



**NOTICE OF ANNUAL GENERAL MEETING
AND
MANAGEMENT INFORMATION CIRCULAR
AS OF NOVEMBER 9, 2021**



Suite 2010 – 200 Bay Street
Toronto, ON M5J 2J1

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

TO BE HELD ON **DECEMBER 9, 2021**

Time and Date:	09:00 a.m. (Eastern Time) on Thursday, December 9, 2021
Live teleconference:	Toll-free (Canada/U.S.): +1-800-319-4610 Toronto Toll-Free: +1-647-776-0317 Toll (international): +1-604-638-5340

NOTICE IS HEREBY GIVEN that the annual general meeting (the “**Meeting**”) of the shareholders (the “**Shareholders**”) holding common shares of Psyence Group Inc. (the “**Company**”) will be held at 121 Richmond Street West, Suite 1300, Toronto, Ontario, M1S 3R3 on **Thursday, December 9, 2021 at 9:00 a.m.** (Eastern Time) for the following purposes:

1. to receive and consider the audited financial statements of the Company for the financial year ended December 31, 2020, and for the financial period from May 21, 2020 to March 31, 2021, together with the auditor’s reports thereon;
2. to elect directors to hold office until their successors are elected or appointed;
3. to appoint MNP LLP, Chartered Professional Accountant, as the Company’s auditor, and to authorize the directors to fix the remuneration to be paid to the auditor;
4. to consider, and if deemed appropriate, to pass, with or without variation, an ordinary resolution confirming the prior amendment of the by-laws of the Company to revise the director residency requirements;
5. to consider, and if deemed appropriate, to pass, with or without variation, an ordinary resolution confirming the further amendment of the by-laws of the Company to remove the director residency requirements altogether to align with the *Business Corporations Act* (Ontario) (“**OBCA**”);
6. to consider, and if deemed appropriate, to pass, with or without variation, an ordinary resolution confirming the adoption of the Company's new stock option plan (the “**New Stock Option Plan**”);

7. to consider, and if deemed appropriate, to pass, with or without variation, an ordinary resolution approving amendments to the Company's existing restricted share unit plan (the “**Amended RSU Plan**”); and
8. to transact such other business as may properly come before the Meeting or any adjournments thereof.

The Company changed its name from Cardinal Capital Partners Inc. (“**Cardinal**”) to Psyence Group Inc. in conjunction with a reverse take-over transaction (“**RTO**”) implemented January 19, 2021. Also, in conjunction with the RTO, the Company changed its financial year-end to March 31. Shareholders are being presented with the financial statements for the financial year-end of the Company prior to giving effect to the RTO, being December 31, 2020, and the consolidated financial statements for period commencing on May 21, 2020 (being the date of incorporation of MindHealth Biomed Corp, which was the acquiror of the Company (for accounting purposes) in the RTO and is now a wholly-owned subsidiary of the Company called Psyence Biomed Corp. (“**Psyence Biomed**”)).

The record date for determining Shareholders entitled to receive this notice of annual general meeting and to vote at the Meeting (or any postponement or adjournment of the Meeting) is the close of business on October 15, 2021.

Particulars of the foregoing matters are set forth in the management information circular of the Company (the “**Circular**”) accompanying this notice (the “**Notice of Meeting**”), enclosed form of proxy (the “**Proxy**”) and a Financial Statement Request Form. This Notice of Meeting and the accompanying Circular have been sent or been made available to each director of the Company, each shareholder of the Company entitled to notice of the Meeting and the auditors of the Company. The accompanying Circular provides information relating to the matters to be addressed at the Meeting and is incorporated into this Notice of Meeting.

Amid ongoing concerns about the coronavirus (“COVID-19”) outbreak, the Company remains mindful of the well-being of the Company's shareholders and their families, the Company's industry partners and other stakeholders as well as the communities in which the Company operates. The Company currently intends on holding an in-person shareholder meeting, with the necessary restrictions set forth in the following paragraph. However, as COVID-19 is a rapidly evolving situation, the Company will continue to monitor and review provincial and federal governmental guidance in order to assess and implement measures to reduce the risk of spreading the virus at the Meeting. The Company will provide updates to any arrangements in respect of the Meeting by way of news release. Shareholders are encouraged to monitor the Company's website at www.psyence.com and the Company's SEDAR profile at www.sedar.com, where copies of such news releases, if any, will be posted.

The Company reserves the right to take any additional precautionary measures deemed to be appropriate, necessary or advisable in relation to the Meeting in response to further developments in the COVID-19 outbreak, including: (i) holding the Meeting virtually or by providing a webcast of the Meeting; (ii) hosting the Meeting solely by means of remote communication; (iii) changing the Meeting date and/or changing the means of holding the Meeting; (iv) denying access to persons who exhibit cold or flu-like symptoms, or who have,

or have been in close contact with someone who has, travelled to/from outside of Canada within the 14 days immediately prior to the Meeting; and (v) such other measures as may be recommended by public health authorities in connection with gatherings of persons such as the Meeting.

The Company, in accordance with current public health guidelines, discourages shareholders from physically attending the Meeting, and, in order to ensure as many Common Shares as possible are represented at the Meeting, strongly encourages registered shareholders to complete the Form of Proxy and return it as soon as possible in accordance with the instructions outlined in the Circular. Shareholders who do not hold their Common Shares in their own name are strongly encouraged to complete the voting instruction forms received from their broker as soon as possible and to follow the instructions set out in the accompanying Circular. In addition, only registered shareholders of the Company (the “Registered Shareholders”) or their duly appointed proxyholders will be permitted to attend the Meeting. If the situation improves and these restrictions can be lifted, the Company will provide an update as described above.

