business on Monday, June 13, 2022. As a shareholder of the Corporation, it is very important that you read the accompanying Circular and other Meeting materials carefully. They contain important information with respect to voting your Common Shares and attending and participating at the Meeting.

The Meeting will be held virtually and Shareholders will not be able to attend the Meeting in person. Shareholders who choose to attend the Meeting will do so by accessing a live audio webcast of the Meeting via the internet. Shareholders and duly appointed proxyholders can access the Meeting by visiting https://web.lumiagm.com/245720019. The password for the Meeting is small2022 (case sensitive). At this website, Shareholders will be able to listen to the Meeting live, submit questions and submit their vote while the Meeting is being held. We believe hosting the Meeting virtually will enable increased Shareholder attendance from different geographic locations and will encourage more active Shareholder engagement and participation at the Meeting.

Shareholders who are unable to attend the Meeting must follow the instructions on the proxy or voting instruction form. Only registered Shareholders and proxyholders may attend and vote at the Meeting. Shareholders that hold their shares with a bank, broker or financial intermediary that wish to vote at the Meeting must carefully follow the instructions provided by their intermediary. In order to be effective, proxies must be received by the Chair of the Meeting before the commencement of the Meeting or any adjournment thereof. If you are attending the Meeting, please log-on to the virtual meeting in advance to ensure that your vote will be counted.

Time is of the essence. It is recommended that you vote by telephone or internet to ensure that your vote is received before the Meeting. To cast your vote by telephone or internet, please have your proxy card or voting instruction form in hand and carefully follow the instructions contained therein. Your telephone or internet vote authorizes the named proxies to vote your common shares in the same manner as if you mark, sign and return your proxy card. If you vote by telephone or internet, your vote must be received on or before 10:00 a.m. (Toronto time) on Friday, July 15, 2022.

A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for such Shareholder and on his, her or its behalf at the Meeting other than the persons designated in the enclosed form of proxy (the "**Appointee**"). Such right may be exercised by inserting in the blank space provided for that purpose the name of the Appointee or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Corporation's transfer agent and registrar, Odyssey Trust Company, 67 Yonge St., Suite 702, Toronto, Ontario, Canada M8E 1J8 no later than two (2) business days (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment thereof. **The Appointee will need to contact Odyssey Trust Company at appointee@odysseytrust.com to request a 12-digit control number. Without the control number, an Appointee will not be able to participate at the Meeting.**

DATED at Vancouver, British Columbia this 20th day of June, 2022.

BY ORDER OF THE BOARD

"Peter Rands"

Peter Rands
Chief Executive Officer

SMALL PHARMA INC.

MANAGEMENT INFORMATION CIRCULAR

CURRENCY PRESENTATION

Unless otherwise indicated, all dollar amounts in this management information circular (the "**Circular**") are expressed in Canadian dollars, and, unless otherwise indicated, all amounts expressed in U.K. pounds are converted using an exchange rate of 1.5927, being the Bank of Canada exchange rate on the business day immediately preceding the date of this Circular.

SOLICITATION OF PROXIES

This Circular is furnished in connection with the solicitation of proxies by the management of Small Pharma Inc. (the "**Corporation**") for use at the annual and special meeting (the "**Meeting**") of holders (collectively, the "**Shareholders**" or individually, a "**Shareholder**") of common shares in the capital of the Corporation ("**Common Shares**") to be held virtually at the time and place and for the purposes set forth in the attached Notice of Annual and Special Meeting of Shareholders (the "**Notice**"). Shareholders can access the meeting by visiting https://web.lumiagm.com/245720019. The password for the meeting is **small2022 (case sensitive)**. If you plan to vote at the Meeting, it is important that you are connected to the internet at all times during the Meeting in order to vote when balloting commences. It is your responsibility to ensure internet connectivity for the duration of the Meeting. You should allow ample time to log in to the Meeting online and complete the check-in procedures. The solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

Except as noted below, the Corporation has distributed or made available for distribution, copies of the Notice, the Circular and form of proxy or voting instruction form (if applicable) (the "**Meeting Materials**") to clearing agencies, securities dealers, banks and trust companies or their nominees (collectively, the "**Intermediaries**") for distribution to Beneficial Shareholders (as defined below) whose Common Shares are held by or in custody of such Intermediaries. Such Intermediaries are required to forward such documents to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. The Corporation has elected to pay for the delivery of the Meeting Materials to objecting Beneficial Shareholders by the Intermediaries. The Corporation is sending proxy-related materials directly to non-objecting Beneficial Shareholders, through the services of its transfer agent and registrar, Odyssey Trust Company. The solicitation of proxies from Beneficial Shareholders will be carried out by the Intermediaries or by the Corporation if the names and addresses of the Beneficial Shareholders are provided by Intermediaries. The Corporation will pay the permitted fees and costs of Intermediaries incurred in connection with the distribution of the Meeting Materials. The Corporation is not relying on the notice-and-access provisions of securities laws for delivery of the Meeting Materials to registered Shareholders or Beneficial Shareholders.

APPOINTMENT AND REVOCATION OF PROXIES

A registered Shareholder can vote by proxy whether or not they attend the Meeting. The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **A registered Shareholder desiring to appoint some other person (who need not be a Shareholder) to represent him, her or it at the Meeting may do so either by inserting such person's name in the blank space provided in the applicable form of proxy or by completing another proper form of proxy.** In either case, a registered Shareholder can vote by proxy by delivering the completed proxy to the Corporation's transfer agent and registrar, Odyssey Trust Company, (a) by mail to Attn: Proxy Department, 67 Yonge St., Suite 702, Toronto, Ontario, Canada M5E 1J8 in the prepaid addressed envelope provided for that purpose, or (b) by voting online at https://login.odysseytrust.com/pxlogin clicking on vote and entering their 12 digit control number so as to arrive by no later than 10:00 a.m. (Toronto time) on Friday, July 15, 2022, or if the Meeting is adjourned, not less than 24 hours (excluding Saturdays, Sundays and holidays) before the time set for any reconvened meeting at which the proxy is to be used.

If you wish that a person other than the management nominees identified on the proxy attend and participate at the Meeting as your proxy and vote your Common Shares, you must submit your proxy appointing such third party proxyholder AND complete the additional step of registering the proxyholder by emailing Odyssey Trust Company at appointee@odysseytrust.com by no later than 10:00 a.m. (Toronto time) on Friday, July 15, 2022, or if the Meeting is adjourned, not less than 24 hours (excluding Saturdays, Sundays and holidays) before the time set for any reconvened meeting at which the proxy is to be used, and provide Odyssey Trust Company with the required proxyholder contact information, amount of Common Shares appointed, name in which the Common Shares are registered, so that Odyssey Trust Company may provide the proxyholder with a username via email. Failure to register the proxyholder with Odyssey Trust Company will result in the proxyholder not receiving login credentials to participate in the Meeting and not being able to attend, participate or vote at the Meeting.

A Shareholder has the right to revoke a proxy that has been submitted. To revoke a proxy, the Shareholder may deliver a written notice to the registered office of the Corporation at any time up to and including the last business day before the Meeting or any adjournment of the Meeting. The proxy may also be revoked on the day of the Meeting or any adjournment of the Meeting by delivering written notice to the chairman of the Meeting. In addition, the proxy may be revoked by any other method permitted by law. The written notice of revocation may be executed by the Shareholder or by an attorney who has the Shareholder's written authorization. If the Shareholder is a corporation, the written notice must be executed by its duly authorized officer or attorney.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the accompanying form of proxy will vote the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. **In the absence of such direction, such Common Shares will be voted in favour of the passing of the matters set out in the Notice. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting or any adjournment thereof.** At the time of the printing of this Circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. **However, if any other matters which at present are not known to the management of the Corporation should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.**

Legal Proxy - US Beneficial Shareholders

If you are a beneficial shareholder located in the United States and wish to attend, participate or vote at the Meeting or, if permitted, appoint a third party as your proxyholder, in addition to the steps described above and below under "How do I attend and participate at the Meeting?", you must obtain a valid legal proxy from your intermediary. Follow the instructions from your intermediary included with the legal proxy form and the voting information form sent to you, or contact your intermediary to request a legal proxy form or a legal proxy if you have not received one. After obtaining a valid legal proxy from your intermediary, you must then submit such legal proxy to Odyssey Trust Company. Requests for registration from beneficial shareholders located in the United States that wish to attend, participate or vote at the Meeting or, if permitted, appoint a third party as their proxyholder must be sent by e-mail to appointee@odysseytrust.com and received by 10:00 a.m. (Toronto Time) on Friday, July 15, 2022.

HOW DO I ATTEND AND PARTICIPATE AT THE MEETING?

The Corporation is holding the Meeting as a completely virtual meeting, which will be conducted via live webcast. Shareholders will not be able to attend the Meeting in person. In order to attend, participate or vote at the Meeting (including for voting and asking questions at the Meeting), Shareholders must have a valid Username.

Registered Shareholders and duly appointed proxyholders will be able to attend, participate and vote at the Meeting online at https://web.lumiagm.com/245720019. Such persons may then enter the Meeting by clicking "I have a login" and entering a Username and Password before the start of the Meeting:

- Registered Shareholders: The control number located on the form of proxy (or in the email notification you received) is the username. The Password to the Meeting is **"small2022"** (case sensitive). If you are using your control number to login to the Meeting and you have previously voted, you do not need to vote again when the polls open. By voting at the Meeting, you will revoke your previous voting instructions received prior to voting cut-off.

- Duly appointed proxyholders: Odyssey Trust Company will provide the proxyholder with a username by e-mail after the voting deadline has passed. The Password to the Meeting is **"small2022"** (case sensitive). Registered Shareholders and duly appointed proxyholders will be entitled to attend, participate and vote at the Meeting. Shareholders who wish to appoint a third party proxyholder to represent them at the Meeting MUST submit their duly completed proxy AND register the proxyholder. See "Appointment and Revocation of Proxies".

ADVICE TO BENEFICIAL SHAREHOLDERS

Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares, or non-objecting beneficial owners whose names has been provided to the Corporation's registrar and transfer agent, can be recognized and acted upon at the Meeting. The information set forth in this section is therefore of significant importance to a substantial number of Shareholders who do not hold their Common Shares in their own name (referred to in this section as "**Beneficial Shareholders**"). If Common Shares are listed in an account statement provided to a Shareholder by an Intermediary, then in almost all cases those Common Shares will not be registered in such Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's Intermediary or an agent of that Intermediary. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co., as nominee for CDS Clearing and Depository Services Inc., which acts as a depository for many Canadian Intermediaries. Common Shares held by Intermediaries or their nominees can only be voted for or against resolutions upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Common Shares for their clients.

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its Intermediary is identical to the form of proxy provided by the Corporation to the Intermediaries. However, its purpose is limited to instructing the Intermediary how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails the voting instruction forms or proxy forms to the Beneficial Shareholders and asks the Beneficial Shareholders to return the voting instruction forms or proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a proxy or voting instruction form from Broadridge cannot use that proxy to vote Common Shares directly at the Meeting - the proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of their Intermediary, a Beneficial Shareholder may attend the Meeting as proxyholder for the Intermediary and vote their Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their own Common Shares as proxyholder for the Intermediary should enter their own names in the blank space on the management form of proxy or voting instruction form provided to them and return the same to their Intermediary (or the agent of such Intermediary) in accordance with the instructions provided by such Intermediary or agent well in advance of the Meeting. **Beneficial Shareholders should carefully follow the instructions of their Intermediaries and their service companies.**

All references to shareholders in this Circular and the accompanying form of proxy and Notice are to Shareholders of record unless specifically stated otherwise.

NOTE TO NON-OBJECTING BENEFICIAL OWNERS

The Meeting Materials are being sent to both registered and Beneficial Shareholders. If you are a Beneficial Shareholder, and the Corporation or its agent has sent the Meeting Materials directly to you, your name and address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send the Meeting Materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering the Meeting Materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation has fixed the close of business on Monday, June 13, 2022 as the record date (the "**Record Date**") for the purposes of determining Shareholders entitled to receive the Notice and vote at the Meeting. As at the Record Date, 320,537,987 Common Shares carrying the right to one vote per share at the Meeting were issued and outstanding.

In accordance with the provisions of the *Business Corporations Act* (British Columbia), the Corporation will prepare a list of the holders of Common Shares on the Record Date. Each holder of Common Shares named on the list will be entitled to vote the Common Shares shown opposite his, her or its name on the list at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, as at the date of this Circular, no person beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation carrying 10% or more of the voting rights attached to the Common Shares, except for Peter Rands who beneficially owns, or controls or directs, directly or indirectly, 88,799,724 Common Shares representing approximately 27.70% of the issued and outstanding Common Shares.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The objectives of the Corporation's executive compensation policy are: (a) to attract and retain individuals of high calibre to serve as officers of Corporation; (b) to motivate their performance in order to achieve the Corporation's strategic objectives; and (c) to align the interests of executive officers with the long-term interests of the Corporation's shareholders.

The board of directors, on the recommendation of management, of the Corporation is responsible for setting the overall compensation strategy of the Corporation and evaluating and making determinations for the compensation of its directors and executive officers. The board of directors, on the recommendation of management, shall annually review and determine base salary.

Each executive officer receives a base salary. The Corporation offers its employees (including its executive officers) group benefit plans, including medical and dental coverage. It is possible that life, accidental death and dismemberment coverage will be provided in the future. The executive officers participate in healthcare and other benefit programs on the same terms as other employees of the Corporation.

While the Corporation reimburses its executive officers for expenses incurred in the course of performing their duties as executive officers of the Corporation, the Corporation has not provided any compensation that would be considered a perquisite or personal benefit to its executive officers.

Elements of Compensation

1. Base Salary

Each Named Executive Officer (as such term is defined below) receives a base salary, which constitutes a significant portion of the Named Executive Officer's compensation package. Base salary is recognition for discharging day-to-day duties and responsibilities and reflects the Named Executive Officer's performance over time, as well as that individual's particular experience and qualifications. A Named Executive Officer's base salary is reviewed by the board of directors of the Corporation (the "**Board**") on an annual basis and may be adjusted to take into account performance contributions for the year and to reflect sustained performance contributions over a number of years.

2. Stock Option Plan

The Corporation's stock option plan (the "**Stock Option Plan**") is intended to reinforce commitment to long-term growth in profitability and shareholder value by encouraging share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the Stock Option Plan aligns the interests of the Named Executive Officers and the Board with Shareholders by linking a component of executive compensation to the longer term performance of the Common Shares.

Officers, directors, employees and consultants are eligible under the Stock Option Plan to receive grants of stock options. The Stock Option Plan is an important part of the Corporation's long-term incentive strategy for its officers, directors, employees and consultants, permitting them to participate in appreciation of the market value of the Common Shares over a stated period of time. The size of the stock option grants to officers, directors, employees and consultants is dependent on each such person's level of responsibility, authority and position with the Corporation and to the degree to which such person's long term contribution to the Corporation will be key to its long term success.

Options are granted by either the Board or the Compensation Committee of the Corporation (the "**Compensation Committee**"). In monitoring or adjusting the option allotments, the Board or the Compensation Committee, as the case may be, takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the Named Executive Officers. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility. The Board or the Compensation Committee will make these determinations subject to and in accordance with the provisions of the Stock Option Plan. See "*Particulars of Matters to be Acted Upon - Approval of Stock Option Plan*" below for further details regarding the Stock Option Plan.

As at the date of this Circular, a total of 8,912,399 Common Shares were available for grant and 23,246,400 Common Shares were issuable pursuant to options granted under the Stock Option Plan, representing approximately 7.23% of the issued and outstanding Common Shares.

3. Performance Bonus

Each of the current executive officers of the Corporation, namely Peter Rands, David Steel, Marie Layzell, Dr. Carol Routledge, George Tziras and Dr. Alastair Riddell, is eligible, at the discretion of the Compensation Committee, to receive a performance based bonus of up to 100% of his or her annual salary based on quantitative and qualitative key performance indicators determined from time to time by the Board or by the Compensation Committee of the Board.

Compensation of Directors

The following table illustrates the compensation structure for the non-executive directors. The directors may also be reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors in addition to the compensation as set out below.

Annual Retainer	
Chair of the Board	$120,000
Non-executive director	$60,000
Chair - Audit Committee	$15,000
Member - Audit Committee	$5,000
Chair - Compensation Committee	$15,000
Member - Compensation Committee	$5,000
Chair - Corporate Governance and Nominating Committee	$15,000
Member - Corporate Governance and Nominating Committee	$5,000

In addition to the annual retainer, the Chair of the Board is eligible to an annual grant of $120,000 worth of stock options, whereas each other non-executive director is eligible for an annual grant of $60,000 worth of stock options.

Officers of the Corporation who also act as directors will not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation in their capacity as officers.

Compensation Risk

The Board and, as applicable, the Compensation Committee, considers and assesses the implications of risks associated with the Corporation's compensation policies and practices and devotes such time and resources as is believed to be necessary in the circumstances. The Corporation's practice of compensating its officers primarily through a mix of salary, bonus, and stock options is designed to mitigate risk by: (i) ensuring that the Corporation retains such officers; and (ii) aligning the interests of its officers with the short-term and long-term objectives of the Corporation and its shareholders. As at the date of this Circular, the Board had not identified risks arising from the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation.