This Notice of Meeting is accompanied by the Proxy, the Circular and a copy of the Company's audited consolidated financial statements for the year ended December 31, 2020, and for the financial period from May 21, 2020 to March 31, 2021 (consolidating the financial statements of the Company and of Psyence Biomed), and the respective auditor's reports thereon. These materials contain detailed voting instructions and information about the matters to be decided at the Meeting; as a Shareholder, you should read the accompanying materials carefully. If you are a Shareholder and wish to be represented by proxy at the Meeting (or any postponement or adjournment of the Meeting), you should follow the voting instructions provided with your Proxy. To be valid, submitted Proxies must be received on or before 9:00 a.m. (Toronto time) on Tuesday, December 7, 2021, to the Company's transfer agent and registrar, Odyssey Transfer Agent & Trust Company, Attention: Heather Thomas, Suite 702 – 67 Yonge Street, Toronto, Ontario, M5E 1J8. If you are a registered Shareholder (please see the accompanying Circular for a definition) and wish to vote in person at the Meeting (or any postponement or adjournment of the Meeting), you will be asked to register for the Meeting by identifying yourself at the registration desk at the Meeting.

DATED on the 9th day of November, 2021.

By Order of the Board of Directors



Jody Aufrichtig
Director and Executive Chairman

(This page has been left blank intentionally.)

PSYENCE GROUP INC.

MANAGEMENT INFORMATION CIRCULAR

GENERAL INFORMATION

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of PSYENCE GROUP INC. (the “Company”) for use at the annual general meeting (the “Meeting”) of its shareholders to be held on December 9, 2021 at the time and place and for the purposes set forth in the accompanying Notice of the Meeting.

In this Management Information Circular, references to “the Company”, “Psyence”, “we” and “our” refer to Psyence Group Inc. and its subsidiaries and its directors and officers. References to “you” and “your” refer to holders of common shares of the Company (the “**Shareholders**”). “Common Shares” means common shares without par value in the capital of the Company. “Beneficial Shareholders” means shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders. References in this Circular to the Meeting include any postponement(s) or adjournment(s) of the Meeting.

The Company is not relying on the “Notice and Access” delivery procedures outlined in National Instrument 54-101 “*Communication with Beneficial Owners of Securities of a Reporting Issuer*” to distribute copies of proxy-related materials in connection with the Meeting by posting them on a website.

Information provided in this Circular is current as of November 9, 2021 unless otherwise indicated.

The record date for this Meeting is October 15, 2021 (the “**Record Date**”). If you are a Shareholder at the close of business on the Record Date, you are eligible to vote on matters voted on at the Meeting. Under the Company’s by-laws, a quorum for the transaction of business at a meeting of shareholders shall be two persons, who are present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled.

Other than solicitation of proxies by mail, proxies may also be solicited by telephone or other means by regular employees of the Company. The cost of solicitation will be borne by the Company.

To proactively deal with the unprecedented public health impact of SAR CoV-2, also known as COVID-19, and to mitigate risks to the health and safety of our communities, shareholders, employees and other stakeholders, the Company encourages shareholders to not attend the meeting in person, particularly if they are experiencing any of the described COVID-19 symptoms of fever, cough or difficulty breathing. The Company will also take additional precautionary measures in relation to the physical meeting, limiting access to essential personnel, registered shareholders and proxy holders entitled to attend and vote at the Meeting. As always, the Company encourages shareholders to vote their shares prior to the Meeting.

VOTING

You may be a registered shareholder or a non-registered shareholder. You are a registered shareholder if your name appears on your share certificate; your name will also be included in the list of registered shareholders maintained by our registrar and transfer agent, Odyssey Transfer Agent & Trust Company (“Odyssey”).

You are a non-registered shareholder (sometimes called a “**beneficial shareholder**”) if your shares are held in the name of an intermediary such as a financial institution, a securities broker, a trustee or a registered savings plan. Your shares may be held in the name of a depository (such as The Canadian Depository for Securities Limited or “CDS”). Your name will not appear on the list of registered shareholders maintained by the Canadian Securities Exchange (the “CSE”). Generally, non-registered shares are held electronically and you will not have a physical share certificate.

You will have received a voting instruction form and/or a form of proxy along with this Circular. Your vote is important. You should follow the voting instructions provided carefully as they may differ from the general information below.

Registered Shareholders

Voting in Person at the Meeting

If you are a registered shareholder, you may vote at the Meeting. You will be required to register for the Meeting by identifying yourself at the registration desk. If you have previously given a proxy, you can revoke it in the manner described under the “Revocation of Proxies”.

Voting by Proxy at the Meeting

Registered shareholders who wish to vote by proxy shall do so by completing, signing, and delivering the enclosed form of proxy to Odyssey at Suite 702 – 67 Yonge Street, Toronto, Ontario, M5E 1J8, or via the internet at <https://login.odysseytrust.com/pxlogin>. In order to be valid and acted upon at the Meeting, forms of proxy must be returned to the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment(s) thereof. Further instructions with respect to the voting by proxy are provided in the form of proxy and in the Circular accompanying this Notice.

The enclosed form of proxy names directors and/or officers of the Company who are the Company’s appointees to act as your proxyholder at the Meeting. You may strike out those names and insert the name of an appointee you choose in the space provided. A proxy appointee does not need to be a Shareholder. Even if you have given a proxy, you have the right to attend the Meeting or to appoint someone else to attend as your proxy; the proxy submitted earlier can be revoked in the manner described under “Revocation of Proxies”.

The appointee(s) named in your completed form of proxy will vote for, vote against or withhold from voting the shares in respect of which they are appointed in accordance with your directions. **In the absence of such direction (if you have left space indicating your voting choice blank), your shares will be voted in favour of the matters identified in the notice of annual meeting.** Your properly executed form of proxy confers discretionary authority upon the appointees to vote

with their best judgment with respect to any amendments or variations to matters identified in the notice of annual meeting, and with respect to any ballot that may be called for or other matters that may properly come before the Meeting. At the time of printing of this Circular, we know of no such amendments, variations or other matters to come before the Meeting.