Financial Instruments

Pursuant to the terms of the Corporation's Insider Trading Policy, the Corporation's officers and directors are prohibited from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by an officer or director.

Compensation Governance

In order to assist the Board in fulfilling its oversight responsibilities with respect to compensation matters, the Board has established the Compensation Committee and has reviewed and approved the Compensation Committee's Charter. The Compensation Committee is composed of Paul Maier (Chair), Lyne Fortin and Michael Wolfe. All members of the Compensation Committee are independent as such term is defined in National Instrument 52-110 - *Audit Committees*.

The Compensation Committee meets on compensation matters as and when required with respect to executive compensation. The primary goal of the Compensation Committee as it relates to compensation matters is to ensure that the compensation provided to the Named Executive Officers and the Corporation's other senior officers is determined with regard to the Corporation's business strategies and objectives, such that the financial interest of the senior officers is aligned with the financial interest of shareholders, and to ensure that their compensation is fair and reasonable and sufficient to attract and retain qualified and experienced executives. The Compensation Committee is given the authority to engage and compensate any outside advisor that it determines to be necessary to carry out its duties.

As a whole, the members of the Compensation Committee have direct experience and skills relevant to their responsibilities in executive compensation, including with respect to enabling the Compensation Committee in making informed decisions on the suitability of the Corporation's compensation policies and practices.

Executive Compensation-Related Fees

No executive compensation-related fees were paid in for the years ended February 28, 2022 and 2021.

Summary Compensation Table - Named Executive Officers

For the purpose of determining the Named Executive Officers of the Corporation within the meaning of form 51-102F6V *Statement of Executive Compensation - Venture Issuers*, the Corporation has included compensation paid to officers of Small Pharma Ltd. during the year ended February 28, 2022. Small Pharma Ltd. ("**SPL**") became a subsidiary of the Corporation following completion of the Corporation's qualifying transaction on April 29, 2021 (the "**Qualifying Transaction**"), at such time the officers of SPL became officers of the Corporation.

The following table sets forth the compensation paid or awarded to the following individuals: (i) the Chief Executive Officer; (ii) the Chief Financial Officer, (iii) the Chief Manufacturing and Development Officer, (iv) the Chief Medical and Scientific Officer, and (v) the Chief Business Officer (each, a "**Named Executive Officer**") for the Corporation's financial years ended February 28, 2022 and 2021.

Table of compensation excluding compensation securities							
Name and position	**Year**	**Salary, consulting fee, retainer or commission (£)**	**Bonus (£)**	**Committee or meeting fees (£)**	**Value of perquisites (£)**	**Value of all other compensation (£)**	**Total compensation (£)**
Peter Rands, Chief Executive Officer and Director[(1)]	2022 2021	228,333 93,542	42,000 5,000	Nil Nil	Nil Nil	8,110 3,000	278,443 101,542
David Steel, Chief Financial Officer[(2)]	2022 2021	203,333 14,615	21,000 Nil	Nil Nil	Nil Nil	6,730 Nil	231,063 14,615
Marie Layzell, Chief Manufacturing and Development Officer and Director[(3)]	2022 2021	226,666 88,333	38,500 5,000	Nil Nil	Nil Nil	7,955 2,800	273,121 96,133
Dr. Carol Routledge, Chief Medical and Scientific Officer[(4)]	2022 2021	231,666 93,333	49,000 2,500	Nil Nil	Nil Nil	8,420 2,875	289,086 98,708
George Tziras Chief Business Officer and Director[(5)]	2022 2021	198,333 37,500	31,500 Nil	Nil Nil	Nil Nil	6,895 Nil	236,728 37,500

Notes:

(1) Mr. Rands' compensation was paid in relation to his position as Chief Executive Officer of SPL and of the Corporation upon completion of the Qualifying Transaction. No compensation was paid for his role as a director. Mr. Rands was appointed as CEO of the Corporation upon completion of the Qualifying Transaction.

(2) Mr. Steel was appointed as Chief Financial Officer of SPL on January 18, 2021 and Chief Financial Officer of the Corporation upon completion of the Qualifying Transaction.

(3) Ms. Layzell's compensation was paid in relation to her position as an employee and Chief Operating Officer of SPL and Chief Operating Officer and Head of CMC of the Corporation upon completion of the Qualifying Transaction. No compensation was paid for her role as a director. Ms. Layzell was appointed as a director of the Corporation on April 29, 2021 in connection with the completion of the Qualifying Transaction. On June 1, 2022, Ms. Layzell was appointed as Chief Manufacturing and Development Officer of the Corporation.

(4) Ms. Routledge was appointed as Chief Medical and Scientific Officer of the Corporation upon completion of the Qualifying Transaction.

(5) Mr. Tziras' compensation was paid in relation to his position as a consultant and Chief Business Officer of SPL and the Corporation upon completion of the Qualifying Transaction. No compensation was paid for his role as a director. Mr. Tziras was appointed as a director of the Corporation on April 29, 2021 in connection with the completion of the Qualifying Transaction.

Incentive Plan Awards - Named Executive Officers

Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets out information concerning all compensation securities granted to the Named Executive Officers during the financial year ended February 28, 2022:

Compensation Securities							
Name and position	**Type of compensation security**	**Number of compensation securities, number of underlying securities, and percentage of class**	**Date of issue or grant**	**Issue, conversion or exercise price ($)**	**Closing price of security or underlying security on date of grant ($)**	**Closing price of security or underlying security at year end ($)**	**Expiry date**
Peter Rands, Chief Executive Officer	Options	Nil	N/A	N/A	N/A	N/A	N/A
David Steel, Chief Financial Officer	Options	850,000 (<1%)[(1)]	July 28, 2021[(1)]	$0.49	$0.49	N/A	July 28, 2031
Marie Layzell, Chief Manufacturing and Development Officer	Options	Nil	N/A	N/A	N/A	N/A	N/A
Dr. Carol Routledge, Chief Medical and Scientific Officer	Options	Nil	N/A	N/A	N/A	N/A	N/A
George Tziras Chief Business Officer	Options	Nil	N/A	N/A	N/A	N/A	N/A

Note:

(1) Mr. Steel was originally granted 850,000 options on July 28, 2021. On November 23, 2021, the original options granted were cancelled and re-issued with the same exercise price due to tax reasons.

Incentive Plan Awards - Exercises

During the year ended February 28, 2022, no incentive plan awards were exercised by the Named Executive Officers.

Summary Compensation Table - Directors

The following table sets out information concerning the compensation of each director of the Corporation (other than directors who are also Named Executive Officers) for the Corporation's financial years ended February 28, 2022 and 2021:

Table of compensation excluding compensation securities							
Name and position	**Year**	**Salary, consulting fee, retainer or commission ($)**	**Bonus ($)**	**Committee or meeting fees ($)**	**Value of Perquisites ($)**	**Value of all other compensation ($)**	**Total compensation ($)**
Lyne Fortin, Chair of the Board[1][2]	2022 2021	86,462 Nil	Nil Nil	7,500 Nil	Nil Nil	Nil Nil	93,962 Nil
Paul Maier, Director[1][3]	2022 2021	17,679 Nil	Nil Nil	3,750 Nil	Nil Nil	Nil Nil	21,429 Nil
Michael Wolfe, Director[1][4]	2022 2021	55,476 Nil	Nil Nil	7,500 Nil	Nil Nil	Nil Nil	62,976 Nil
Khalid Howladar, Former Chairman of the SPL Board[5]	2022 2021	2,125 76,824	Nil Nil	Nil Nil	Nil Nil	Nil Nil	2,125 76,824
Sonny Chew, Former Director[6]	2022 2021	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Trent S. Hunter, Former Director[6]	2022 2021	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil

Notes:

(1) Director of the Corporation during the financial year ended February 28, 2022.

(2) Ms. Fortin was appointed as a director of the Corporation on April 29, 2021 in connection with the completion of the Qualifying Transaction. Ms. Fortin was appointed Chair of the Board on August 26, 2021.

(3) Mr. Maier was appointed as a director of the Corporation on November 18, 2021.

(4) Mr. Wolfe was appointed as a director of the Corporation on April 29, 2021 in connection with the completion of the Qualifying Transaction.

(5) Director of SPL during the financial year ended February 28, 2021.

(6) Director of the Corporation during the financial year ended February 28, 2021. Messrs. Chew and Hunter resigned as directors of the Corporation on April 29, 2021 in connection with the completion of the Qualifying Transaction.

Incentive Plan Awards - Directors

Incentive Plan Awards - Stock Options and Other Compensation Securities

The following table sets out information concerning all compensation securities granted or issued to each director of the Corporation (other than directors who are also Named Executive Officers) for the fiscal year ended February 28, 2022:

Compensation Securities							
Name and position	**Type of compensation security**	**Number of compensation securities, number of underlying securities, and percentage of class**	**Date of issue or grant**	**Issue, conversion or exercise price ($)**	**Closing price of security or underlying security on date of grant ($)**	**Closing price of security or underlying security at year end ($)**	**Expiry date**
Lyne Fortin, Chair of the Board[(1)]	Options	120,000 (<1%) 150,000 (<1%)	July 28, 2021 August 26, 2021	0.49 0.40	0.49 0.40	0.32 0.32	July 28, 2031 August 26, 2031
Paul Maier, Director[(1)]	Options	30,000 (<1%)	November 18, 2021	0.435	0.435	0.32	November 18, 2031
Michael Wolfe, Director[(1)]	Options	120,000 (<1%)	July 28, 2021	0.49	0.49	0.32	July 28, 2031
Khalid Howladar, Former Chairman of SPL Board[(2)]	Options	Nil	N/A	N/A	N/A	N/A	N/A
Sonny Chew, Director[(3)]	Options	Nil	N/A	N/A	N/A	N/A	N/A
Trent S. Hunter, Director[(3)]	Options	Nil	N/A	N/A	N/A	N/A	N/A

Notes:

(1) Director of the Corporation during the financial year ended February 28, 2022.

(2) Director of SPL during the financial year ended February 28, 2021.

(3) Director of the Corporation during the financial year ended February 28, 2021. Messrs. Chew and Hunter resigned as directors of the Corporation on April 29, 2021 in connection with the completion of the Qualifying Transaction.

Incentive Plan Awards - Director Exercises

The following table sets out information concerning all compensation securities exercised by each director of the Corporation (other than directors who are also Named Executive Officers) for the fiscal year ended February 28, 2022:

Exercise of Compensation Securities by Directors							
Name and position	**Type of compensation security**	**Number of underlying securities exercised**	**Exercise price per security ($)**	**Date of Exercise**	**Closing price per security on date of exercise ($)**	**Difference between exercise price and closing price on date of exercise ($)**	**Total value on exercise date ($)**
Khalid Howladar, Former Chairman of SPL Board(1)	Options	1,000,000	$0.0175 (£0.0101)	July 20, 2021	0.49	0.4725	490,000

Note:

(1) Following the exercise of options by Mr. Howladar on July 20, 2021, Mr. Howladar no longer holds, directs or controls, directly or indirectly, any options of the Corporation.

Management Contracts - Termination and Change of Control Benefits

The following table sets forth the material terms of each agreement under which compensation is to be awarded to, earned by, paid to, or payable to the Named Executive Officers and Dr. Alastair Riddell, appointed as Chief Operating Officer of the Corporation on June 1, 2022. Each of the Named Executive Officers as well as Dr. Riddell have entered into employment agreements with the Corporation upon the following material terms:

Name and Principal Position	Salary (£)	Eligible Bonus	Severance on Termination Without Cause	Payment On Change of Control
Peter Rands, Chief Executive Officer	335,000	Up to 100% of the annual salary at the discretion of the Board	Compensation will be paid at the standard monthly rate in effect at the time for a period of six months.	Compensation will be paid at the standard monthly rate in effect at the time for a period of 18 months.
David Steel, Chief Financial Officer	220,000	Up to 100% of the annual salary at the discretion of the Board	Compensation will be paid at the standard monthly rate in effect at the time for a period of six months.	Compensation will be paid at the standard monthly rate in effect at the time for a period of 12 months.
Marie Layzell, Chief Manufacturing and Development Officer(1)	250,000	Up to 100% of the annual salary at the discretion of the Board	Compensation will be paid at the standard monthly rate in effect at the time for a period of six months.	Compensation will be paid at the standard monthly rate in effect at the time for a period of 12 months.
George Tziras, Chief Business Officer	250,000	Up to 100% of the annual salary at the discretion of the Board	Compensation will be paid at the standard monthly rate in effect at the time for a period of six months.	Compensation will be paid at the standard monthly rate in effect at the time for a period of 12 months.

Name and Principal Position	Salary (£)	Eligible Bonus	Severance on Termination Without Cause	Payment On Change of Control
Dr. Carol Routledge, Chief Medical and Scientific Officer	250,000	Up to 100% of the annual salary at the discretion of the Board	Compensation will be paid at the standard monthly rate in effect at the time for a period of six months.	Compensation will be paid at the standard monthly rate in effect at the time for a period of 12 months.
Dr. Alastair Riddell Chief Operating Officer(2)	250,000	Up to 100% of the annual salary at the discretion of the Board	Compensation will be paid at the standard monthly rate in effect at the time for a period of three months.	Compensation will be paid at the standard monthly rate in effect at the time for a period of 12 months.

Notes:

(1) Ms. Marie Layzell was appointed as Chief Development and Manufacturing Officer on June 1, 2022. She was previously acting as Chief Operating Officer and Head of CMC.

(2) Dr. Alastair Riddell was appointed as Chief Operating Officer on June 1, 2022.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information regarding the number of Common Shares to be issued upon exercise of outstanding options pursuant to the Stock Option Plan, as at February 28, 2022:

Plan Category	Number of Common Shares to be issued upon exercise of outstanding grants and awards(1)	Weighted-average exercise price of outstanding options ($)(1)	Number of Common Shares remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	4,175,433	0.337	12,010,715
Equity compensation plans not approved by security holders(2)	15,776,400	0.015	N/A
Total(3)	19,951,833	0.082	12,010,715(4)

Notes:

(1) Number of options and exercise price have been adjusted to effect for split of the ordinary shares of Small Pharma Ltd. and for the consolidation of the common shares of the Corporation which occurred in connection with the Qualifying Transaction.

(2) Represents the ordinary shares of Small Pharma Ltd. issuable pursuant to the stock option plan of Small Pharma Ltd. as at February 28, 2021. Between February 28, 2021 and the completion of the Qualifying Transaction, 12,296,400 ordinary shares of Small Pharma Ltd. were purchased pursuant to the exercise of options under Small Pharma Ltd.'s option plan. In connection with the Qualifying Transaction, options to purchase up to 18,601,400 Common Shares were granted in exchange for the outstanding options of Small Pharma Ltd.

(3) As of the date of this Circular, options to purchase up to 23,246,400 Common Shares remain outstanding under the Stock Option Plan, representing approximately 7.23% of the issued and outstanding Common Shares, with 8,912,399 Common Shares available for issuance. Subsequent to the financial year ended February 28, 2022, 130,433 options expired without exercise, (ii) 1,962,500 options were exercised and (iii) 6,300,000 options were issued to directors and officers of the Corporation.

(4) Based on 319,625,487 Common Shares issued and outstanding as at February 28, 2022.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Circular, no individual who is an executive officer, director, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries is indebted to the Corporation or any of its subsidiaries pursuant to the purchase of securities or otherwise.

No individual who is, or at any time during the financial year ended February 28, 2022 was, a director or executive officer of the Corporation, a proposed management nominee for election as a director of the Corporation, or an associate of any such director, executive officer or proposed nominee, was indebted to the Corporation or any of its subsidiaries during the financial year ended February 28, 2022 or as at the date of this Circular in connection with security purchase programs or other programs.

REPORT ON CORPORATE GOVERNANCE

Maintaining a high standard of corporate governance is a priority for the Board and the Corporation's management as both believe that effective corporate governance will help create and maintain shareholder value in the long term. A description of the Corporation's corporate governance practices, which addresses the matters set out in National Instrument 58-101 - *Disclosure of Corporate Governance Practices*, is set out at Exhibit "A" to this Circular.

AUDIT COMMITTEE DISCLOSURE

Audit Committee's Charter

The charter (the "**Audit Committee Charter**") of the Corporation's Audit Committee is reproduced as Exhibit "C".

Composition of Audit Committee

The Audit Committee is composed of Michael Wolfe (Chair), Lyne Fortin and Paul Maier, each of whom is a director of the Corporation. In accordance with Exchange Policy 3.1, the majority of the Audit Committee are not employees, Control Persons (as defined by the rules and policies of the Exchange) or officers of the Corporation.

All of the members of the Audit Committee are "independent" as such term is defined in National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). The Corporation is of the opinion that all three members of the Audit Committee are "financially literate" as such term is defined in NI 52-110.

Relevant Education and Experience

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements.

Michael Wolfe - Audit Committee Chair, Age 56

Mr. Wolfe has over 30 years' experience in finance, accounting, private equity and business valuation. He is currently the Chief Financial Officer of Mind Cure Health Inc., a company previously focused on developing digital therapeutics technology and researching psychedelic compounds. Prior to joining Mind Cure Health, Michael was the Chief Financial Officer of several mid-market Canadian companies including Baylin Technologies Inc., a TSX listed company in the wire communications industry, and Masstech Group Inc., a software company in the broadcast industry. As a General Partner at VenGrowth Capital Partners Inc., Michael had a successful track record in acquisitions, management buyouts, growth financings and recapitalizations in diverse industries such as cable, broadcast, manufacturing, insurance, oil field services and global logistics. Michael has also served as a director for several private and public companies, including as a member of audit and other independent committees. He earned a CPA, CA designation, a Chartered Business Valuator designation, an MBA from McMaster University and a BA (Business and Economics) from the University of Western Ontario.

Lyne Fortin - Audit Committee Member, Age 63

Ms. Fortin has over 35 years experience in the pharmaceutical industry including positions at the executive or Board levels for biotechnology and small and large publicly listed companies. Her most recent roles included Senior Vice-President and Chief Commercial Officer at Theratechnologies Inc. (TSX: TH, NASDAQ: THTX), a member of the Board of Directors at Telesta Therapeutics Inc. (TSX: TST), as well as Vice-President and Board of Directors of Merck Canada where she worked most of her career. Her experience spans internationally where she worked in Canada and the US, managed pharmaceutical assets in the US market and was involved with various European initiatives. Ms. Fortin brings a broad expertise and experience in the commercialization of pharmaceutical assets and in business development arrangements with a particular interest in innovation addressing unmet medical needs. She is currently involved on the Board of Directors of a non-for-profit US organization, ADAP Advocacy Association. Ms. Fortin holds a certificate in Chemistry and a bachelor degree in Pharmacy from the University of Montreal, as well as an MBA from Concordia University.

Paul Maier - Audit Committee Member, Age 74

Mr. Maier has over 35 years' experience in senior executive roles across the biopharmaceutical and biotech industry. He has a successful track record at U.S. publicly listed biotech companies, raising over US$1.5bn in equity and debt financing across his career, as well as extensive expertise in company and product acquisitions and IPOs. Mr. Maier has served as Chief Financial Officer at Sequenom, Inc. and Ligand Pharmaceuticals, Inc. He currently serves on the board of Ambrx Biopharma Inc (NYSE: AMAM), 4D pharma plc (NASDAQ: LBPS), Eton Pharmaceuticals, Inc. (NASDAQ: ETON), Biological Dynamics, and International Stem Cell Corporation (OTCBB: ISCO). He previously served on the board of other publicly listed companies, including Ritter Pharmaceuticals, Inc., Apricus Biosciences, Inc., and MabVax Therapeutics Holdings, Inc. Mr. Maier holds an MBA from the Harvard Graduate School of Business.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and/or compensation of the Corporation's external auditors not been adopted by the board of directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on exemptions in relation to *"De Minimis Non-audit Services"* or any exemption provided by Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

Pursuant to the terms of the Audit Committee Charter, the Audit Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditor.

External Auditor Service Fees (By Category)

Audit Fees - The Corporation's external auditor invoiced approximately $6,825 for the financial year ended February 28, 2021, and $145,497 for the financial year ended February 28, 2022.

Audit-Related Fees - The Corporation's external auditor invoiced approximately $1,325 the financial year ended February 28, 2021, and approximately $56,175 for the financial year ended February 28, 2022.

Tax Fees - The Corporation's external auditor invoiced approximately $1,500 for the financial year ended February 28, 2021, and $nil for the financial year ended February 28, 2022.

All Other Fees - The Corporation's external auditor invoiced $nil for the financial year ended February 28, 2021, and $22,470 for the financial year ended February 28, 2022 for services other than those reported above.

Venture Issuer Exemption

The Corporation is relying upon the exemption in section 6.1 of NI 52-110.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, no "informed person" (as such term is defined in National Instrument 51-102 - *Continuous Disclosure Obligations* ("**NI 51-102**")) or proposed nominee for election as a director of the Corporation or any associate or affiliate of the foregoing has any material interest, direct or indirect, in any transaction in which the Corporation has participated since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or will materially affect the Corporation.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Election of Directors

The Board presently consists of six directors, namely, Peter Rands, Marie Layzell, George Tziras, Lyne Fortin, Michael Wolfe and Paul Maier. Each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed pursuant to the by-laws of the Corporation. The enclosed form of proxy permits Shareholders to vote for all nominees together or for each nominee on an individual basis.

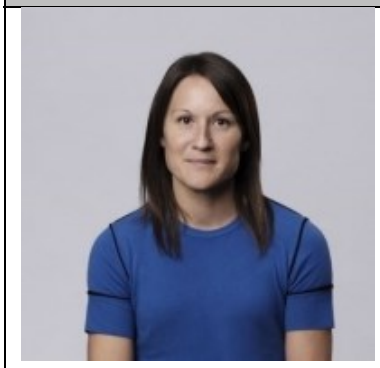
COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF EACH OF THE PROPOSED NOMINEES UNLESS A SHAREHOLDER HAS SPECIFIED IN HIS, HER OR ITS PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF ANY PARTICULAR NOMINEE OR NOMINEES. MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF SUCH NOMINEES WILL BE UNABLE TO SERVE AS DIRECTORS. HOWEVER, IF FOR ANY REASON, ANY OF THE PROPOSED NOMINEES DO NOT STAND FOR ELECTION OR ARE UNABLE TO SERVE AS SUCH, PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS, HER OR ITS PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF ANY PARTICULAR NOMINEE OR NOMINEES.

Director Nominee Profiles

The following tables set out certain information as of the date of this Circular (unless otherwise indicated) with respect to the persons being nominated at the Meeting for election as directors. Information regarding Common Shares owned by each director of the Corporation is presented to the best knowledge of management of the Corporation and has been furnished to management of the Corporation by such directors. Information regarding Board and committee meeting attendance is presented for meetings held in the year ended February 28, 2022 since completion of the Qualifying Transaction.

LYNE FORTIN	**Principal Occupation and Biographical Information**
 Val-David, Quebec Director Since: April 29, 2021 Chair of the Board Since: August 26, 2021 **INDEPENDENT**	Ms. Fortin has over 35 years experience in the pharmaceutical industry including positions at the executive or Board levels for biotechnology and small and large publicly listed companies. Her most recent roles included Senior Vice-President and Chief Commercial Officer at Theratechnologies Inc. (TSX: TH, NASDAQ: THTX), a member of the Board of Directors at Telesta Therapeutics Inc. (TSX: TST), as well as Vice-President and Board of Directors of Merck Canada where she worked most of her career. Her experience spans internationally where she worked in Canada and the US, managed pharmaceutical assets in the US market and was involved with various European initiatives. Ms. Fortin brings a broad expertise and experience in the commercialization of pharmaceutical assets and in business development arrangements with a particular interest in innovation addressing unmet medical needs. She is currently involved on the Board of Directors of a non-for-profit US organization, ADAP Advocacy Association. Ms. Fortin holds a certificate in Chemistry and a bachelor degree in Pharmacy from the University of Montreal, as well as an MBA from Concordia University.

Current Board/Committee Membership	**Attendance**	**Attendance (Total)**		**Other Public Board Memberships**
Chair of the Board	18 of 18	37 of 37	100%	None
Chair of the Corporate Governance and Nominating Committee	10 of 10			
Member of the Audit Committee	3 of 3			
Member of the Compensation Committee	6 of 6			
Number of Common Shares Beneficially Owned, Controlled or Directed as at the date of this Circular (% on a non-diluted basis)				100,000 (<1%)
Number of Options Beneficially, Owned, Controlled or Directed as at the date of this Circular (% on a non-diluted basis)				570,000 (2.45%)

MARIE LAYZELL	Principal Occupation and Biographical Information
 Camberley, England Director Since: April 29, 2021 **NOT INDEPENDENT**	Ms. Layzell has over 20 years' experience in the pharmaceutical industry as an analytical scientist and consultant, and has advised multiple large pharmaceutical projects on CMC drug development. Ms. Layzell graduated from the University of Hertfordshire in 1998 with a degree in human biology, following which she worked in numerous Contract Development Organizations including Prova (R&D) Ltd, Bodycote Testing and Exova Group. During this time, Ms. Layzell managed the CMC development for numerous small molecules and biological entities; supervising teams of analysts and working with formulators to progress development. Since 2011, Ms. Layzell worked as an analytical consultant at Eviva Pharma. Ms. Layzell has worked with Small Pharma since 2015 and assumed the role of Senior Research Manager heading up CMC activities in May 2016. In July 2020, she became Chief Operating Officer and Head of CMC. In June 2022, Ms. Layzell was appointed as Chief Manufacturing and Development Officer.

Current Board/Committee Membership	Attendance	Attendance (Total)		Other Public Board Memberships
Member of the Board Former Member of the Corporate Governance and Nominating Committee(1) Former Member of the Compensation Committee(1)	18 of 18 10 of 10 6 of 6	34 of 34	100%	None
Number of Common Shares Beneficially Owned, Controlled or Directed as at the date of this Circular (% on a non-diluted basis)				2,891,300 (<1%)
Number of Options Beneficially, Owned, Controlled or Directed as at the date of this Circular (% on a non-diluted basis)				2,891,300 (12.44%)

Note:

(1) Ms. Layzell resigned as a member of the Corporate Governance and Nominating Committee and Compensation Committee subsequent to the financial year ended February 28, 2022 in order to allow for all members of the committees of the Board to be non-executive directors.

PAUL MAIER	Principal Occupation and Biographical Information
 Williamsburg, Virginia Director Since: November 18, 2021 **INDEPENDENT**	Mr. Maier has over 35 years experience in the pharmaceutical industry including senior executive and board level positions with public biotechnology, specialty pharmaceutical and diagnostic companies from development stage through commercialization. His most recent roles include Chief Financial Officer at Sequenom, Inc and Ligand Pharmaceuticals Inc. He currently serves on the Board of Directors and Audit Committee Chair of four other public companies and one private company. He previously served on the board of other publicly listed companies, including Ritter Pharmaceuticals, Inc., Apricus Biosciences, Inc., and MabVax Therapeutics Holdings, Inc. He is also Chairman of the Board of Lackey Clinic, a Free and Charitable Healthcare Center providing services to those without insurance. Mr. Maier is an Executive Partner at the College of William & Mary Mason School of Business. Mr. Maier earned an MBA from Harvard Business School and a bachelor's degree in Business Logistics from Pennsylvania State University.

Current Board/Committee Membership	Attendance	Attendance (Total)[1]		Other Public Board Memberships
Member of the Board	2 of 2	10 of 10	100%	Ambrx Biophrma Inc (NYSE: AMAM)
Member of the Corporate Governance and Nominating Committee	5 of 5			4D pharma plc (NASDAQ: LBPS)
Member of the Audit Committee	1 of 1			Eton Pharmaceuticals, Inc. (NASDAQ: ETON)
Chair of the Compensation Committee	2 of 2			International Stem Cell Corporation (OTCBB: ISCO)
Number of Common Shares Beneficially Owned, Controlled or Directed as at the date of this Circular (% on a non-diluted basis)				Nil.
Number of Options Beneficially, Owned, Controlled or Directed as at the date of this Circular (% on a non-diluted basis)				180,000 (<1%)

Note:

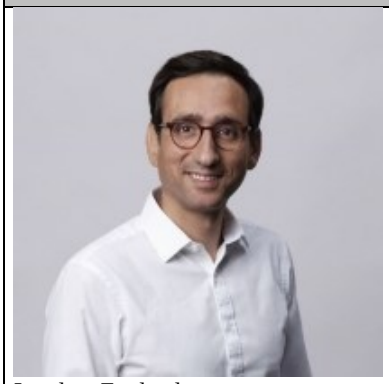
(1) The attendance information for Mr. Maier only reflects meetings held after Mr. Maier's appointment on November 18, 2021.

PETER RANDS	Principal Occupation and Biographical Information
 London, England Director Since: April 29, 2021 **NOT INDEPENDENT**	Mr. Rands is a qualified patent attorney in the UK and Europe with over 10 years' experience in the pharmaceutical industry. Mr. Rands has always had a passion for pharmaceutical innovation. Mr. Rands graduated from the University of Oxford in 2003 with a first class degree in Chemistry, following which he trained and qualified as a UK and European patent attorney specializing in pharmaceuticals. In 2008, Mr. Rands joined Teva Pharmaceutical, a generic drug company, to work directly with pharmaceutical formulation teams. Peter left Teva in 2011 to return to private practice with AmLaw 100 firm Mintz Levin, where he advised start-up and mid-cap innovative pharma firms on IP and legal matters. Mr. Rands left Mintz Levin in 2015 to set up Small Pharma Ltd.

Current Board/Committee Membership	Attendance	Attendance (Total)		Other Public Board Memberships
Member of the Board Former Member of the Compensation Committee[(1)]	17 of 18 4 of 4	21 of 22	96%	None
Number of Common Shares Beneficially Owned, Controlled or Directed as at the date of this Circular (% on a non-diluted basis)				88,799,724 (27.61%)
Number of Options Beneficially, Owned, Controlled or Directed as at the date of this Circular (% on a non-diluted basis)				Nil.

Note:

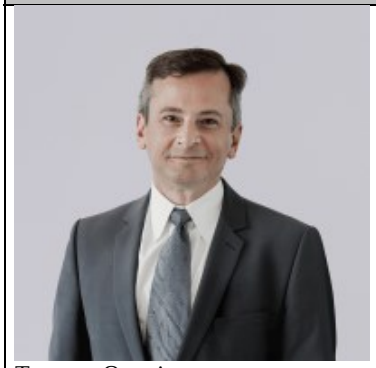
(1) Mr. Rands resigned as a member of the Compensation Committee on November 18, 2021 in connection with Mr. Maier's appointment as a director of the Corporation.

GEORGE TZIRAS	Principal Occupation and Biographical Information
 London, England Director Since: April 29, 2021 **NOT INDEPENDENT**	Mr. Tziras has over 15 years of experience in investment banking and international capital markets having worked at a number of global financial institutions including Goldman Sachs, Credit Suisse, Nomura, Lehman Brothers and CIBC. Mr. Tziras has worked on a broad range of transactions including debt and equity financings; mergers, disposals and acquisitions; private equity buyouts and debt restructurings. He has also worked across a number of industries, including healthcare. Mr. Tziras holds a BA degree from the University of Oxford and a MA degree from the Johns Hopkins School of Advanced International Studies. From May 2017 to December 2020, Mr. Tziras was an Executive Director at Goldman Sachs. In 2021, Mr. Tziras joined the Corporation as Chief Business Officer. Mr. Tziras has been a director of Small Pharma Ltd since 2015.

Current Board/Committee Membership	Attendance	Attendance (Total)		Other Public Board Memberships
Member of the Board Member of the Corporate Governance and Nominating Committee Member of the Audit Committee	18 of 18 10 of 10 3 of 3	31 of 31	100%	None
Number of Common Shares Beneficially Owned, Controlled or Directed as at the date of this Circular (% on a non-diluted basis)				4,281,300 (1.33%)
Number of Options Beneficially, Owned, Controlled or Directed as at the date of this Circular (% on a non-diluted basis)				3,050,000 (13.12%)

Note:

(1) Mr. Tziras resigned as a member of the Audit Committee and Corporate Governance and Nominating Committee subsequent to the financial year ended February 28, 2022 in order to allow for all members of the committees of the Board to be non-executive directors.

MICHAEL WOLFE	Principal Occupation and Biographical Information
 Toronto, Ontario Director Since: April 29, 2021 **INDEPENDENT**	Mr. Wolfe has over 30 years' experience in finance, accounting, private equity and business valuation. He is currently the Chief Financial Officer of Mind Cure Health Inc., a company previously focused on developing digital therapeutics technology and researching psychedelic compounds. Prior to joining Mind Cure Health, Michael was the Chief Financial Officer of several mid-market Canadian companies including Baylin Technologies Inc., a TSX listed company in the wire communications industry, and Masstech Group Inc., a software company in the broadcast industry. As a General Partner at VenGrowth Capital Partners Inc., Michael had a successful track record in acquisitions, management buyouts, growth financings and recapitalizations in diverse industries such as cable, broadcast, manufacturing, insurance, oil field services and global logistics. Michael has also served as a director for several private and public companies, including as a member of audit and other independent committees. He earned a CPA, CA designation, a Chartered Business Valuator designation, an MBA from McMaster University and a BA (Business and Economics) from the University of Western Ontario.

Current Board/Committee Membership	Attendance	Attendance (Total)		Other Public Board Memberships
Member of the Board	18 of 18	37 of 37	100%	None
Member of the Corporate Governance and Nominating Committee	10 of 10			
Chair of the Audit Committee	3 of 3			
Member of the Compensation Committee	6 of 6			
Number of Common Shares Beneficially Owned, Controlled or Directed as at the date of this Circular (% on a non-diluted basis)				60,000 (<1%)
Number of Options Beneficially, Owned, Controlled or Directed as at the date of this Circular (% on a non-diluted basis)				270,000 (1.16%)

Corporate Cease Trade Orders

To the knowledge of the Corporation, no proposed director is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an "**Order**"), which Order was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of such company; or

(b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

Bankruptcies, or Penalties or Sanctions

Except as disclosed herein, to the knowledge of the Corporation, no proposed director:

(a) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(b) has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;

(c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

Mr. Wolfe was an officer of Masstech Group Inc. until June 2015. In August 2015, Masstech Group Inc. filed an assignment under section 49 of the *Bankruptcy and Insolvency Act* (Canada). The assets were acquired by Masstech Innovations Inc., a company owned by Covington Fund II Inc.