Non-Registered Shareholders – Information and Instructions for Voting

There are two kinds of non-registered shareholders: those who do not object to the Company's knowing who they are (referred to as non-objecting beneficial owners or "NOBOs"), and those who object to their names being made known to the Company (referred to as objecting beneficial owners or "OBOs"). If you are a non-registered shareholder, whether you are a NOBO or an OBO is determined by your instructions to your intermediary. Your rights are the same whether you are a NOBO or an OBO.

These meeting materials are being sent to both registered and non-registered owners of the securities. If you are a NOBO and the Company (or its agent) has sent the notice of annual meeting, this Circular and the form of proxy or a voting instruction form (collectively, the "**Meeting Materials**") directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the Company (and not the intermediary holding on your behalf) has assumed responsibility for (a) delivering these materials to you, and (b) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions delivered to you.

If you are an OBO, the Company does not have any information about you; you will have received the Meeting Materials from an intermediary. The Company will pay the fees and expenses of intermediaries for their services in delivering Meeting Materials to OBOs in accordance with applicable securities regulatory requirements. The intermediaries are required to forward the Meeting Materials to OBOs, unless an OBO has waived the right to receive them. Please follow the specific voting procedures provided by your intermediary.

Both NOBOs and OBOs have the right to appoint a person or company to represent them at the Meeting who is other than the management appointee(s) whose name appears on the voting instruction form or the form of proxy. If you wish to attend and vote at the Meeting in person (or to appoint another person to attend and vote on your behalf), you may replace the management appointee's name(s) with your own (or with the name of another person who will attend and vote on your behalf). Your appointee does not need to be a Shareholder. The appointee(s) will vote for, vote against or withhold from voting the shares in respect of which they are appointed in accordance with your directions. **In the absence of such direction (if you have left space indicating your voting choice blank), your shares will be voted in favour of the matters identified in the notice of annual meeting.** The appointee(s) will have discretionary authority to vote with their best judgment with respect to any amendments or variations to matters identified in the notice of annual meeting, and with respect to any ballot that may be called for or other matters that may properly come before the Meeting. At the time of printing of this Circular, the Company knows of no such amendments, variations or other matters to come before the Meeting.

REVOCATION OF PROXIES

You may revoke a proxy given as a result of this solicitation by instrument in writing (which may be another proxy bearing a later date) as long as it is executed by you or your attorney authorized in writing, or where the shareholder is a company, by a duly authorized officer or attorney of the company, and deposited either at the registered office of the Company or Suite 2021 – 200 Bay Street, Toronto, Ontario, M5J 2J1 at least 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or with the Chair of the Meeting prior to the time of voting on the day of the Meeting or in any other manner permitted by law.

If you are a non-registered shareholder, please contact your intermediary for instructions about how to revoke your voting instructions.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Company's authorized capital includes an unlimited number of common shares (the "**Common Shares**") of which 85,528,931 Common Shares are issued and outstanding, as at November 9, 2021.

The Company's transfer agent will compile a list of all registered shareholders and the number of Common Shares registered in each of their names as at the close of business on the Record Date. Each Common Share held at the Record Date entitles the holder to one vote on any matter to be acted upon at the Meeting. All Shareholders at the Record Date are entitled to attend the Meeting and either vote in person or by proxy as described earlier.

To the knowledge of the directors and executive officers of the Company, as at November 9, 2021, there is no person or company that beneficially owns, directly or indirectly, or exercises control or direction over voting securities of the Company that carry more than 10% of the voting rights attached to any class of voting securities of the Company except as otherwise disclosed in this Circular.

TRANSFER AGENT AND REGISTRAR

The Company's registrar and transfer agent is Odyssey Transfer Agent & Trust Company (the "**Transfer Agent**") and is located at Suite 702 – 67 Yonge Street, Toronto, Ontario, M5E 1J8.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as disclosed elsewhere in this Circular, no director or executive officer of the Company, or any person who has held such a position since the beginning of the last completed financial year end of the Company, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, one of the Company's directors, director nominees (as described below), executive officers or any associates or affiliates of these persons has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting other than election of directors, the appointment of the auditor, and as may be set out herein.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The board of directors (the “**Board**”) of the Company has fixed October 15, 2021 as the record date (the “**Record Date**”) for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

The authorized capital of the Company consists of an unlimited number of Common Shares. As at November 9, 2021, there were 85,528,931 Common Shares issued and outstanding, each carrying the right to one vote. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares.

As at November 9, 2021, the Company has 14,232,946 Common Shares held in escrow.

To the knowledge of the directors and executive officers of the Company, as at November 9, 2021, there is no person or company that beneficially owns, directly or indirectly, or exercises control or direction over voting securities of the Company that carry more than 10% of the voting rights attached to any class of voting securities of the Company, except as otherwise disclosed in this Circular.

FINANCIAL STATEMENTS

The audited financial statements of the Company for the year ended December 31, 2020, and for the financial period from May 21, 2020 to March 31, 2021 (consolidating the financial statements of the Company and of Psyence Biomed), the reports of the auditor thereon and the related management’s discussion and analysis were filed on SEDAR at www.sedar.com on April 30, 2021 and June 30, 2021 respectively, and will be tabled at the Meeting and will be available at the Meeting.

COMPENSATION OF EXECUTIVE OFFICERS

The following information is presented in accordance with National Instrument Form 51-102F6V – Statement of Executive Compensation – Venture Issuers (“**Statement**”) of Psyence Group Inc. for the financial year ended December 31, 2020, and financial period commencing on May 21, 2020 and ended March 31, 2021. All amounts represented in this form are in Canadian dollars unless stated otherwise.

Definitions

“**CEO**” means an individual who acted as chief executive officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year;

“**CFO**” means an individual who acted as chief financial officer of the Company, or acted in a similar capacity, for any part of the most recently completed financial year;

“**compensation securities**” includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the Company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries;

“**NEO**” or “**named executive officer**” means each of the following individuals:

- (a) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief executive officer (“**CEO**”), including an individual performing functions similar to a CEO;
- (b) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief financial officer (“**CFO**”), including an individual performing functions similar to a CFO;
- (c) in respect of the Company and its subsidiaries, the most highly compensated executive officer(s) other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000, as determined in accordance with subsection 1.3(5) of National Instrument Form 51-102F6V, Statement of Executive Compensation – Venture Issuer, for that financial year;
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the Company, and was not acting in a similar capacity, at the end of that financial year.