Mr. Maier was a director of MabVax Therapeutics Holdings until July 2018. In March 2019, MabVax Therapeutics Holdings filed a petition for relief under chapter 11 in the Bankruptcy Court for the District of Delaware. The assets were sold out of bankruptcy and all bank debts were repaid.

2. Appointment of Auditor

Effective March 25, 2021, Saturna Group Chartered Professional Accountants LLP ("**Saturna Group**") resigned as auditor and MNP LLP ("**MNP**") was appointed to conduct audit services for the Corporation. In accordance with section 4.11 of National Instrument 51-102 *Continuous Disclosure*, the Corporation filed the "reporting package" on SEDAR under the Corporation's profile at www.sedar.com.

Management proposes to nominate MNP LLP ("**MNP**") as auditor of the Corporation to hold office until the next annual meeting of Shareholders. An affirmative vote of a majority of the votes cast at the Meeting is sufficient for the appointment of the auditors.

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF MNP LLP AS AUDITOR OF THE CORPORATION AND THE AUTHORIZING OF THE DIRECTORS TO FIX ITS REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.

3. Approval of Stock Option Plan

Summary of Stock Option Plan

The Stock Option Plan provides that the Board may from time to time, in its discretion, and in accordance with the TSXV requirements, grant to directors, officers, employees and consultants of the Corporation and its affiliates (each an "**Eligible Person**"), non-transferable options to purchase Common Shares for a period of up to ten years from the date of grant.

The maximum number of Common Shares available for the purposes of the Stock Option Plan will be determined from time to time by the Board, but in any event, will not exceed 10% Common Shares outstanding from time to time.

The purpose of the Stock Option Plan, pursuant to which the Corporation may grant incentive stock options, is to promote the profitability and growth of the Corporation by facilitating the efforts of the Corporation to obtain and retain key individuals. The Stock Option Plan provides an incentive for and encourages ownership of the Corporation Shares by its key individuals so that they may increase their stake in the Corporation and benefit from increases in the value of the Common Shares. Pursuant to the Stock Option Plan, the maximum number of Common Shares reserved for issuance in any 12 month period to any one optionee other than a consultant may not exceed 5% of the issued and outstanding Common Shares at the date of the grant. The maximum number of Common Shares reserved for issuance in any 12 month period to any consultant may not exceed 2% of the issued and outstanding Common Shares at the date of the grant and the maximum number of Common Shares reserved for issuance in any 12 month period to all persons engaged in investor relations activities may not exceed 2% of the issued and outstanding number of Common Shares at the date of the grant. The price at which an optionee may purchase a Resulting Issuer Share upon the exercise of an option granted pursuant to the Stock Option Plan shall not be less than the market price of the Common Shares as of the date of grant.

Incentive stock options may be exercised until the earlier of: (a) the expiry time of such option; and (b) 90 days (or such other period as may be determined by the Board, provided such period is not more than one year) following the date the optionee ceases to be a director, officer or employee of the Corporation or its affiliates or a consultant or a management company employee, provided that if the cessation of such position or arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Notwithstanding the foregoing, in the event of termination for cause, all options held by such terminated optionee will be cancelled immediately.

Under the rules of the Stock Option Plan, the Board has the ability to establish additional sub-plans from time to time to operate in overseas territories (each, an "**Overseas Sub-Plan**"), provided that: (a) all Overseas Sub-Plans are subject to the limitations set out in paragraph 3.2 and the rules and regulations of the TSXV; (b) the prior approval of the TSXV is obtained prior to the implementation of any Overseas Sub-Plan; (c) only Eligible Persons who are resident in (or otherwise subject to the tax laws of) the relevant territory are entitled to participate in any Overseas Sub-Plan; and (d) no Eligible Person has an entitlement to awards under any Overseas Sub-Plan greater than the maximum entitlement of an Eligible Person under the Plan. Any Overseas Sub-Plan must be governed by rules similar to these rules of the Stock Option Plan, as modified to the extent necessary to take account of applicable tax, social security, employment, company, exchange control, trust or securities (or any other relevant) law, regulation or practice. At the time of adoption of the Stock Option Plan, the Board also adopted, for the benefit of UK Employees, the EMI Overseas Sub-Plan and the CSOP Overseas Sub-Plan.

Summary of the EMI Overseas Sub-Plan

The EMI Overseas Sub-Plan is a UK tax-advantaged discretionary employee share option scheme designed for the benefit of UK Employees. In order to be able to deliver the intended tax benefits, and to grant incentive stock options comprising Enterprise Management Incentives ("**EMI**") options, the Company and such UK Employees must satisfy the requirements of Schedule 5 to ITEPA.

The requirements of Schedule 5 to ITEPA include:

(a) the shares subject to an EMI option must be over shares in a company (or group of companies) with gross assets of £30m or less;

(a) the company or group must have fewer than 250 full-time equivalent employees (globally); and

(b) eligible UK Employees must work at least 25 hours a week or 75% of their total working time for the issuing company or one of its affiliates.

There is also a limit on the market value (as at the respective dates of grant of the relevant options and ignoring certain restrictions) of shares that may be acquired by a UK Employee pursuant to an EMI option. The current limit is £250,000.

Furthermore, the Corporation will not be able to grant EMI options over more than £3 million worth of shares at any one time.

Summary of the CSOP Overseas Sub-Plan

The CSOP Overseas Sub-Plan is a UK tax-advantaged discretionary employee share option scheme designed for the benefit of UK Employees. In order to be able to deliver the intended tax benefits, and to grant incentive stock options comprising Company Share Option Plan ("**CSOP**") options, the Company and such UK Employees must satisfy the requirements of Schedule 4 to ITEPA.

The CSOP legislation is more restrictive than the EMI legislations in a number of respects, including:

(a) CSOP options must be granted at market value;

(b) each eligible employee can only be granted up to £30,000 of options; and

(c) any gain made by the individual is only exempt from income tax if the options are held for at least three years.

However, under the CSOP legislation there are no limits on company size or number of employees (unlike the EMI Overseas Sub-Plan). As such, it is expected that the CSOP Overseas Sub-Plan will only be operated at such time that the Corporation is not able to meet the qualifying criteria under Schedule 5 to ITEPA.

As at the date of this Circular, a total of 6,844,899 Common Shares were available for grant and 25,208,900 Common Shares were issuable pursuant to options granted under the Stock Option Plan, representing approximately 7.86% of the issued and outstanding Common Shares.

Approval of the Stock Option Plan

As the Stock Option Plan provides for a rolling maximum number of Common Shares which may be issuable upon the exercise of options granted under the Stock Option Plan, Exchange Policy 4.4 requires that the Stock Option Plan receive shareholder approval each year at the annual shareholders' meeting. Accordingly, Shareholders will be asked to consider and, if thought appropriate, pass a resolution approving the Stock Option Plan. A copy of the Stock Option Plan is attached as Exhibit "B" to this Circular.

The Board has unanimously approved the Stock Option Plan and recommends that Shareholders vote FOR the resolution regarding the Stock Option Plan. An affirmative vote of a majority of the votes cast at the Meeting is sufficient to pass the resolution approving the resolution regarding the Stock Option Plan.

The complete text of the resolution which management intends to place before the Meeting for approval, confirmation and adoption, with or without modification, is as follows:

"WHEREAS the policies of the TSX Venture Exchange require annual shareholder approval for the continuation of the rolling stock option plan of the Corporation (the "**Stock Option Plan**");

RESOLVED THAT:

1. the Stock Option Plan, in the form attached as Exhibit "B" to the management information circular of the Corporation dated June 20**,** 2022, is hereby authorized and approved; and

2. any one officer and director of the Corporation be and is hereby authorized for and on behalf of the Corporation to execute and deliver all such instruments and documents and to perform and do all such acts and things as may be deemed advisable in such individual's discretion for the purpose of giving effect to this resolution, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination."

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE RESOLUTION TO APPROVE THE STOCK OPTION PLAN IN THE ABSENCE OF DIRECTION TO THE CONTRARY FROM THE SHAREHOLDER APPOINTING THEM. AN AFFIRMATIVE VOTE OF A MAJORITY OF THE VOTES CAST BY SHAREHOLDERS AT THE MEETING IS SUFFICIENT FOR THE APPROVAL OF THE STOCK OPTION PLAN.

4. Consolidation of Common Shares

Subject to approval of the TSXV, the Corporation proposes to consolidate the issued and outstanding Common Shares by a ratio to be determined by the Board of up to 20:1 (the "**Share Consolidation**") with any resulting fraction being rounded either up or down to the next highest or lowest number of the whole consolidated Common Shares, as the case may be. If approved by Shareholders, the Board will determine the effective time of the Share Consolidation and the appropriate consolidation ratio. Accordingly, Shareholders will be asked at the Meeting to pass a special resolution authorizing the Share Consolidation. Although approval for the Share Consolidation is being sought at the Meeting, such a Share Consolidation would ultimately become effective at a date in the future to be determined by the Board when the Board considers it to be in the best interests of the Corporation to implement such a Share Consolidation. The special resolution also authorizes the Board to elect not to proceed with, and abandon, the Share Consolidation at any time if it determines, in its sole discretion to do so. The Share Consolidation is subject to approval by the shareholders and acceptance by the TSXV.

TSXV Approval

Assuming Shareholder approval is received at the Meeting, and assuming that the Board determines to proceed with the Share Consolidation, the Share Consolidation will be subject to acceptance by TSXV, and confirmation that, on a post-Share Consolidation basis, the Corporation would meet all of TSXV's applicable continuous listing requirements. If the TSXV does not accept the Share Consolidation, the Corporation will not proceed with the Share Consolidation.

Risks Associated with the Share Consolidation

There is no assurance that the market price of the consolidated Common Shares will increase as a result of the Share Consolidation. The marketability and trading liquidity of the consolidated shares of the Corporation may not improve. The Share Consolidation may result in some shareholders owning "odd lots" of less than 100 or 1,000 Common Shares which may be more difficult for such shareholders to sell or which may require greater transaction costs per Common Share to sell.

Principal Effects of the Share Consolidation

The Share Consolidation will not have a dilutive effect on the Corporation's shareholders since each shareholder will hold the same percentage of Common Shares outstanding immediately following the Share Consolidation as such shareholder held immediately prior to the Share Consolidation. The Share Consolidation will not affect the relative voting and other rights that accompany the Common Shares.

If the Board decides to proceed with the Share Consolidation at the time they deem appropriate, the principal effects of the Share Consolidation include the following:

(a) the fair market value of each Common Share may increase and will, in part, form the basis upon which further Common Shares or other securities of the Corporation will be issued (recognizing that the Board may elect to consolidate on the basis of a lesser ratio that it deems appropriate);

(b) based on the number of issued and outstanding Common Shares as at the Record Date, the current number of issued and outstanding Common Shares, being 320,537,987 would be reduced as follows:

Ratio	Number of Post-Consolidation Common Shares
2 for 1	160,268,993
5 for 1	64,107,597
10 for 1	32,053,798
20 for 1	16,026,899

(c) the exercise prices and the number of Common Shares issuable upon the exercise or deemed exercise of any stock options or other convertible or exchangeable securities of the Corporation will be automatically adjusted based on the consolidation ratio selected by the Board; and

(d) as the Corporation currently has an unlimited number of Common Shares authorized for issuance, the Share Consolidation will not have any effect on the number of Common Shares of the Corporation available for issuance.

Effect on Fractional Shareholders

No fractional shares will be issued, and no cash consideration will be paid, if, as a result of the Share Consolidation, a shareholder would otherwise become entitled to a fractional Common Share. After the Share Consolidation, the then current shareholders of the Corporation will have no further interest in the Corporation with respect to their fractional Common Shares.

Effect on Share Certificates

If the Share Consolidation is approved by the shareholders and implemented by the Board, Registered Shareholders will be required to exchange their Common Share certificates representing pre-consolidation Common Shares for new Common Share certificates representing the post-consolidation Common Shares. Following the determination of the consolidation ratio by the Board and as soon as possible following the effective date of the Share Consolidation, Registered Shareholders will be sent a letter of transmittal by the Corporation's transfer agent, Odyssey Trust Company. The letter of transmittal that contains instructions on how to surrender Common Share certificate(s) representing pre-consolidation Common Shares to Odyssey Trust Company. Odyssey Trust Company will forward to each Registered Shareholder who has sent the required documents a new Common Share certificate representing the number of post-consolidation Common Shares to which the shareholder is entitled. Until surrendered, each Common Share certificate representing pre-consolidation Common Shares will be deemed for all purposes to represent the number of whole post-consolidation Common Shares to which the holder is entitled as a result of the Share Consolidation. Shareholders should not destroy any Common Share certificate(s) and should not submit any Common Share certificate(s) until requested to do so. The method of delivery of certificates representing Common Shares and the letter of transmittal and all other required documents will be at the option and risk of the person surrendering them. It is recommended that such documents be delivered by hand to Odyssey Trust Company, at the address noted in the letter of transmittal, and a receipt obtained therefore, or, if mailed, that registered mail, with return receipt requested, be used and that proper insurance be obtained.

No new Common Share certificates will be issued to a Shareholder until such Shareholder has surrendered the corresponding "old" Common Share certificates, together with a properly completed and executed letter of transmittal, to the transfer agent. Consequently, following the Share Consolidation, Shareholders will need to surrender their old Common Share certificates before they will be able to sell or transfer their Common Shares. If an old Common Share certificate has any restrictive legends on the back thereof, the new Common Share certificate will be issued with the same restrictive legends, if any, that are on the back of the old Common Share certificate.

If the Share Consolidation is implemented by the Board, Intermediaries will be instructed to effect the Share Consolidation for Beneficial Shareholders. However, such Intermediaries may have different procedures than Registered Shareholders for processing the Share Consolidation. If you hold your Common Shares with such an Intermediary and if you have any questions in this regard, the Corporation encourages you to contact your Intermediary.

No Dissent Rights

Under the *Business Corporations Act* (British Columbia), Shareholders do not have dissent and appraisal rights with respect to the proposed Share Consolidation.

Special Resolution

The Board has unanimously approved the Share Consolidation and recommends that Shareholders vote FOR the Share Consolidation. To be effective, the special resolution approving the Share Consolidation must be approved by at least 66 2/3% of the votes cast in person or by proxy at the Meeting.

Notwithstanding the foregoing, as indicated in the text of the special resolution below, the Board may, in its sole discretion, determine that the Corporation not proceed with the Share Consolidation.

The complete text of the resolution which management intends to place before the Meeting for approval, confirmation and adoption, with or without modification, is as follows:

"RESOLVED AS A SPECIAL RESOLUTION THAT:

1. Subject to the acceptance by the TSXV, the Corporation is hereby authorized to consolidate the issued and outstanding common shares in the capital of the Corporation by a ratio to be determined by the directors of the Corporation of up to 20:1 (the "**Share Consolidation**"). Any resulting fractional shares shall be either rounded up or down to the nearest whole common share.

2. Notwithstanding that this resolution has been passed by the Shareholders, the directors of the Corporation are hereby authorized and empowered without further notice to, or approval of, the Shareholders, to determine not to proceed with the Share Consolidation at any time prior to the filing of the articles of amendment giving effect to the Share Consolidation. The directors of the Corporation may, at their sole discretion, revoke this resolution before it is acted upon without further approval or authorization of the shareholders of the Corporation.

3. Upon articles of amendment having become effective in accordance with the *Business Corporations Act* (British Columbia), as may be applicable, the articles of the Corporation are amended accordingly.

4. Any one officer and director of the Corporation be and is hereby authorized for and on behalf of the Corporation to execute and deliver all such instruments and documents and to perform and do all such acts and things as may be deemed advisable in such individual's discretion for the purpose of giving effect to this special resolution, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination."

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE RESOLUTION TO APPROVE THE SHARE CONSOLIDATION IN THE ABSENCE OF DIRECTION TO THE CONTRARY FROM THE SHAREHOLDER APPOINTING THEM. AN AFFIRMATIVE VOTE OF AT LEAST 66 2/3% OF THE VOTES CAST BY SHAREHOLDERS AT THE MEETING IS SUFFICIENT FOR THE APPROVAL OF THE SHARE CONSOLIDATION.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person or company who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last completed financial year, no proposed nominee for election as a director of the Corporation and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available under the Corporation's profile on SEDAR at www.sedar.com. Financial information is provided in the Corporation's audited financial statements and Management's Discussion and Analysis ("**MD&A**") for the year ended February 28, 2022. In addition, copies of the Corporation's annual financial statements and MD&A and this Circular may be obtained upon request to the Corporation. The Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder of the Corporation.

APPROVAL OF BOARD OF DIRECTORS

The contents of this Circular and the sending of it to each director of the Corporation, to the auditor of the Corporation, to the Shareholders and to the appropriate governmental agencies, have been approved by the directors of the Corporation.

Dated: June 20, 2022

"Peter Rands"
Peter Rands
Chief Executive Officer

EXHIBIT A
STATEMENT OF GOVERNANCE PRACTICES

Governance Disclosure Requirement Under the Corporate Governance National Instrument 58-101 ("NI 58-101")	Comments
Board of Directors	
1. Board of Directors-Disclose how the board of directors (the "**Board**") of Small Pharma Inc. (the "**Corporation**") facilitates its exercise of independent supervision over management, including (i) the identity of directors that are independent, and (ii) the identity of directors who are not independent, and the basis for that determination.	The proposed Board shall consist of a total of six directors of which three (3), being Lyne Fortin, Michael Wolfe and Paul Maier, are considered "independent". Each of Peter Rands, Marie Layzell, and George Tziras are executive officers of the Corporation.
2. Directorships-If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Please refer to the accompanying management information circular dated June 20, 2022 (the "**Circular**") under the heading "*Particulars of Matters to be Acted Upon - Election of Directors*".
Orientation and Continuing Education	
3. Describe what steps, if any, the Board takes to orient new Board members, and describe any measures the Board takes to provide continuing education for directors.	Each director ultimately assumes responsibility for keeping himself or herself informed about the Corporation's business and relevant developments outside the Corporation that affect its business. Management assists directors by providing them with regular updates on relevant developments and other information that management considers of interest to the Board. Directors may also attend other Board committee meetings if they are not active members, to broaden their knowledge base and receive additional information on the Corporation's business and developments in areas where they are not commonly exposed.
Ethical Business Conduct	
4. Describe what steps, if any, the Board takes to encourage and promote a culture of ethical business conduct.	The Board has adopted a Code of Business Conduct and is responsible for promoting an ethical business culture and fostering an environment that places an emphasis on compliance. The Board monitors compliance, including through receipt by the Audit Committee of reports of unethical behaviour. To ensure that an ethical business culture is maintained and promoted, directors are encouraged to exercise their independent judgment. If a director has a material interest in any transaction or agreement that the Corporation proposes to enter into, such director is expected to disclose such interest to the Board in compliance with the applicable laws, rules and policies which govern conflicts of interest in connection with such transaction or agreement. Further, any director who has a material interest in any proposed transaction or agreement will be excluded from the portion of the Board meeting concerning such matters and will be further precluded from voting on such matters.

Governance Disclosure Requirement Under the Corporate Governance National Instrument 58-101 ("NI 58-101")	Comments
Nomination of Directors	
5. Disclose what steps, if any, are taken to identify new candidates for Board nomination, including: (i) who identifies new candidates, and (ii) the process of identifying new candidates.	The Board is responsible for the identification and assessment of potential directors. While no formal nomination procedures are in place to identify new candidates, the Board does review the experience and performance of nominees for election to the Board. Members of the Board are canvassed with respect to the qualifications of a prospective candidate and each candidate is evaluated with respect to his or her experience and expertise, with particular attention paid to those areas of expertise that could complement and enhance current management. The Board also assesses any potential conflicts, independence or time commitment concerns that the candidate may present.
Compensation	
6. Disclose what steps, if any, are taken to determine compensation for the directors and officers, including: (i) who determines compensation, and (ii) the process of determining compensation.	The process undertaken by the Board and the Compensation Committee in respect of compensation is more fully described in the "Compensation Discussion and Analysis" section of the accompanying Circular.
Other Board Committees	
7. If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Board does not have any standing committees other than the Corporate Governance and Nominating Committee, the Compensation Committee and the Audit Committee.
Assessments	
8. Disclose what steps, if any, that the Board takes to satisfy itself that the Board, its committees, and its individual directors are performing effectively.	The Board is currently responsible for assessing the effectiveness of the Board, the individual directors and the Audit Committee.

EXHIBIT B
STOCK OPTION PLAN

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

As used herein, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the meanings set forth below:

(a) "**Administrator**" means, initially, the Chief Executive Officer of the Corporation and thereafter shall mean such director or other senior officer or employee of the Corporation as may be designated as Administrator by the Board from time to time.

(b) "**Associate**" shall have the meaning ascribed thereto by the TSX Venture Exchange.

(c) "**Award Date**" means the date on which the Board awards a particular Option.

(d) "**Board**" means the board of directors of the Corporation or any committee thereof to which the board of directors of the Corporation has delegated the power to administer and grant Options under the Plan.

(e) "**Business Day**" means any day, other than a Saturday or Sunday, on which banks in Vancouver, British Columbia, Canada are open for commercial banking business during normal banking hours.

(f) "**Cause**" means:

(i) in the case of an Employee or Officer (1) cause as such term is defined in the written employment agreement with the Employee or Officer or if there is no written employment agreement or cause is not defined therein, the usual meaning of just cause under the common law or the laws of the jurisdiction in which the employee is employed; or (2) the termination of employment as a result of an order made by any Regulatory Authority having jurisdiction to so order;

(ii) in the case of a Consultant (1) the occurrence of any event which, under the written consulting contract with the Consultant or the common law or the laws of the jurisdiction in which the Consultant provides services, gives the Corporation or any of its affiliates the right to immediately terminate the consulting contract; or (2) the termination of the consulting contract as a result of an order made by any Regulatory Authority having jurisdiction to so order; or

(iii) in the case of a Director, ceasing to be a Director as a result of (1) ceasing to be qualified pursuant to subsection 124 of the *Business Corporations Act* (British Columbia); (2) a resolution having been passed under section 128(3) of the *Business Corporations Act* (British Columbia) or by the resolution or method specified in the Corporation's articles; or (3) an order made by any Regulatory Authority having jurisdiction to so order.

(g) "**Change of Control**" means and shall be deemed to have occurred if one of the following events takes place:

(i) the sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation;

(ii) the Corporation amalgamates or enters into a plan of arrangement with another Corporation at arm's length to the Corporation and its affiliates, other than an amalgamation or plan of arrangement that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or resulting entity) more than 50% of the combined voting power of the surviving or resulting entity outstanding immediately after such amalgamation or plan of arrangement; or

(iii) any Person or combination of Persons at arm's length to the Corporation and its affiliates acquires or becomes the beneficial owner of, directly or indirectly, more than 50% of the voting securities of the Corporation, whether through the acquisition of previously issued and outstanding voting securities, or of voting securities that have not been previously issued, or any combination thereof, or any other transaction having a similar effect.

(h) "**Code**" means the United States Internal Revenue Code of 1986, as amended from time to time, together with the regulations and official guidance promulgated thereunder.

(i) "**Common Share**" or "**Common Shares**" means, as the case may be, one or more common shares in the capital of the Corporation.

(j) "**Corporation**" means Small Pharma Inc. (formerly Unilock Capital Corp).

(k) "**Consultant**" has the meaning given to that term in the policies of the TSX Venture Exchange.

(l) "**CSOP Overseas Sub-Plan**" means the Company Share Option Plan (CSOP) Overseas Sub-Plan in the form attached as Schedule "D" hereto.

(m) "**Disinterested Shareholder Approval**" means approval by a majority of the votes cast by all shareholders entitled to vote at a meeting of shareholders of the Corporation excluding votes attached to shares beneficially owned by Insiders to whom Options may be granted under this Plan and their Associates.

(n) "**Director**" means the directors of the Corporation, and for purposes of the Plan includes directors of any Related Entity of the Corporation.

(o) "**Eligible Persons**" means Directors, Officers, Employees, and Consultants.

(p) "**Employee**" means an employee of the Corporation and any Related Entity of the Corporation.

(q) "**EMI Overseas Sub-Plan**" means the Enterprise Management Incentives Overseas Sub-Plan in the form attached hereto as Schedule "C".

(r) "**Exchange Hold Period**" means such restricted period as required by the TSX Venture Exchange where an Option is granted at a discount to the Market Price.

(s) "**Exercise Condition**" has the meaning given to it in paragraph 3.6;

(t) "**Exercise Period**" means the period during which a particular Option may be exercised and is the period from and including the Award Date through to and including the Expiry Date.

(u) "**Exercise Price**" means the price at which an Option may be exercised as determined in accordance with paragraph 3.5.

(v) "**Expiry Date**" means the date determined in accordance with paragraph 3.4 and after which a particular Option cannot be exercised.

(w) "**Expiry Period**" has the meaning given to that term under paragraph 3.4(b).

(x) "**Fixed Expiry Date**" has the meaning given to that term under paragraph 3.4.

(y) "**Insider**" has the meaning given to that term in the *Securities Act* (Ontario).

(z) "**Market Price**" of the Common Shares for a particular Award Date shall be determined as follows:

(i) for each organized trading facility on which the Common Shares are listed, Market Price shall be the closing trading price of the Common Shares on the last trading day immediately preceding the Award Date;

(ii) if the Common Shares are listed on more than one organized trading facility, then Market Price shall be the greater of the Market Prices determined for each organized trading facility on which those Common Shares are listed as determined for each organized trading facility in accordance with section (i) above;

(iii) if the Common Shares are listed on one or more organized trading facility but have not traded during the 10 trading day period immediately preceding the Award Date, then the Market Price shall be, subject to the necessary approvals of the applicable Regulatory Authorities, such value as is determined by resolution of the Board; and

(iv) if the Common Shares are not listed on any organized trading facility, then the Market Price shall be, subject to the necessary approvals of the applicable Regulatory Authorities, the fair market value of the Common Shares on the Award Date as determined by the Board in its discretion.

(aa) "**Management Corporation Employee**" means an individual employed by a Person providing management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a Person engaged in investor relations activities.

(bb) "**Officer**" means an officer of the Corporation or Management Corporation Employee and for the purposes of the Plan includes officers of the Corporation and Management Corporation Employees and any Related Entity of the Corporation.

(cc) "**Option**" means an option to acquire Common Shares, awarded to an Eligible Person pursuant to the Plan.

(dd) "**Option Certificate**" means the certificate, substantially in the form set out as Schedule "A" hereto (or in an Overseas Sub-Plan, as applicable), evidencing an Option.

(ee) "**Option Holder**" means a Person who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person.

(ff) "**Other Share Compensation Arrangements**" means, other than this Plan and any Options, any previously established and outstanding stock option plans or grants and any other share based compensation arrangements of the Corporation including, but not limited to, the RSU Plan.

(gg) "**Overseas Sub-Plan**" has the meaning given to it in paragraph 6.2.

(hh) "**Person**" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, Corporation or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency or entity however designated or constituted.

(ii) "**Personal Representative**" means:

(i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and

(ii) in the case of an Option Holder who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder.

(jj) "**Plan**" means this stock option plan.

(kk) "**Regulatory Authorities**" means all stock exchanges, inter-dealer quotation networks and other organized trading facilities on which the Corporation's Shares are listed and all securities commissions or similar securities regulatory bodies having jurisdiction over the Corporation.

(ll) "**Related Entity**" has the meaning given to that term in National Instrument 45-106 *Prospectus and Registration Exemptions*.

(mm) "**RSU Plan**" means the restricted share unit plan of the Corporation, as it may be amended from time to time.

(nn) "**Securities Laws**" means securities legislation, securities regulations and securities rules, as amended, and the instruments, forms, notices and policy documents in force from time to time that are applicable to the Corporation.

(oo) "**Share**" or "**Shares**" means, as the case may be, one or more shares of any class in the share capital of the Corporation from time to time.

(pp) "**Subsidiary**" means any entity (other than the Corporation), that is a subsidiary of the Corporation as such term is defined in the *Business Corporations Act* (British Columbia), as amended, varied or re-enacted from time to time.

(qq) "**Termination Date**" means:

(i) in the case of the Option Holder's resignation from employment or the termination of the Option Holder's consulting contract by the Option Holder, the date that the Option Holder provides notice of such resignation or termination to the Corporation or any of its affiliates; or

(ii) in the case of the termination of the Option Holder's employment or consulting contract by the Corporation or any of its affiliates for any reason (whether such termination is lawful or unlawful) other than death, the date that the Corporation or any of its affiliates delivers written notice of such lawful or unlawful termination of the Option Holder's employment or consulting contract to the Option Holder; or

(iii) in the case of the expiry of a fixed-term employment agreement or consulting contract that is not renewed or extended, the last day of the term.

1.2 Choice of Law

The Plan is established under, and the provisions of the Plan shall be subject to and interpreted and construed in accordance with, the laws of the Province of British Columbia.

1.3 Headings

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

ARTICLE 2
PURPOSE AND PARTICIPATION

2.1 Purpose

The purpose of the Plan is to provide the Corporation with a share-related mechanism to attract, retain and motivate qualified Directors, Officers, Consultants and Employees, to reward such of those Directors, Officers, Consultants and Employees as may be awarded Options under the Plan by the Board from time to time for their contributions toward the long term goals of the Corporation and to enable and encourage such Directors, Officers, Consultants and Employees to acquire Common Shares as long term investments.

2.2 Participation

The Board shall, from time to time and in its sole discretion, determine which of the Eligible Persons, if any, shall be awarded Options. The Board shall only award an Option to a Consultant, Employee, or Management Corporation Employee if the Consultant, Employee, or Management Corporation Employee is a bona fide Consultant, Employee, or Management Corporation Employee of the Corporation or an affiliate of the Corporation, and the Corporation and the Option Holder shall make such a representation if required by the Regulatory Authorities. In addition, an Eligible Person subject to taxation in the United States must be employed by or providing consulting services to the Corporation or a Subsidiary on the Award Date in order to be granted an Option pursuant to the Plan. The Board may, in its sole discretion, grant the majority of the Options to Insiders of the Corporation. However, in no case shall:

(a) the number of Options awarded in a one year period to any one Consultant exceed 2% of the issued Shares of the Corporation (calculated at the time of the award);

(b) the number of Options awarded in a one year period to any one individual exceed 5% of the outstanding Shares of the Corporation (calculated at the time of the award), unless Disinterested Shareholder Approval has been obtained;

(c) the aggregate number of Options awarded in a one year period to Persons employed to provide investor relations services exceed 2% of the issued Shares of the Corporation (calculated at the time of the award);

(d) the aggregate number of Options awarded to insiders under the Plan and any Other Share Compensation Arrangements in a one year period exceed 10% of the issued Shares of the Corporation (calculated at the time of the award), unless Disinterested Shareholder Approval has been obtained; or

(e) the aggregate number of Common Shares reserved for issuance to insiders upon the exercise of Options awarded under the Plan and any Other Share Compensation Arrangements, exceed 10% of the issued Shares of the Corporation (calculated at the time of the award), unless Disinterested Shareholder Approval has been obtained.

2.3 Notification of Award

Following the award of an Option by the Board, the Administrator shall notify the Option Holder in writing of the award and shall enclose with such notice the Option Certificate representing the Option so awarded. Where such Options are subject to an Exchange Hold Period, the Option Certificate representing the Options so awarded will bear the such legend as required by the TSX Venture Exchange.

2.4 Copy of Plan

Each Option Holder, concurrently with the notice of the award of the Option, shall be provided with a copy of the Plan. A copy of any amendment to the Plan shall be promptly provided by the Administrator to each Option Holder.

2.5 Limitation

The Plan does not give any Option Holder that is a Director or Officer the right to serve or continue to serve as a Director or Officer of the Corporation or any of its affiliates nor does it give any Option Holder that is an Employee or Consultant the right to be or to continue to be employed with or have a consulting relationship with the Corporation or any of its affiliates.

2.6 Option Granted to Corporations

Except in relation to consultant corporations, Options may only be granted to an individual or a corporation that is wholly owned by Eligible Persons. If a corporation is an Option Holder, it must provide the TSX Venture Exchange with a completed *Form 4F - Certification and Undertaking Required from a Corporation Granted an Incentive Stock Option*. The corporation must agree not to effect or permit any transfer of ownership or option of shares of the corporation nor to issue further shares of any class in the corporation to any other individual or entity as long as the Option remains outstanding, except with the written consent of the TSX Venture Exchange.

2.7 Jurisdictions

Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in the jurisdictions in which the Corporation and its Related Entities operate or have Eligible Persons, or in order to comply with the requirements of any Regulatory Authorities, the Board, in its sole discretion, shall have the power and authority to: (a) determine which Related Entities shall be covered by the Plan; (b) establish or modify the terms and conditions of any Option granted to Eligible Persons to comply with any applicable laws; (c) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable; provided, however, that no such subplans and/or modifications shall increase the share limitations contained in sections 2.2 and 3.2 of this Plan; and (d) take any action, before or after an Option is granted, that it deems advisable to obtain approval or comply with any applicable laws including necessary local governmental regulatory exemptions or approvals or listing requirements of any Regulatory Authorities.

ARTICLE 3
TERMS AND CONDITIONS OF OPTIONS

3.1 Board to Issue Common Shares

The Common Shares to be issued to Option Holders upon the exercise of Options shall be authorized and unissued Common Shares the issuance of which shall have been authorized by the Board.

3.2 Number of Common Shares

The maximum number of Common Shares which may be issuable from time to time under Options outstanding pursuant to this Plan and which may be issuable under any Other Share Compensation Arrangement shall be, in the aggregate, that number equal to 10% of the Corporation's issued and outstanding Common Shares at the relevant date. The number of Common Shares in respect of which Options are (a) cancelled or not exercised prior to expiry, for any reason, or (b) exercised, shall be available for subsequent Option grants under the Plan. No fractional shares may be purchased or issued hereunder.