“**plan**” includes any plan, contract, authorization, or arrangement, whether or not set out in any formal document, where cash, securities, similar instruments or any other property may be received, whether for one or more persons.

Named Executive Officer and Director Compensation

The following table summarizes the compensation paid to the directors and NEOs of the Company for the financial years ended December 31, 2020 and 2019:

Table of compensation excluding compensation securities							
Name and position	Year Ended Dec 31	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Ryan Roebuck ⁽¹⁾ Former Chief Executive Officer and Former Director	2020	5,650	-	-	-	-	5,650
	2019	-	-	-	-	-	-
Chris Carmichael ⁽²⁾ Former Chief Financial Officer and Former Director	2020	17,800	-	-	-	-	17,800
	2019	-	-	-	-	-	-

Table of compensation excluding compensation securities							
Name and position	Year Ended Dec 31	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Steven Low ⁽³⁾ Former Director	2020	14,550	-	-	-	-	14,550
	2019	-	-	-	-	-	-

Table of compensation excluding compensation securities							
Name and position	Year Ended Mar 31	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Ryan Roebuck ⁽¹⁾ Former Chief Executive Officer and Former Director	2021	-	-	-	-	-	-
Jody Aufrichtig ⁽⁴⁾ Director & Executive Chairman	2021	37,500	-	-	-	-	37,500
Dr. Amza Ali ⁽⁵⁾ Director & Chief Medical Officer	2021	22,500	-	-	-	-	22,500
Marvin Singer ⁽⁶⁾ Director	2021	-	-	-	-	-	-
Gavin Basserbie ⁽⁷⁾ Director	2021	-	-	-	-	-	-
Alan Friedman ⁽⁸⁾ Director	2021	-	-	-	-	-	-
Dr. Neil Maresky ⁽⁹⁾ Chief Executive Officer	2021	-	-	-	-	-	-
Warwick Corden-Lloyd ⁽¹⁰⁾ Chief Financial Officer and Company Secretary	2021	96,612	-	-	-	-	96,612

Notes

1. Ryan Roebuck served as Chief Executive Officer and as Director of the Company during the fiscal years ended December 2019 and December 2020. Ryan Roebuck ceased to serve as Chief Executive Officer of the Company upon the completion of the RTO on January 19, 2021, and resigned as a Director on March 3, 2021.

2. Chris Carmichael served as Chief Financial Officer and Director of the Company during the fiscal years ended December 2019 and December 2020. Chris Carmichael ceased to serve as Director and Chief Financial Officer of the Company upon completion of the RTO on January 19, 2021.
3. Steven Low served as a Director of the Company during the years ended December 2019 and December 2020. Steven Low ceased to serve as Director of the Company upon completion of the RTO on January 19, 2021.
4. Jody Aufrichtig was appointed as Chief Executive Officer and Director of the Company upon the completion of the RTO on January 19, 2021. Jody Aufrichtig was appointed Executive Chairman on June 25, 2021 (with effect from July 1, 2021) and resigned as Chief Executive Officer on June 25, 2021 (with effect from July 1, 2021).
5. Dr. Amza Ali was appointed as Director of the Company upon the completion of the RTO on January 19, 2021, and was appointed as Chief Medical Officer on March 5, 2021.
6. Marvin Singer was appointed as Director of the Company upon the completion of the RTO on January 19, 2021.
7. Gavin Basserabie was appointed as Director of the Company upon the completion of the RTO on January 19, 2021.
8. Alan Friedman was appointed as Director of the Company on March 3, 2021. The compensation disclosed above does not include the total service fee of \$25,000 earned by Bayline Capital Partners Inc (a company related to Alan Friedman) in performing the services of Capital Markets Advisor to the Company (including services performed for the period commencing May 21, 2020 to January 18, 2021).
9. Dr. Neil Maresky was appointed as Chief Executive Officer on June 25, 2021 (with effect from July 1, 2021).
10. Warwick Corden-Lloyd was appointed as Chief Financial Officer and Company Secretary of the Company upon the completion of the RTO on January 19, 2021. The compensation disclosed above also includes such compensation for the period from May 21, 2020 to January 18, 2021.

Other than as set forth in the foregoing table, the named executive officers and directors have not received, during the most recently completed financial year, compensation pursuant to any standard arrangement for the compensation of directors for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments, any other arrangement, in addition to, or in lieu of, any standard arrangement, for the compensation of directors in their capacity as directors, or any arrangement for the compensation of directors for services as consultants or experts.

External Management Companies

Please see section titled “*Employment, Consulting and Management Agreements*”.

Stock Option Plans and Other Incentive Plans

Please see section titled “*PARTICULARS OF MATTERS TO BE ACTED UPON*”.

Compensation Securities by Directors and NEOs

There were no compensation securities granted or issued to a director or NEO by the Company or any subsidiary thereof during the year ended December 31, 2020, for services provided, or to be provided directly or indirectly, to the Company or any subsidiary thereof.

The compensation securities granted or issued to a director or NEO by the Company or any subsidiary thereof during the financial period commencing May 21, 2020 and ended March 31, 2021, for services provided, or to be provided directly or indirectly, to the Company or any subsidiary thereof is as follow:

Table of compensation securities							
Name and position	Compensation Securities	Number of Underlying Securities of unexercised Compensation Securities and percentage of class	Grant Date	Exercise Price (\$)	Number of Compensation Securities exercised	Closing Price of Underlying Security at Year end	Expiry Date
Ryan Roebuck Former Chief Executive Officer and Former Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jody Aufrichtig Director & Executive Chairman	Options	965,000 (12%)	Dec 31, 2020	0.30	Nil	0.35	Dec 31, 2025
	Warrants	985,178 (11%)	Dec 31, 2020	0.30	Nil	0.35	Dec 31, 2023
Dr. Amza Ali Director & Chief Medical Officer	Options	287,547 (3%)	Dec 31, 2020	0.30	Nil	0.35	Dec 31, 2025
	Warrants	358,906 (4%)	Dec 31, 2020	0.30	Nil	0.35	Dec 31, 2023
Marvin Singer Director	Options	400,000 (5%)	Dec 31, 2020	0.30	Nil	0.35	Dec 31, 2025
	Warrants	106,499 (1%)	Dec 31, 2020	0.30	Nil	0.35	Dec 31, 2023
Gavin Basserabie Director	Options	300,000 (4%)	Dec 31, 2020	0.30	Nil	0.35	Dec 31, 2025
Alan Friedman Director	Options	191,698 (2%)	Dec 31, 2020	0.30	Nil	0.35	Dec 31, 2025
Dr. Neil Maresky Chief Executive Officer	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Warwick Corden-Lloyd Chief Financial Officer and Company Secretary	Options	450,00 (5%)	Dec 31, 2020	0.30	Nil	0.35	Dec 31, 2025

Exercise of Compensation Securities by Directors and NEOs

There were no stock options or other compensation securities exercised by directors and NEOs by the Company or any subsidiary thereof in the year ended December 31, 2020, and for the financial period commencing May 21, 2020 and ended March 31, 2021.

Employment, Consulting and Management Agreements

During the year ended December 31, 2020, and for the financial period commencing May 21, 2020 and ended March 31, 2021, the Company had the following Employment, Consulting and Management Agreements in place:

Jody Aufrichtig

Psyence Biomed and Jody Aufrichtig entered into a consulting agreement dated January 1, 2021 ("**CEO Agreement**"), pursuant to which he shall perform the services of Chief Executive Officer of the Company in consideration for a base fee of \$12,500 per month (\$150,000 per annum); rendering a significant number of hours a day or days a week to such services.

Either of Mr. Aufrichtig or the Company may terminate this CEO Agreement at any time upon no less than sixty (60) days' written notice to the other party, save that the Company may terminate this CEO Agreement at any time without prior notice, for cause, provided that if the act, omission, event or breach giving rise to the cause is capable of being remedied, Mr. Aufrichtig shall be entitled to remedy same within 10 (ten) business days of written notice requiring such remediation.

The Company may terminate the CEO Agreement without cause or Mr. Aufrichtig may terminate the CEO Agreement for good reason (as defined in the CEO Agreement) at any time, in which case the Company shall pay Mr. Aufrichtig an amount equal to one month's base fee for every completed month worked, up to a maximum of 12 months ("**Termination Pay**"). If notice of such termination is served within 12 months of effective date of the agreement (i.e. January 1, 2021), 50% of the stock options granted to Mr. Aufrichtig (whether vested or not) to Mr. Aufrichtig shall immediately vest. If notice of termination is served on or after 12 months of the effective date of the agreement, 100% of the stock options granted (whether vested or not) to Mr. Aufrichtig shall immediately vest. In the event of termination by the Company for any reason whatsoever (other than for cause) or by Mr. Aufrichtig for any reason whatsoever within sixty (60) days of a change of control event (as defined in the CEO Agreement), the Company shall pay Mr. Aufrichtig Termination Pay and 100% of his stock options granted (whether vested or not) shall immediately vest. The Company may terminate the CEO Agreement for cause or Mr. Aufrichtig may terminate the CEO Agreement for convenience, in which case Mr. Aufrichtig shall not be entitled to Termination Pay (or any other severance payment) and all unvested stock options granted to him shall be forfeited.

On July 1, 2021 Mr. Aufrichtig stepped down as Chief Executive Officer of the Company to take up the role of Executive Chairman of the Board of Directors. Other than an amendment to Mr. Aufrichtig's title and scope of service, the terms of the CEO Agreement remain unchanged.

Warwick Corden-Lloyd

The Company (via its wholly-owned subsidiary) and Warwick Corden-Lloyd entered into a consulting agreement dated February 1, 2021 ("**CFO Agreement**"), pursuant to which he shall perform the services of Chief Financial Officer and Company Secretary to the Company in consideration for a base fee of \$12,500 per month (\$150,000 per annum).

The termination provisions, severance payments and entitlements and accelerated stock option vesting terms contained within the CFO Agreement are identical to those contained within the CEO Agreement as set out in more detail above (*mutatis mutandis*).

Dr Amza Ali

The Company (via its wholly-owned subsidiary) and Dr Amza Ali entered into a consulting agreement dated March 1, 2021 ("**CMO Agreement**"), pursuant to which he shall perform the services of Chief Medical Officer of the Company in consideration for a base fee of \$12,500 per month (\$150,000 per annum) on the basis of a 75% time allocation to the Company.

The termination provisions, severance payments and entitlements and accelerated stock option vesting terms contained within the CMO Agreement are identical to those contained within the CEO Agreement as set out in more detail above (*mutatis mutandis*).

Marvin Singer

On September 8, 2020 Psyence Biomed (then MindHealth Biomed Corp) and Marvin Singer entered into a Board of Advisors Agreement ("**BOA Agreement**") whereby Mr. Singer (with effect from June 30, 2021) would serve as a member of the Company's board of advisors; making himself available for 4 to 6 meetings per year and allocating 5 additional hours per month to the Company.

Mr. Singer's compensation consisted of a combination of warrants granting him the right to subscribe for common shares in the Company and stock options.

The Company may terminate the BOA Agreement for cause without notice, and in all other cases on thirty (30) days' written notice to Mr. Singer.

Bayline Capital Partners Inc

Psyence Biomed and Bayline Capital Partners Inc (a party related to Alan Friedman) entered into a consulting agreement dated January 1, 2021 ("**CMA Agreement**"), pursuant to which it shall perform the services of Capital Markets Advisor to the Company in consideration for a base fee of \$5,000 per month for the months of January 2021 and February 2021 and \$6,500 per month thereafter.