3.3 Term of Option

Subject to such other terms or conditions that may be attached to an Option granted hereunder, an Option Holder may exercise any vested portion or portions of an Option in whole or in part at any time or from time to time during the Exercise Period. Any Option or part thereof not exercised within the Exercise Period shall terminate and become null, void and of no effect as of 5:00 p.m. local time in Toronto, Ontario on the Expiry Date.

3.4 Termination

Subject to subparagraphs (a) to (e) below, the Expiry Date of an Option shall be the date fixed by the Board at the time the particular Option is awarded (the "**Fixed Expiry Date**"), provided that the Expiry Date shall be no later than the date that is 10 years following the Award Date of such Option:

(a) Death

If the Option Holder dies while his or her Option is outstanding, then unless otherwise provided for in the Option Certificate, the following shall apply. The Expiry Date for any vested portion or portions of the Option shall be the earlier of the Fixed Expiry Date and the date that is 12 months after the date of the Option Holder's death. The Expiry Date for any unvested portion of the Option shall be the date of the Option Holder's death. The right to purchase Common Shares under an Option shall not vest after the date of the Option Holder's death.

(b) Ceasing to be a Director or Officer

If the Option Holder holds an Option as a Director or Officer and the Option Holder ceases to be a Director or Officer (other than by reason of death), then the following shall apply. The Expiry Date for any vested portion or portions of the Option shall be the earlier of the Fixed Expiry Date and the date that is 90 days after the Option Holder ceases to be a Director and Officer (or such other period as may be determined by the Board, provided that such period is not more than one year) (the "**Expiry Period**"). Notwithstanding the foregoing, if the Option Holder ceases to be a Director or Officer for Cause, the Expiry Date shall be the date that the Option Holder ceases to be a Director or Officer. The Expiry Date for any unvested portion of the Option shall be the date that the Option Holder ceases to be a Director or Officer. The right to purchase Common Shares under an Option shall not vest after the date that the Option Holder ceases to be a Director or Officer.

(c) Ceasing to be an Employee or Consultant

If the Option Holder holds an Option as an Employee or Consultant and the Option Holder ceases to be an Employee or Consultant (other than by reason of death), then the following shall apply. The Expiry Date for any vested portion or portions of the Option shall be the earlier of the Fixed Expiry Date and the date that is 90 days after the Option Holder ceases to be an Employee or Consultant (or such other period as may be determined by the Board, provided that such period is not more than one year). Notwithstanding the foregoing, if the Option Holder ceases to be an Employee or Consultant for Cause, the Expiry Date shall be the Termination Date. The Expiry Date for any unvested portion of the Option shall be the Termination Date. The right to purchase Common Shares under an Option shall not vest after the Termination Date. For greater certainty, if the Corporation gives an Employee or Consultant working notice of termination of employment or the consulting contract or payment in lieu of notice or if the Corporation wrongfully or constructively dismisses the Employee or Consultant, no vesting shall occur during the working notice period or deemed notice period that the Employee or Consultant receives or should have received. The Expiry Period shall commence on the first day of such working notice period or deemed notice period.

(d) Change of Control

In the event of a Change of Control or impending Change of Control, the Board may, subject to any necessary prior written approval of the Regulatory Authorities, in its sole discretion, deal with outstanding Options in the manner it deems fair and reasonable in light of the circumstances. Without limiting the generality of the foregoing, the Board may, without any action or consent required on the part of any Option Holder:

(i) deliver a notice to the Option Holder advising the Option Holder that the unvested portion of the Option held by the Option Holder, if any, shall immediately vest;

(ii) deliver a notice to an Option Holder advising the Option Holder that the Expiry Date for any vested portion or portions of the Option shall be the earlier of the Fixed Expiry Date and the day that is 10 days following the date of the notice and the Expiry Date for any unvested portion of the Option shall be the date of the notice; or

(iii) take such other actions, and combinations of the foregoing actions, as it deems fair and reasonable under the circumstances.

(e) Black-Out Period

If an Option expires during a Black-Out Period, then, notwithstanding any other provision of the Plan, the Option shall expire 10 Business Days after the Black-Out Period is lifted by the Corporation. For the purposes hereof, a "Black-Out Period" means that period during which a trading black-out period is imposed by the Corporation to restrict trades in the Corporation's securities by an Option Holder.

The foregoing subparagraphs (b) and (c) shall only apply once an Option Holder ceases to fall into any of the categories of Eligible Persons. The Board and the Administrator shall look to which of the definitions of Employee, Director, Officer or Consultant the Option Holder met immediately prior to the Option Holder ceasing to be an Eligible Person to determine which of subparagraphs (b) or (c) shall apply. If the Option Holder met more than one definition, then the following shall apply. If the Option Holder was an Employee or Consultant, then the Option Holder shall be deemed to hold his or her Option as an Employee or Consultant regardless of whether the Option Holder was also a Director or Officer.

3.5 Exercise Price

The price at which an Option Holder may purchase a Common Share upon the exercise of an Option shall be as set forth in the Option Certificate issued in respect of such Option and in any event shall not be less than the Market Price of the Common Shares as of the Award Date. If the Award Date is within ninety days following a distribution of Common Shares by the Corporation under a prospectus, the Exercise Price for such Options shall not be less than the per share price paid by the public investors for the Common Shares acquired in that distribution. For clarity, the ninety day period beings on the date the final receipt is issued for the prospectus. Notwithstanding anything else contained herein, in no case shall the Exercise Price be less than the minimum prescribed by each of the organized trading facilities as would apply to the Award Date in question. Any reduction in the Exercise Price of an Option held by an Insider at the time of the proposed amendment requires Disinterested Shareholder Approval.

3.6 Additional Terms

Subject to all applicable Securities Laws and the rules and policies of all applicable Regulatory Authorities, the Board may attach other terms and conditions (an "Exercise Condition") to the award of a particular Option, such terms and conditions to be referred to in, or in a schedule attached to, the Option Certificate. These terms and conditions may include, but are not necessarily limited to, providing that an Option or a portion or portions of an Option expire on a certain date, after certain periods of time or upon the occurrence of certain events other than as provided for herein, provided that no Option shall expire more than ten years after the Award Date.

3.7 Assignment of Options

Options may not be assigned or transferred, provided however that the Personal Representative of an Option Holder may, to the extent permitted by section 4.1, exercise the Option within the Exercise Period.

3.8 Adjustments

If:

(a) the Common Shares are changed into or exchanged for a different number or kind of Shares of the Corporation or securities of another corporation, whether through an arrangement, amalgamation or other similar procedure or otherwise, or a share recapitalization, subdivision or consolidation;

(b) a dividend is declared upon the Common Shares, payable in Common Shares (other than in lieu of dividends paid in the ordinary course);

(c) the Corporation distributes by way of a dividend, or otherwise, to all or substantially all holders of Common Shares, property, evidences of indebtedness or Shares or other securities of the Corporation (other than Common Shares) or rights, options or warrants to acquire Common Shares or securities convertible into or exchangeable for Common Shares or other securities or property of the Corporation, other than as a dividend in the ordinary course; or

(d) there is any other change that the Board, in its sole discretion, determines equitably requires an adjustment to be made,

then, subject to any required action by the shareholders of the Corporation and any necessary approval of the Regulatory Authorities, any term that the Board determines requires adjustment (including the number of Common Shares subject to each outstanding Option and the number of Common Shares that have been authorized for issuance under the Plan but as to which no Options have yet been granted or that have again become available for the purposes of the Plan, the Exercise Price of each outstanding Option, as well as any other terms that the Board determines require adjustment) shall be adjusted by the Board in the manner the Board deems appropriate and its determination shall be final, binding and conclusive. Except as the Board determines, no issuance by the Corporation of Shares of any class, or securities convertible into Shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Common Shares subject to an Option. No fractional shares shall be issued upon the exercise of an Option and accordingly, if as a result of the adjustment, an Option Holder would become entitled to a fractional Common Share, such Option Holder shall have the right to purchase only the next lowest whole number of Common Shares and no payment or other adjustment shall be made with respect to the fractional interest so disregarded.

3.9 Vesting

The Board, subject to the policies of the TSX Venture Exchange, may determine and impose terms upon which an Option shall become vested and exercisable, including require the satisfaction of any Exercise Condition.

Notwithstanding the foregoing, Options awarded to Consultants performing investor relations activities must vest in stages over 12 months with no more than one-quarter vesting in any three month period.

3.10 Personal Information Form and Monitoring of Trading

An Option Holder who becomes a new Insider of the Corporation or who is undertaking investor relations activities must file a Personal Information Form or such other documents as may be required by the Regulatory Authorities. An Option Holder who performs investor relations activities must comply with all procedures established by the Board or the Regulatory Authorities to monitor the Option Holder's trading in the securities of the Corporation.

ARTICLE 4
EXERCISE OF OPTION

4.1 Exercise of Option

(a) An Option may be exercised only by the Option Holder or the Personal Representative of the Option Holder.

(b) An Option Holder may not exercise an Option before any Exercise Condition relating to that Option have been satisfied or, otherwise, waived in accordance with its terms.

(c) An Option Holder or the Personal Representative of the Option Holder may exercise the vested portion or portions of an Option in whole or in part at any time or from time to time during the Exercise Period up to 5:00 p.m. local time in Vancouver, British Columbia on the Expiry Date by delivering to the Administrator a Exercise Notice, the applicable Option Certificate and a certified cheque or bank draft payable to the Corporation in an amount equal to the aggregate Exercise Price of the Common Shares to be purchased pursuant to the exercise of the Option.

(d) Unless otherwise required by applicable laws, or as determined in the discretion of the Board or the Administrator, the Exercise Price for Options shall be designated in Canadian dollars. A foreign Option Holder may be required to provide evidence that any currency used to pay the Exercise Price of any Option was acquired and taken out of the jurisdiction in which the Option Holder resides in accordance with applicable laws, including foreign exchange control laws and regulations. In the event the Exercise Price for an Option is paid in another foreign currency, if permitted by the Administrator, the amount payable will be determined by conversion from Canadian dollars at the exchange rate as selected by the Administrator on the date of exercise. For Option Holders subject to United States income tax, such conversion shall be determined in a manner which does not result in any adverse tax consequences to the Option Holder pursuant to Section 409A of the Code.

4.2 Issue of Share Certificates

As soon as practicable following the receipt of the Exercise Notice, the Administrator shall cause to be delivered to the Option Holder a certificate for the Common Shares purchased by the Option Holder. Where such Common Shares are subject to an Exchange Hold Period, the certificate representing such Common Shares will bear the such legend required by the TSX Venture Exchange. If the number of Common Shares in respect of which the Option was exercised is less than the number of Common Shares subject to the Option Certificate surrendered, the Administrator shall forward a new Option Certificate to the Option Holder concurrently with delivery of the share certificate for the balance of the Common Shares available under the Option.

4.3 Condition of Issue

The Options and the issue of Common Shares by the Corporation pursuant to the exercise of Options are subject to the terms and conditions of the Plan and compliance with the rules and policies of all applicable Regulatory Authorities with respect to the granting of such Options and the issuance and distribution of such Common Shares, and to all applicable Securities Laws. The Option Holder agrees to comply with all such laws, regulations, rules and policies and agrees to furnish to the Corporation any information, reports or undertakings required to comply with, and to fully cooperate with, the Corporation in complying with such laws, regulations, rules and policies.

4.4 Taxes

The Board and the Corporation may take all such measures as they deem appropriate to ensure that the Corporation's obligations under the withholding provisions under income tax laws applicable to the Corporation and other provisions of applicable laws are satisfied with respect to the issuance of Common Shares pursuant to the Plan or the grant or exercise of Options under the Plan. Issuance of Common Shares or delivery of share certificates for Common Shares purchased pursuant to the Plan may be delayed, at the discretion of the Board, until the Board is satisfied that the applicable requirements of income tax laws and other applicable laws have been met.

ARTICLE 5
ADMINISTRATION

5.1 Administration

The Plan shall be administered by the Board. The Board may make, amend and repeal at any time and from time to time such regulations not inconsistent with the Plan as it may deem necessary or advisable for the proper administration and operation of the Plan and such regulations shall form part of the Plan. The Board may delegate to the Administrator or any director, officer or employee of the Corporation such administrative duties and powers as it may see fit.

5.2 Interpretation

The interpretation by the Board of any of the provisions of the Plan and any determination by it pursuant thereto shall be final and conclusive and shall not be subject to any dispute by any Option Holder. No member of the Board or any person acting pursuant to authority delegated by it hereunder shall be liable for any action or determination in connection with the Plan made or taken in good faith and each member of the Board and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Corporation.

ARTICLE 6
AMENDMENT, TERMINATION AND NOTICE

6.1 Amendments

The Board may, subject to the approval of any Regulatory Authority whose approval is required and the approval of shareholders where required by such Regulatory Authority, amend the Plan or any Option at any time. Without limiting the generality of the foregoing, the Board is specifically authorized to amend the terms of the Plan or any Option without obtaining the approval of shareholders in the following circumstances, subject to any limitations that may be prescribed by the policies of the TSX Venture Exchange from time to time:

(a) amendments of a "housekeeping" nature including, but not limited to, of a clerical, grammatical or typographical nature;

(b) to correct any defect, supply any information or reconcile any inconsistency in the Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Plan;

(c) a change to the vesting provisions of any Option or the Plan;

(d) amendments to reflect any changes in requirements of any Regulatory Authority to which the Corporation is subject;

(e) a change to the termination provisions of an Option which does not result in an extension beyond the original term of the Option;

(f) in the case of any Option, the substitutions and/or adjustments contemplated under section 3.8 of this Plan;

(g) a change to the class of Eligible Persons that may participate under the Plan; and

(h) amendments to take account of a change in legislation, or to obtain or maintain favourable tax, or exchange control treatment for Option Holders or for any Related Entity of the Corporation,

provided that, in the case of any Option, no such amendment may, without the consent of the Option Holder, materially decrease the rights or benefits accruing to such Option Holder or materially increase the obligations of such Option Holder. Notwithstanding the foregoing, shareholder approval shall be required in respect of:

(a) any amendments to the number of Common Shares (or other securities) issuable under the Plan;

(b) any amendment which reduces the exercise price of an option that is held by an Insider;

(c) any amendment extending the term of an option held by an Insider beyond its original expiry date except as otherwise permitted by the Plan; and

(d) amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of the Regulatory Authorities).

Where shareholder approval is sought for amendments under subsections (b) or (c) above, the votes attached to Common Shares held directly or indirectly by Insiders benefiting from the amendment will be excluded.

6.2 Overseas Sub-Plans

In addition to the EMI Overseas Sub-Plan and the CSOP Overseas Sub-Plan (attached hereto as Schedules "C" and "D", respectively), the Board may establish additional sub-plans from time to time to operate in overseas territories (each sub-plan, including without limitation the EMI Overseas Sub-Plan and the CSOP Overseas Sub-Plan, an "Overseas Sub-Plan"), provided that:

(a) all Overseas Sub-Plans are subject to the limitations set out in paragraph 3.2 and the rules and regulations of the TSX Venture Exchange;

(b) the prior approval of the TSX Venture Exchange is obtained prior to the implementation of any Overseas Sub-Plan;

(c) only Eligible Persons who are resident in (or otherwise subject to the tax laws of) the relevant territory are entitled to participate in any Overseas Sub-Plan; and

(d) no Eligible Person has an entitlement to awards under any Overseas Sub-Plan greater than the maximum entitlement of an Eligible Person under the Plan.

Any Overseas Sub-Plan must be governed by rules similar to these rules of the Plan, as modified to the extent necessary to take account of applicable tax, social security, employment, company, exchange control, trust or securities (or any other relevant) law, regulation or practice.

6.3 Amendment Subject to Approval

If the amendment of an Option requires regulatory or shareholder approval, such amendment may be made prior to such approvals being given, but no such amended Options may be exercised unless and until such approvals are given.

6.4 Approvals

The Plan and any amendments hereto are subject to all necessary approvals of the applicable Regulatory Authorities and shareholders.

6.5 Termination

The Board may terminate the Plan at any time provided that such termination shall not alter the terms or conditions of any Option or impair any right of any Option Holder pursuant to any Option awarded prior to the date of such termination which shall continue to be governed by the provisions of the Plan.

6.6 Agreement

The Corporation and every Option awarded hereunder shall be bound by and subject to the terms and conditions of the Plan. By accepting an Option granted hereunder, the Option Holder has expressly agreed with the Corporation to be bound by the terms and conditions of the Plan.

6.7 Notice

Any notice or other communication contemplated under the Plan to be given by the Corporation to an Option Holder shall be given by the Corporation delivering or sending by electronic transmission the notice to the Option Holder at the last address for the Option Holder in the Corporation's records. Any such notice shall be deemed to have been given on the date on which it was delivered, or in the case of an electronic transmission, the next Business Day after transmission. An Option Holder may, at any time, advise the Corporation of a change in the Option Holder's address or email address.

SCHEDULE "A" - STOCK OPTION PLAN
OPTION CERTIFICATE

SMALL PHARMA INC.

This Certificate is issued pursuant to the provisions of the Small Pharma Inc. (the "**Corporation**") Stock Option Plan (the "**Plan**") and evidences that [●] is the holder (the "**Option Holder**") of an option (the "**Option**") to purchase up to [●] common shares in the capital of the Corporation (the "**Common Shares**") at a purchase price of Cdn. $[●] per Common Share.