The termination provisions, severance payments and entitlements and accelerated stock option vesting terms contained within the CMA Agreement are identical to those contained within the CEO Agreement as set out in more detail above (*mutatis mutandis*).

Highlands Ventures (Pty) Ltd

On May 25, 2020, Psyence Biomed entered into a management service agreement ("**MSA**") with Highlands Ventures (Pty) Ltd, a South African-based company, to manage the design, construction, erection, commissioning, operation and maintenance of the Company's psilocybin mushroom cultivation facility as well as the sale of psilocybin mushrooms for a period of 3 years. Such services include post-harvest services including, but not limited to, monitoring packaging and storage of product, advising on the distribution and sales of product, advising on sales and offtake agreements, logistics and supply chain management and customs and import/export facilitation. Highlands Ventures further provides administrative services such as staff management, financial administration and control, compliance management, business development and strategy, and project execution and management.

The Company shall be entitled to terminate this MSA upon 3 months' written notice and Highlands Ventures shall be entitled to terminate this MSA upon 6 months' written notice. Furthermore, either party may terminate the MSA in the event of a breach on the part of the other party which remains unremedied for 10 (ten) days or in the event that the other party experiences an act or event of insolvency.

For the financial period May 21, 2020 to March 31, 2021, Highlands Ventures earned a total management service fee of \$405,573. Such fee included access to no less than eight (8) professionals including a general manager, facilities manager, business developer, strategy director, project engineer, responsible pharmacist, agronomist, financial manager, and general legal counsel.

Oversight and Description of Director and Named Executive Officer Compensation

The primary goal of the Company's executive compensation program is to attract and retain the key executives necessary for the Company's long-term success, to encourage executives to further the development of the Company and its operations, and to motivate top quality and experienced executives. The key elements of the executive compensation program are: (i) base salary; (ii) potential annual incentive awards; and (iii) incentive securities-based awards. The directors are of the view that all elements of the total program should be considered, rather than any single element.

The Board of Directors is responsible for determining all forms of compensation, including long-term incentive in the form of stock options and restricted share units, to be granted to the CEO, or such person acting in capacity of CEO of the Company, the directors and management, and for reviewing the recommendations with respect to compensation of the other officers of the Company, to ensure such arrangements reflect the responsibilities and risks associated with each position.

The Board of Directors tasks the Compensation Committee (as hereinafter defined) to periodically review the compensation paid to directors, officers, and management based on such factors as: i) recruiting and retaining executives critical to the success of the Company and the enhancement of shareholder value; ii) providing fair and competitive compensation; iii) balancing the interests of management and the Company's shareholders; iv) rewarding performance, both on an individual

basis and with respect to operations in general; and v) to provide recommendations with respect to compensation matters to the Board of Directors

In general, the Company will provide a specific benefit or perquisite only when it provides competitive value and promotes retention of executives, or when the perquisite provides shareholder value, such as ensuring the health of executives. The limited perquisites the Company provides its executives may include a parking allowance or a fee for each board or committee meeting attended, or to assist with their out-of-pocket costs, and such benefits and perquisites as set out, respectively, in the “Table of compensation excluding compensation securities” above.

Pension disclosure

The Company does not have any pension, defined benefit, defined contribution or deferred compensation plans in place.

NI 51-102 – Item 9 – Securities Authorized for Issuance under Equity Compensation Plans

Plan Category	Number of securities to be issued upon exercise of outstanding option, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
<i>Equity compensation plans approved by security holders</i>	17,063,363	\$ 0.30	200,083
<i>Equity compensation plans not approved by security holders</i>	0	N/A	0

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

National Instrument 52-110 *Audit Committees* (“NI 52-110”) requires the Company, as a venture issuer, to disclose annually in its Management Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following:

The Audit Committee’s Charter

The Audit Committee has a charter (the “**Audit Committee Charter**”), which sets out its mandate and responsibilities. A copy of the Audit Committee Charter is attached as Schedule “A” to this Management Information Circular.

Composition of the Audit Committee

The current members of the Audit Committee of the Company are Jody Aufrichtig, Gavin Basserabie, and Marvin Singer. All members are “financially literate” as such terms are defined in NI 52-110.

NI 52-110 provides that a member of an audit committee is “independent” if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board, reasonably interfere with the exercise of the member’s independent judgment. As the Company is a venture issuer, the Company is exempt from the Audit Committee composition requirements in NI 52-110 which require all Audit Committee members to be independent. NI 52-110 requires that the majority of members of the Audit Committee of a venture issuer not be executive officers, employees or control persons of the Company. Jody Aufrichtig, Executive Chairman, is considered an executive officer of the Company. Gavin Basserabie and Marvin Singer are not executive officers, employees or control persons of the Company.

The members of the Audit Committee are elected by the Board at its first meeting following the annual shareholder’s meeting. Unless a chair is elected by the full Board, the members of the Audit Committee designate a chair by a majority vote of the full Audit Committee membership.

Relevant Education and Experience

Jody Aufrichtig, Gavin Basserabie, and Marvin Singer have many years of practical financial and business experience, and have the ability to read and understand 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 by the Company’s financial statements and are therefore considered “financially literate”.

Audit Committee Oversight

At no time since the Company’s last financial year end was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Company’s Board of Directors.

Reliance on Certain Exemptions

Since the commencement of the Company’s most recently completed financial year, the Company has not relied on:

- (i) the exemption in section 2.4 (De Minimis Non-audit Services) of NI 52-110;
- (ii) the exemption in subsection 6.1.1(4) (Circumstances Affecting the Business or Operations of the Venture Issuer) of NI 52-110;
- (iii) the exemption in subsection 6.1.1(5) (Events Outside Control of Member) of NI 52-110;
- (iv) the exemption in subsection 6.1.1(6) (Death, Incapacity or Resignation) of NI 52-110; or
- (v) an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions).

External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the non-audited services provided by the Company’s external auditors to ensure auditor independence. The fees billed by the Company’s external auditors in each of the last two financial years for audit and non- audit related services provided to the Company or its subsidiaries (if any) are as follows:

Financial Year Ended December 31	Audit Fees (\$)	Audit-Related Fees (\$)	Tax Fees (\$)	All Other Fees (\$)
2020	21,570	-	-	-
2019	12,901	-	1,813	-

Financial Period Ended March 31	Audit Fees (\$)	Audit-Related Fees (\$)	Tax Fees (\$)	All Other Fees (\$)
2021	65,000	-	-	-

Notes:

- (1) “Audit Fees” include fees necessary to perform the annual audit and quarterly reviews of the Company’s consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or 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. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (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.

Exemption

The Company is a “venture issuer” as defined in NI 52-110 and is relying on the exemption contained in section 6.1 of NI – 52-110, which exempts it from the requirements of Part 3 (Composition of Audit Committees) and Part 5 (Reporting Obligations) of NI 52-110.

CORPORATE GOVERNANCE

General

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices; as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making. The Company has adopted corporate governance policies and guidelines (the “Guidelines”) governing key matters and has accordingly enacted: (1) internal guidelines to control transactions involving its securities by all Company directors, officers and

insiders (among others) to ensure that such parties are aware of and comply with their legal obligations with respect to "insider trading" and "tipping" and (2) timely disclosure and confidentiality guidelines to ensure the timely and accurate disclosure of material information relating to the Company and/or its material subsidiaries in accordance with applicable securities laws and stock exchange rules, to prevent the improper use or disclosure of material information or confidential information about the Company and to promote an understanding of and compliance with legal requirements and stock exchange rules. The Board shall: (1) review the Guidelines on an annual basis; and, at a more appropriate time in the future, (2) implement additional corporate governance policies and guidelines (3) implement measures and processes to review critically each director's continuation on the Board every year considering, among other things, a director's service on other boards and the time involved in such other service; and (4) establish a process for the evaluation of the performance of the Board and each of its committees.

Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the view of the Company's Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

The directors of the Company exercise their business judgment to act in a manner they reasonably believe to be in the best interests of the Company and its Shareholders. Directors must be willing to devote sufficient time and effort to learn the business of the Company, and must ensure that other commitments do not materially interfere with service as a director. In discharging their obligations, directors are entitled to rely on management and the advice of the Company's outside advisors and auditors, but must at all times have a reasonable basis for such reliance. Directors are expected to spend the time needed to properly discharge their responsibilities.

The independent directors are given full access to management so that they can develop an independent perspective and express their views and communicate their expectations of management.

Currently, the independent members of the Board are Gavin Basserabie and Marvin Singer. Jody Aufrichtig, Alan Friedman and Dr. Amza Ali are not considered independent by virtue of their being executives of the Company, or by being an individual who performs functions for a corporation similar to those normally performed by an individual occupying any such office. Director nominee Dr. Neil Maresky is not considered independent by virtue of his being Chief Executive Officer of the Company (with effect from July 1, 2021).

Directorships

The directors of the Company that are currently serving on boards of the following other reporting companies (or equivalent) is as set out below:

Director	Other Reporting Issuer(s)	Exchange
Jody Aufrichtig	None	N/A
Dr. Amza Ali	None	N/A
Gavin Basserabie	None	N/A
Alan Friedman	Osino Resources Corp. Eco (Atlantic) Oil & Gas Ltd. AIM5 Ventures Inc. AIM6 Ventures Inc. Magen Ventures I Inc. Enthusiast Gaming Holdings	TSX-V TSX-V TSX-V TSX-V TSX-V TSX and NASDAQ
Marvin Singer	Osino Resources Corp. Nova Cannabis Inc.	TSX-V TSX
Dr. Neil Maresky ⁽¹⁾	None	N/A

Notes:

(1) Director Nominee

Orientation and Continuing Education

When new directors are appointed, they receive orientation, commensurate with their previous experience, on the Company's business, technology and industry and on the responsibilities of directors.

Board meetings may also include presentations by the Company's management and employees to give the directors additional insight into the Company's business.

Ethical Business Conduct

The Board monitors the ethical conduct of the Company and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board has found that the fiduciary duties placed on individual directors by applicable governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director's participation in decisions of the

Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Compensation Committee

As of the date of this Circular, the Company has a compensation committee (“**Compensation Committee**”) comprised of the following members: Jody Aufrichtig, Marvin Singer and Gavin Basserabie. Marvin Singer and Gavin Basserabie are independent. Jody Aufrichtig is not considered independent due to his position as Chief Executive Officer of the Company (from January 2021 to June 2021). The Compensation Committee does not yet have a formal written mandate or charter, but intends to establish one at a more appropriate time.

To determine compensation payable, the Compensation Committee considers the compensation paid for directors and CEOs of companies of similar size and stage of development in similar industries and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. In setting or adjusting the compensation, the Compensation Committee reviews the performance of the CEO and other officers in light of the Company's objectives and consider other factors that may have impacted the success of the Company in achieving its objectives.

Nomination of Directors

The directors will be elected each year by the shareholders at the annual meeting of shareholders. The Board proposes a slate of nominees to the shareholders for election to the Board at such meeting. Between annual meetings of shareholders, the Board may fill casual vacancies on the Board and, subject to the Company's by-laws, increase the size of the Board and elect directors to fill the resulting vacancies until the next annual meeting of shareholders.

Each director should possess the following minimum qualifications: (a) the highest personal and professional ethics, integrity and values; (b) commitment to representing the long-term interests of the shareholders; (c) relevant business or professional experience; and (d) sufficient time to effectively fulfill duties as a Board member. Non-management directors will endeavour to recommend qualified individuals to the Board who, if added to the Board, would provide the mix of director characteristics and diverse experiences, perspectives and skills appropriate for the Company.