Subject to the provisions of the Plan:

(a) the Award Date of the Option is [●]; and

(b) the Fixed Expiry Date of the Option is [●].

The Option shall be subject to and be exercisable in accordance with the vesting schedule attached hereto as Schedule "A".

Subject to the provisions of the Plan, the vested portion or portions of the Option may be exercised at any time and from time to time from and including the Award Date through to 5:00 p.m. local time in Toronto, Ontario on the Expiry Date by delivering to the Corporation the Plan Exercise Notice in the form attached hereto as Schedule "B", together with this Certificate and a certified cheque or bank draft payable to the Corporation in an amount equal to the aggregate of the Exercise Price of the Common Shares in respect of which the Option is being exercised.

This Certificate and the Option evidenced hereby is not assignable, transferable or negotiable and is subject to the detailed terms and conditions contained in the Plan, the terms and conditions of which the Option Holder hereby expressly agrees with the Corporation to be bound by. This Certificate is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and the records of the Corporation shall prevail.

The Option is also subject to the terms and conditions contained in the schedules, if any, attached hereto as Schedule "A". All terms not otherwise defined in this Certificate shall have the meanings given to them under the Plan.

Dated this [●] day of [●], 20[●].

SMALL PHARMA INC.

Per: _____
Name:
Title:

OPTION CERTIFICATE - SCHEDULE "A"

ADDITIONAL TERMS AND CONDITIONS

SMALL PHARMA INC.

The additional terms and conditions attached to the Option represented by this Option Certificate are as follows:

1. Vesting. The Option to purchase all or any part of the Common Shares shall vest in accordance with the following vesting provisions:

(a) [●] Common Shares shall vest and become exercisable on [●];

(b) [●] Common Shares shall vest and become exercisable on [●];

(c) [●] Common Shares shall vest and become exercisable on [●], and

(d) [●] Common Shares shall vest and become exercisable on [●]

.

OPTION CERTIFICATE - SCHEDULE "B"

EXERCISE NOTICE

SMALL PHARMA INC.

TO: Small Pharma Inc. (the "Corporation")

The undersigned hereby irrevocably gives notice, pursuant to the Corporation's Stock Option Plan (the "Plan"), of the exercise of the Option to acquire and hereby subscribes for **(cross out inapplicable item)**:

(a) all of the Common Shares; or

(b) _____ of the Common Shares;

which are the subject of the Option Certificate attached hereto.

The undersigned tenders herewith a certified cheque or bank draft **(circle one)** payable to the Corporation in an amount equal to the aggregate Exercise Price of the aforesaid Common Shares exercised and directs the Corporation to issue the certificate evidencing said Common Shares in the name of the undersigned to be mailed to the undersigned at the following address:

_____
_____
_____
_____

By executing this Exercise Notice, the undersigned hereby confirms that the undersigned has read the Plan and agrees to be bound by the provisions of the Plan. All terms not otherwise defined in this Exercise Notice shall have the meanings given to them under the Plan or the attached Option Certificate.

DATED the _____ day of _____, _____.

_____
Signature of Option Holder

SCHEDULE "B" - EMI OVERSEAS SUB-PLAN

SMALL PHARMA INC.

1. Rules

The rules of the Small Pharma Inc. Stock Option Plan (the "Plan") will apply to Options granted or to be granted under this Enterprise Management Incentives Overseas Sub-Plan (the "Sub-Plan"), with the changes set out in this Sub-Plan. This Sub-Plan shall qualify as a "Overseas Sub-Plan" as defined in the Plan.

2. Definitions and Interpretation

2.1 For the purposes of the grant of Options pursuant to this Sub-Plan, all capitalized terms used but not defined in this Sub-Plan shall have the meanings ascribed to such terms in the Plan, and the following words and expressions shall have the following meanings:

51% Subsidiary	has the meaning given in section 989 of the Income Tax Act 2007;
Associate	has the meaning given to "associate" by paragraph 31, paragraph 32 and paragraph 33 of Schedule 5, with Chapter 11 of Part 7 of ITEPA being applied for the purposes of paragraph 32(2);
CSOP Option	a share option granted under a Schedule 4 CSOP Scheme as defined in Schedule 4 to ITEPA;
Disqualifying Event	has the meaning given in sections533 to 536 of ITEPA;
Eligible Employee	any Employee who:
	(a) meets the Working Time Requirement;
	(b) does not have a Material Interest (either on their own or together with one or more of their Associates); and
	(c) has no Associate or Associates who or which has or (taken together) have a Material Interest;
EMI Option	an Option which, at the Award Date, is a Qualifying Option;
Employee	an individual who is an employee of the Corporation or any other Group Company which is also a Qualifying Subsidiary;
Employer Company	the Group Company which is the Option Holder's employer or former employer as applicable;
Employer NICs	any secondary class 1 (employer) NICs (or any similar liability for social security contribution in any jurisdiction) that the Corporation or any Employer Company of an Option Holder is liable to pay as a result of any Taxable Event (or which that person would be liable to pay in the absence of an election of the type referred to in Rule 7.2(b)) and that may be lawfully recovered from the Option Holder;

Group	the Company and any Related Entity from time to time which is also a 51% Subsidiary, and "Group Company" shall be construed accordingly;
HMRC	HM Revenue & Customs;
ITEPA	the UK's Income Tax (Earnings and Pensions) Act 2003;
Joint Election	means a joint election pursuant to Sections 425, 430 or 431 ITEPA;
Market Value	the market value of a Share determined to the satisfaction of the Board in accordance with the applicable provisions of Part VIII of the Taxation of Chargeable Gains Act 1992. If Shares are subject to Relevant Restrictions, the Market Value shall be determined as if they were not;
Option Certificate	a written agreement between the Corporation and the Eligible Employee evidencing the terms and conditions of an Option grant. Each Option Certificate will be subject to the terms and conditions of the Plan (as amended by this Sub-Plan). Each Option Certificate shall be in the form as the Board may prescribe from time to time in accordance with the Plan (as amended by this Sub-Plan) and, in any event, containing the information required by Schedule 5;
Qualifying Option	an Option which meets the requirements of Schedule 5;
Qualifying Subsidiary	has the meaning given by paragraph 11 of Schedule 5;
Relevant Restriction	a provision included in any contract, agreement, arrangement or condition (including the Corporation's written constitution) to which any of section 423(2), 423(3) and 423(4) of ITEPA would apply if references in them to employment-related securities were references to Shares;
Schedule 5	Schedule 5 to ITEPA;
Sufficient Shares	the smallest number of Shares that, when sold, produce an amount at least equal to the relevant Tax Liability (after deduction of brokerage and any other charges or taxes on the sale);
Taxable Event	any event or circumstance that gives rise to a liability for the Option Holder to pay income tax, NICs or both (or their equivalents in any jurisdiction):
	(a) in respect of the Option, including its exercise, assignment or surrender for consideration, or the receipt of any benefit in connection with it;

	(b)	in respect of any Shares (or other securities or assets):
		(i) earmarked or held to satisfy the Option;
		(ii) acquired on exercise of the Option;
		(iii) acquired as a result of holding the Option; or
		(iv) acquired in consideration of the assignment or surrender of the Option;
	(c)	in respect of any securities (or other assets) acquired or earmarked as a result of holding Shares (or other securities or assets) mentioned in (b) above; or
	(d)	arising as a result of entering into an election under section 430 or 431 of ITEPA 2003; or
	(e)	in respect of any amount due under PAYE in respect of securities or assets within (a) to (c) above, including any failure by the Option Holder to make good such an amount in the time limit specified in section 222 of ITEPA 2003;
Tax Liability the total of	(a)	any income tax and primary class 1 (employee) NICs (or their equivalents in any jurisdiction) for which any Employer Company of the Option Holder is or may be liable to account (or reasonably believes it is or may be liable to account) as a result of any Taxable Event; and
	(b)	unless the Corporation directs otherwise, any Employer NICs that any Employer Company of the Option Holder is, or may be, liable to pay (or reasonably believes it is or may be liable to pay) as a result of any Taxable Event and that can be recovered lawfully from the Option Holder;
Working Time	has the meaning given in paragraph 27 of Schedule 5; and	
Working Time Requirement	the requirement as to commitment of Working Time as prescribed by paragraph 26 of Schedule 5.	

2.2 A reference to "Rule" is to a rule in this Sub-Plan and reference to "Section" is to a section in the Plan.

3. Operation

3.1 The Corporation (acting through the Board) may grant EMI Options for commercial reasons in order to recruit or retain an Eligible Employee. The Corporation may not grant EMI Options as part of any scheme or arrangement for which the main purpose (or one of its main purposes) is tax avoidance.

3.2 The Corporation may grant Options intended to be EMI Options only when the Corporation is a qualifying company, as defined in paragraph 8 of Schedule 5.

3.3 The Corporation shall grant an Option by entering into an Option Certificate. Each Option Certificate shall (without limitation):

(a) specify the Award Date;

(b) specify that the Option is an EMI Option i.e. granted under the provisions of Schedule 5;

(c) specify the date when the Option will lapse, assuming that the Option is not exercised earlier and no event occurs to cause the Option to lapse earlier. This date may not be later than the tenth anniversary of the Award Date;

(d) if the Shares are subject to any Relevant Restriction, include details of that Relevant Restriction;

(e) include a statement that the Option is subject to this Sub-Plan (which shall be incorporated in the Option Certificate by reference);

(f) include the terms required by Rule 7.1, Rule 7.2 and Rule 7.4;

(g) include the power of attorney required by Rule 7.5;

(h) include a summary of Rule 6 (Transferability of Options and lapse); and

(i) if the Option is intended to be an EMI Option, include a declaration by the Option Holder of compliance with the Working Time Requirement.

4. Overall Grant Limits

4.1 At any time, the total Market Value (at the relevant dates of grant) of the Shares (and any other shares in the Corporation) that can be acquired on the exercise of all EMI Options over the shares must not exceed £3 million (or any other amount as may be specified by paragraph 7 of Schedule 5 at the relevant time). No Option shall be an EMI Option if, immediately before it is granted, the total Market Value (at the relevant dates of grant) of the Shares (and any other shares of the Corporation) that can be acquired on the exercise of all EMI Options over these shares already equals £3 million (or any other amount as may be specified by paragraph 7 of Schedule 5 at the relevant time).

4.2 If the grant of any Option that is:

(a) intended to be an EMI Option; and

(b) not granted at the same time as any other Option(s),

would cause the limit in Rule 4.1 above to be exceeded, that Option shall not be an EMI Option so far as it relates to the excess.

4.3 If several Options are:

(a) intended to be EMI Options; and

(b) granted at the same time as each other,

and this would cause the limit in Rule 4.1 above to be exceeded, the Options shall not be EMI Options so far as they relate to the excess. Paragraph 7(5) of Schedule 5 applies for the purpose of determining which part of each of these Options relates to the excess.

5. Individual Grant Limits

5.1 At any time, the total Market Value (at the relevant dates of grant) of the shares (which may include Shares) that an Eligible Employee can acquire on the exercise of EMI Options granted to the Eligible Employee by reason of employment with:

(a) the Corporation; or

(b) any two or more Group Companies,

may not exceed £249,999 (or any other amount as may be specified by paragraph 5 of Schedule 5 at the relevant time minus £1). No Option shall be an EMI Option if, immediately before it is granted, the total Market Value (at the relevant dates of grant) of the shares that can be acquired on the exercise of all EMI Options held by the relevant Eligible Employee and falling within this Rule 5.1 equals £250,000 (or any other amount as may be specified by paragraph 5 of Schedule 5 at the relevant time).

5.2 Any CSOP Options granted to the relevant Eligible Employee by reason of employment with any Group Company shall be treated as EMI Options to be counted against the limit set out in Rule 5.1.

5.3 If the grant of any Option that is intended to be an EMI Option would cause the limit in Rule 5.1 to be exceeded, that Option shall not be an EMI Option so far as it relates to the excess.

5.4 If an Eligible Employee has been granted EMI Options over shares (which may include Shares) with a total Market Value of £250,000 (or any other amount as may be specified by paragraph 6 of Schedule 5 at the relevant time) by reason of employment with:

(a) the Corporation; or

(b) any two or more Group Companies,

whether or not those EMI Options have been exercised or released, any Option granted to that Eligible Employee shall not be an EMI Option if the Award Date of that Option falls within the period of three years after the Award Date of the last EMI Option to be granted to the Eligible Employee that falls within this Rule 5.4.

6. Transferability of Options and lapse

6.1 An Option Holder may not transfer or assign, or have any charge or other security interest created over an Option (or any right arising under it). An Option shall lapse if the relevant Option Holder attempts to do any of those things. However, this rule does not prevent the transmission of an Option to an Option Holder's personal representatives on the death of the Option Holder. Section 3.7 shall be construed accordingly.

7. Tax Liabilities

7.1 Each Option Certificate shall include the Option Holder's irrevocable agreement to:

(a) pay to the Corporation or Employer Company (as appropriate) the amount of any Tax Liability; or

(b) enter into arrangements to the satisfaction of the Corporation or Employer Company (as appropriate) for payment of any Tax Liability.

7.2 Unless the Corporation directs that it shall not, each Option Certificate shall include the Option Holder's irrevocable agreement that:

(a) the Corporation or Employer Company (as appropriate) may recover the whole or any part of any Employer NICs from the Option Holder; and

(b) at the request of the Corporation or Employer Company, the Option Holder shall elect (using a form approved by HMRC) that the whole or any part of the liability for Employer NICs shall be transferred to the Option Holder.

7.3 If an Option Holder does not fulfil the obligations under either Rule 7.1(a) or Rule 7.1(b) in respect of any Tax Liability arising from the exercise of an Option within seven days after the date of exercise and Shares are readily saleable at that time, the Corporation shall withhold Sufficient Shares from the Shares that would otherwise be delivered to the Option Holder. The Option Holder's obligations under Rule 7.1(a)and Rule 7.1(b) shall not be affected by any failure of the Corporation to withhold shares under this Rule 7.3.

7.4 Each Option Certificate shall include the Option Holder's irrevocable agreement to enter into a Joint Election in respect of the Shares to be acquired on exercise of the relevant Option, if required to do so by the Corporation or Employer Company, on or before any date of exercise of the Option.

7.5 Each Option Certificate shall include a power of attorney appointing the Corporation as the Option Holder's agent and attorney for the purposes of Rule 7.3 and 7.1.

8. Exercise

8.1 An Option shall be exercised in whole or in part by lodging with the Company Secretary or such other person as the Board may specify:

(a) the relevant Option Certificate;

(b) a duly completed Notice of Exercise;

(c) a signed Joint Election (if not already completed); and

(d) unless the Board permits the Option Holder to enter into alternative arrangements for the payment of the aggregate Exercise Price relating to the total number of Shares under Option which are being exercised and any Tax Liability, payment in full to cover such liabilities.

8.2 Section 4.1 of the Plan shall be amended accordingly to reflect the provisions of this Rule 8 (Exercise).

SCHEDULE "C" - CSOP OVERSEAS SUB-PLAN

SMALL PHARMA INC.

1. Rules

The rules of the Small Pharma Inc. Stock Option Plan (the "**Plan**") will apply to Options granted or to be granted under this Company Share Option Plan (CSOP) Overseas Sub-Plan (the "**Sub Plan**"), with the changes set out in this Sub-Plan. This Sub-Plan shall qualify as an "Overseas Sub-Plan" as defined in the Plan.

2. Interpretation

2.1 All capitalized terms used but not defined in this Plan shall have the meanings ascribed to such terms in the Plan, and the following words and expressions shall have the following meanings:

Acquiring Company has the same meaning as in paragraph 26(2) of Schedule 4;

Associate has the same meaning as in paragraph 12 of Schedule 4;

Associated Company has the same meaning as in paragraph 35 of Schedule 4;

Company Reorganisation has the same meaning as in paragraph 26 of Schedule 4;

Control shall be as defined in section 719 of ITEPA 2003 and the expression change of Control shall be construed accordingly;

Constituent Company any Subsidiary which the Corporation Controls and which the Board may from time to time decide that the Plan shall extend to;

CSOP Option an Option granted pursuant to the terms of this Sub-Plan;

Eligible Employee any Employee who:

(a) does not have a Material Interest (either alone or together with one or more Associates), and has not had such an interest in the last 12 months; and

(b) has no Associate or Associates that has or (taken together) have a Material Interest, or had such an interest in the last 12 months; and

(c) is either:

(i) not a director of any Constituent Company; or

(ii) a director of a Constituent Company who is required to devote at least 25 hours per week (excluding meal breaks) to those duties;

Existing CSOP Option	a CSOP Option or an option granted under any other Schedule 4 CSOP scheme that has been established by the Corporation or any of its Associated Companies;
ITEPA	the UK's Income Tax (Earning and Pensions) Act 2003;
Market Value	the value of a Share as determined by the Board to its satisfaction in accordance with the applicable provisions of Part VIII of the UK's Taxation of Chargeable Gains Act 1992, save that if the Shares are subject to a Relevant Restriction, Market Value is to be determined as if they were not subject to that Relevant Restriction.
Material Interest	has the same meaning as in paragraph 9 of Schedule 4;
Non-UK Reorganisation Arrangement	has the same meaning as in paragraph 35ZA of Schedule 4;
Option Certificate	a written agreement between the Corporation and the Eligible Employee evidencing the terms and conditions of an Option grant. Each Option Certificate will be subject to the terms and conditions of the Plan (as amended by this Sub-Plan). Each Option Certificate shall be in the form as the Board may prescribe from time to time in accordance with the Plan (as amended by this Sub-Plan) and, in any event, containing any information required by Schedule 4;
Performance Condition	means any condition which must be satisfied or waived before an Option can be exercised;
Relevant Restriction	a provision contained in any contract, agreement, arrangement or condition (including Corporation's written constitution) to which any of section 423(2), section 423(3) and section 423(4) of ITEPA would apply if references in them to employment-related securities were references to Shares;
Schedule 4	Schedule 4 to ITEPA;
Schedule 4 CSOP scheme	has the same meaning as in paragraph 1(A1) of Schedule 4; and
Subsidiary	a subsidiary as defined in section 1159 of the UK's Companies Act 2006.

2.2 A reference to "Rule" is to a rule in this Sub-Plan and reference to "Section" is to a section in the Plan.

3. Plan takes effect as a Schedule 4 CSOP scheme

3.1 This Sub-Plan specifies variations to the Plan and the way it is operated. The Plan as so varied is referred as the Sub-Plan. It takes effect as a Schedule 4 CSOP scheme.

3.2 The Corporation shall give notice of the Sub-Plan to HMRC in accordance with paragraph 28A of Schedule 4.

4. General requirements

4.1 CSOP Options may not be cash-settled.

4.2 The Corporation may grant a CSOP Option only to a person who at the Award Date is an Eligible Employee.

4.3 The Corporation may grant a CSOP Option only over Shares that meet the requirements of paragraphs 16 to 18 and paragraph 20 of Schedule 4.

4.4 If the grant of any share option intended to be a CSOP Option (referred to in this Rule 4.4 as the Excess Option) would cause the total Market Value of shares subject to:

(a) the Excess Option; and

(b) all Existing CSOP Options held by the relevant Eligible Employee

to exceed £30,000 (or any other amount specified in paragraph 6 of Schedule 4 at the relevant time), the whole of that Excess Option shall take effect as an Option granted outside the Sub-Plan and without the tax advantages available for CSOP Options.

5. Requirements relating to Options

5.1 Without limitation, an Award Certificate relating to a CSOP Option shall state:

(a) that the CSOP Option is granted under the provisions of Schedule 4;

(b) the times at which the CSOP Option may be exercised (in whole or in part); and

(c) the circumstances under which the CSOP Option will lapse or be cancelled (in whole or in part).

5.2 The Exercise Price of a CSOP Option shall not be less than the Market Value of a Share on the Award Date.

5.3 Section 3.8 (Adjustments) shall apply to CSOP Options with the following variations:

(a) the payment by the Corporation of a special dividend, or a demerger of a Related Entity, or any other extraordinary distribution to shareholders is not an event that permits the Board to adjust a CSOP Option;

(b) the Board may adjust the Exercise Price only in accordance with the provisions of paragraph 22 of Schedule 4;

(c) the Board may adjust the number of Shares only in accordance with either paragraph 22 of Schedule 4 or a mechanism notified to the Option Holder on the Award Date;

(d) the total Market Value of the Shares subject to the CSOP Option, immediately after the variation of share capital, must be substantially the same as immediately before the variation of share capital; and

(e) the total amount payable on exercise of a CSOP Option immediately after the variation of share Capital must be substantially the same as immediately before the variation of share capital.

5.4 The personal representatives of an Option Holder who dies may under no circumstances exercise a CSOP Option more than 12 months after the Option Holder's death.

6. Change of Control

6.1 Section 3.4(d) is varied to the extent necessary to give effect to the following provisions of this Rule 6.

6.2 An Option Holder may exercise a CSOP Option to the extent permitted by the Board if the Acquiring Company obtains Control of the Corporation as a result of making an offer falling within paragraph 25A(3) of Schedule 4. The period within which the Option Holder may exercise the CSOP Option shall begin when any condition subject to which the offer is made has been satisfied and shall end on the first to expire of:

(a) six months; or

(b) if, as a result of the change of Control, Shares no longer satisfy the requirements of Part 4 of Schedule 4, 20 days.

The CSOP Option shall lapse at the end of that period.

6.3 An Option Holder may exercise a CSOP Option to the extent permitted by the Board if the court sanctions a compromise or arrangement under section 899 of the UK's Companies Act 2006 that is applicable to or affects:

(a) all the ordinary share capital of the Corporation or all the Shares of the same class as the Shares to which the CSOP Option relates; or

(b) all the Shares, or all the Shares of that same class, which are held by a class of shareholders identified otherwise than by reference to their employment or directorships or their participation in a Schedule 4 CSOP scheme.

The period within which the Option Holder may exercise the CSOP Option shall begin on the date of the court sanction and shall end on the first to expire of:

(a) six months; or

(b) if the Acquiring Company obtains Control as a result of the compromise or arrangement, and consequently Shares no longer satisfy the requirements of Part 4 of Schedule 4, 20 days.

The CSOP Option shall lapse at the end of that period.

6.4 An Option Holder may exercise a CSOP Option to the extent permitted by the Board if shareholders become bound by a Non-UK Reorganisation Arrangement that is applicable to or affects:

(a) all the ordinary share capital of the Corporation or all the Shares of the same class as the Shares to which the Option relates; or

(b) all the Shares, or all the Shares of that same class, which are held by a class of shareholders identified otherwise than by reference to their employment or directorships or their participation in a Schedule 4 CSOP scheme.

The period within which the Option Holder may exercise the CSOP Option shall begin on the date the non-UK reorganisation arrangement becomes binding on shareholders and shall end on the first to expire of:

(c) six months; or

(d) if the Acquiring Company obtains Control as a result of the non-UK reorganisation arrangement, and consequently Shares no longer satisfy the requirements of Part 4 of Schedule 4, 20 days.

The CSOP Option shall lapse at the end of that period.

6.5 If a person who is bound or entitled to acquire Shares under sections 979 to 982 or 983 to 985 of the Companies Act 2006 obtains Control of the Corporation, and consequently Shares no longer satisfy the requirements of Part 4 of Schedule 4, Option Holders may exercise CSOP Options within the period of 20 days following the change of Control. If a CSOP Option is not exercised, it will lapse at the expiry of 20 days following the change of Control or, if earlier, the end of the period during which the person is so bound or entitled.

6.6 If the Board reasonably expects any of the events referred to in Rule 6.2 to Rule 6.5 to occur, the Board may make arrangements permitting Option Holders to exercise CSOP Options during a period of 20 days ending with:

(a) in relation to Rule 6.2, the date on which the Acquiring Company obtains Control and any condition subject to which the offer is made has been satisfied;

(b) in relation to Rule 6.3, the date of the court sanction;

(c) in relation to Rule 6.4, the date the Non-UK Reorganisation Arrangement becomes binding on shareholders; and

(d) in relation to Rule 6.5, the date on which the person becomes bound or entitled to acquire Shares.

An Option Holder who exercises a CSOP Option under this Rule 6.6 will be treated as having exercised it in accordance with Rule 6.2 to Rule 6.5 as the case may be.

If the Board makes arrangements for the exercise of CSOP Options under Rule 6.6 and the expected event does not occur within 20 days of the date of purported exercise, the purported exercise of the CSOP Option shall be treated as having had no effect.

7. Exchange of CSOP Options

7.1 If the Corporation is affected by a Company Reorganisation then an Option Holder may agree with the Acquiring Company within the Rollover Period to release a CSOP Option (Old Option) in consideration of being granted a new option (New Option).

7.2 A New Option shall:

(a) be over shares that satisfy the requirements of paragraphs 16 to 20 of Schedule 4 in the Acquiring Company (or some other company falling within paragraph 27(2)(b) of Schedule 4);

(b) be a right to acquire such number of those shares as have, immediately after grant of the New Option, a total Market Value substantially the same as the total Market Value of the shares subject to the Old Option immediately before its release;

(c) have an exercise price per share such that the total price payable on complete exercise of the New Option is substantially the same as the total price that would have been payable on complete exercise of the Old Option; and

(d) so far as practicable, be on terms otherwise identical to the Old Option immediately before the Old Option's release.

7.3 Any Rollover Period shall have the same duration as the applicable appropriate period defined in paragraph 26(3) of Schedule 4.

7.4 Any New Option granted under Rule 7.1 shall be treated as having been acquired at the same time as the relevant Old Option for all other purposes of the Plan.

7.5 The Plan shall be interpreted in relation to any New Options as if references to:

(a) the Corporation (except for those in the definition of Constituent Company) were references to the Acquiring Company (or to any other company whose shares are subject to the New Options, as the context may require); and

(b) the Shares were references to the shares subject to the New Options.

7.6 The Corporation will remain the scheme organiser of the Plan (as defined in paragraph 2(2) of Schedule 4) following the release of Options and the grant of New Options under Rule 7.1.

7.7 The Acquiring Company shall issue (or procure the issue of) an Award Certificate for each New Option.

8. Other provisions

8.1 Any Performance Condition applying to a CSOP Option shall be an objective measure of the performance of:

(a) the Corporation;

(b) the Option Holder; or

(c) a business unit of which the Option Holder is a part.

8.2 The Board may vary or waive a Performance Condition applying to a CSOP Option only if events occur that cause:

(a) the CSOP Option to become exercisable before the Performance Condition has been satisfied and the original Performance Condition cannot reasonably be applied to the shortened time period; or

(b) the Board to decide that the Performance Condition is no longer an appropriate measure of performance.

8.3 The Board may not amend a key feature of the Plan if, as a result of the amendment, theSub-Plan would no longer be a Schedule 4 CSOP scheme. A key feature is any provision of the Plan that is necessary to meet the requirements of Schedule 4.

EXHIBIT C
AUDIT COMMITTEE CHARTER

(Implemented pursuant to National Instrument 52-110 - *Audit Committees*)

National Instrument 52-110 - *Audit Committees* (the "**Instrument**") relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every TSX Venture Exchange (**"TSXV"**) listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors. The Corporation, as a TSXV listed company is, however, exempt from certain requirements of the Instrument.

This Charter has been adopted by the board of directors in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the accounting, financial reporting process and the audits of the Corporation. Nothing in this Charter is intended to restrict the ability of the board of directors or Committee to alter or vary procedures in order to comply more fully with the Instrument or any other such requirement of the TSXV, as amended from time to time.

PART 1

Purpose:

The purpose of the Committee is to:

a) improve the quality of the Corporation's financial reporting;

b) assist the board of directors to properly and fully discharge its responsibilities;

c) provide an avenue of enhanced communication between the directors and external auditors;

d) enhance the external auditor's independence;

e) ensure the credibility and objectivity of financial reports; and

f) strengthen the role of the directors by facilitating in depth discussions between directors, management and external auditors.

1.1 Definitions

"**accounting principles**" has the meaning ascribed to it in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"**Affiliate**" means a Corporation that is a subsidiary of another Corporation or companies that are controlled by the same entity;

"**audit services**" means the professional services rendered by the Corporation's external auditor for the audit and review of the Corporation's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

"**Charter**" means this audit committee charter;

"**Committee**" means the committee established by and among certain members of the board of directors for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

"**Control Person**" means any individual or company that holds or is one of a combination of individuals or companies that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the Corporation;

"**financially literate**" has the meaning set forth in Section 1.2;

"**immediate family member**" means an individual's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the individual or the individual's immediate family member) who shares the individual's home;

"independent" means independent only as determined by both the Instrument and the TSX Venture Exchange Corporate Finance Manual;

"**Instrument**" means National Instrument 52-110 - *Audit Committees*;

"**MD&A**" has the meaning ascribed to it in National Instrument 51-102;

"**Member**" means a member of the Committee;

"**National Instrument 51-102**" means National Instrument 51-102 - *Continuous Disclosure Obligations*; and

"**non-audit services**" means services other than audit services.

1.2 Meaning of Financially Literate

For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

PART 2

2.1 Audit Committee

The board of directors has hereby established the Committee for, among other purposes, compliance with the Instrument.

2.2 Relationship with External Auditors

The Corporation will require its external auditor to report directly to the Committee and the Members shall ensure that such is the case.

Each Member shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives information, and the accuracy of the information provided to the Corporation by such other persons or organizations.

2.3 Committee Responsibilities

1. The Committee shall be responsible for making the following recommendations to the board of directors:

    a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and

    b) the compensation of the external auditor.

2. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:

    a) reviewing the audit plan with management and the external auditor;

    b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;

    c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

    d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

    e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtaining an explanation from management of all significant variances between comparative reporting periods;

    f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;

    g) reviewing interim unaudited financial statements before release to the public;

    h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report and management's discussion and analysis;

i) reviewing the evaluation of internal controls by the external auditor, together with management's response;

j) reviewing the terms of reference of the internal auditor, if any;

k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses;

l) reviewing the appointments of the chief financial officer, the Corporation's head of internal audit, if any, and any key financial executives involved in the financial reporting process, as applicable;

m) reviewing annually the Charter and annually obtain approval from the board of directors; and

n) if an internal auditor is appointed, reviewing and annually approving the internal audit charter and the risk based internal audit plan.

3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.

4. The Committee shall review the Corporation's financial statements, MD&A, and annual and interim earnings press releases before the Corporation publicly discloses this information.

5. The Committee shall review and discuss the quality of the Corporation's accounting principles, internal controls, and financial statements.

6. The Committee shall review and assess the adequacy of risk management policies, procedures, and processes and review updates on risks.

7. The Committee shall ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and shall periodically assess the adequacy of those procedures.

8. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102, and the planned steps for an orderly transition.

9. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102, on a routine basis, whether or not there is to be a change of auditor.

10. The Committee shall, as applicable, establish procedures for:

a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

11. As applicable, the Committee shall establish, periodically review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.

12. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities, including but not limited to the review the materiality levels proposed by external auditors, the viability as a going concern, the status of financial instruments, review of the budget and financial forecasts prepared by management linked to the Corporation's development projects, oversight of tax services provided to the Corporation and selection who shall review (for approval) the expenses of the Chief Executive Officer.

13. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations, each of which is the responsibility of management and the Corporation's external auditors.

2.4 De Minimis Non-Audit Services

The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

a) the Corporation or the subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

b) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its Members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 Delegation of Pre-Approval Function

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).

2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 2.5(1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

PART 3

3.1 Composition

1. The Committee shall be composed of a minimum of three Members.

2. The Board shall elect a Chair of the Committee, who must be "Independent" (as such term is defined in National Policy 58-201 - Corporate Governance Guidelines).

3. Every Member shall be a director of the issuer.

4. A majority of the Members must not be executive officers, employees or control persons of the Corporation.

5. Every Member shall be financially literate.

6. The board of directors of the Corporation shall appoint or re-appoint the Members after each annual meeting of shareholders of the Corporation.

PART 4

4.1 Authority

Until the replacement of this Charter, the Committee shall have the authority to:

a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

b) set and pay the compensation for any advisors employed by the Committee;

c) communicate directly with the internal and external auditors; and

d) recommend the amendment or approval of audited and interim financial statements to the board of directors.

5.1 Required Disclosure

The Corporation must include in its Annual Information Form the disclosure required by Form 52-110F2.

5.2 Disclosure in Information Circular

If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors, the Corporation shall include in its management information circular a cross-reference to the sections in the Corporation's Annual Information Form that contain the information required by section 5.1.

PART 5

6.1 Meetings

1. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.

2. Opportunities shall be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.

3. Minutes shall be kept of all meetings of the Committee.

4. The Committee shall meet separately with external auditors at every meeting where the external auditors are present.

5. The quorum for meetings shall be a majority of the Members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to and to hear each other. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present.

We consent to the incorporation by reference in the Registration Statement on Form F-10 (File No. 333-272706) of Cybin Inc. (the "Company") of our report, dated June 27, 2023, with respect to the consolidated statements of financial position of the Company as of March 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, which is incorporated by reference into the management information circular of the Company dated September 13, 2023 (the "Circular") that appears in this Amendment No. 1 on Form 6-K/A of the Company.

We also consent to the reference to us under the caption "Interest of Experts" in the Circular.

/s/ Zeifmans LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 13, 2023

201 Bridgeland Avenue | Toronto
Ontario | M6A 1Y7 | Canada

zeifmans.ca
T: 416.256.4000

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form F-10 (No. 333-272706) of Cybin Inc. (the "Company") of our report dated June 28, 2023 to the shareholders of Small Pharma Inc. on the consolidated financial statements of Small Pharma Inc., which comprises of the consolidated statements of financial position as at February 28, 2023 and 2022, and the consolidated statements of operations and comprehensive loss, changes in equity (deficit), cash flows, and notes to the consolidated financial statements, including a summary of significant accounting policies, for the years then ended, as included in the Company's management information circular (the "Circular") Amendment No. 1 on Form 6-K/A, as filed with the United States Securities Exchange Commission on November 13, 2023.

We also consent to the reference to us under the caption "Interests of Experts" in the Circular.

/s/ MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
November 13, 2023