Other Board Committees

The Company does not have any standing committees other than the Audit Committee and the Compensation Committee. For details on the Audit Committee and Compensation Committee, please refer to the “*Audit Committee and Relationship with Auditor*” and “*Compensation Committee*” sections.

Assessments

The Board regularly monitors the adequacy and effectiveness of information given to directors, communications between the Board and management and the strategic direction and processes of

the Board and its committees. The Board is currently responsible for assessing its own effectiveness, the effectiveness of individual directors and the effectiveness of the Audit and Compensation Committees.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former director or executive officer of the Company, no proposed nominee for election as a director of the Company, and no associate of any such director, executive officer or proposed nominee, at any time during the most recently completed financial year or as at November 9, 2021 has been indebted to the Company or any of its subsidiaries or had indebtedness to another entity that is, or has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

Please see section under “*Compensation of Executive Officers - Employment, Consulting and Management Agreements*”.

PARTICULARS OF MATTERS TO BE ACTED UPON

Election of Directors

The term of office of each of the current directors will end at the conclusion of the Meeting. Unless the director’s office is vacated earlier in accordance with the provisions of the *Business Corporations Act* (Ontario) (the “**OBCA**”), each director elected at the Meeting will hold office until the conclusion of the next annual general meeting of the Company, or if no director is then elected, until a successor is elected.

The Shareholders are entitled to elect the directors. The individuals named below have been nominated for election as directors of the Company and have consented to such nomination.

Unless authority to vote on the election of directors is withheld, it is the intention of management proxyholders to vote proxies, in the accompanying form, FOR the election of the named nominees below as directors of the Company.

The following disclosure sets out the names of management’s nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, the principal occupation, business or employment of each director nominee, the period of time during which each nominee has been a director of the Company, and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at November 9, 2021.

Name, Province, Country of Residence & Position(s)	Principal Occupation Business or Employment for Last Five Years	Date Elected or Appointed as Director	Shares Beneficially Owned or Controlled ⁽¹⁾
<i>Jody Aufrichtig</i> ⁽²⁾ <i>Cape Town, South Africa</i>	See “Director Biographies” below.	January 19, 2021	1,687,434 common shares 985,178 warrants 965,000 options Nil Restricted Share Units

Name, Province, Country of Residence & Position(s)	Principal Occupation Business or Employment for Last Five Years	Date Elected or Appointed as Director	Shares Beneficially Owned or Controlled ⁽¹⁾
Gavin Basserbie ⁽²⁾ <i>New South Wales, Australia</i>	See “Director Biographies” below.	January 19, 2021	2,978,039 common shares nil warrants 300,000 options Nil Restricted Share Units
Dr. Amza Ali <i>Ontario, Canada</i>	See “Director Biographies” below.	January 19, 2021	2,487,283 common shares 358,906 warrants 287,547 options Nil Restricted Share Units
Marvin Singer ⁽²⁾ <i>Ontario, Canada</i>	See “Director Biographies” below.	January 19, 2021	212,998 common shares 106,499 warrants 400,000 options Nil Restricted Share Units
Alan Friedman <i>Ontario, Canada</i>	See “Director Biographies” below.	March 3, 2021	2,601,460 common shares Nil warrants 191,698 options Nil Restricted Share Units
Dr. Neil Maresky <i>Ontario, Canada</i>	See “Director Biographies” below.	Nominee for election at this meeting	92,600 common shares 212,997 warrants 1,800,000 options 980,516 Restricted Share Units ⁽³⁾

Notes:

1. The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective nominees and from insider reports available at www.sedi.ca. Each nominee has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years.
2. Member of Audit Committee.
3. The allocation of these Restricted Share Units has been approved by the Compensation Committee and recommended to the Board for execution, subject to shareholder approval of the Amended RSU Plan at this Meeting.

Director Biographies

Jody Aufrichtig – Jody Aufrichtig is a chartered accountant and experienced entrepreneur with extensive experience in emerging markets. Mr. Aufrichtig is the founder of MindHealth Biomed Corp and a multiple award-winning business builder who has created substantial shareholder value in cannabis, commercial and residential property, private equity, tourism, leisure and other industries. Prior to founding MindHealth Biomed Corp, he was the Managing Director of Canopy Growth Africa (a wholly owned subsidiary of Canopy Growth Corporation (NYSE: CGC / TSX: WEED)) from May 2018 until he led a management buyout of the African operations in April 2020. Mr. Aufrichtig founded Daddy Cann Lesotho (Pty) Limited in July 2017 and was granted a license by the Ministry of Health (Lesotho) to cultivate, manufacture, supply, hold, import, export and transport cannabis. Daddy Cann Lesotho (Pty) Limited was subsequently acquired by Canopy Growth Corporation in May 2018. Mr. Aufrichtig co-founded Indigo Properties in 2000 and the business is focussed on commercial and residential property, tourism and leisure. Mr. Aufrichtig holds a Bachelor of Accounting and a Bachelor of Accounting Honours from the University of Cape Town, South Africa and is registered with the South African Institute of Chartered Accountants.

Dr. Amza Ali – Dr Ali is a medical practitioner specialised in Internal Medicine, Neurology, Epilepsy and Clinical Neurophysiology with 35 years of clinical experience. Dr Ali obtained his medical undergraduate degree (MBBS) from the University of the West Indies (UWI) with subsequent postgraduate training and accreditation in Internal Medicine at UWI as well as in the United Kingdom. He subsequently trained, then certified, in Neurology at the National Hospital for Neurology and Neurosurgery, Queen Square, London with research training in Neuroimmunology at the Clinical Research Centre in Harrow, England. He then trained in Epilepsy and Advanced Clinical Neurophysiology at Columbia University Medical Center in New York and is certified by the American Board of Clinical Neurophysiology. His deep commitment to advancing the intersection of the fields of Medicine and Business then led him to obtaining a Masters in Business Administration at the Rotman School of Management, University of Toronto and then to obtain an MSc in Business Research Methodology at the Henley Business School, University of Reading, UK to better develop research strategies at this intersection. Dr Ali serves as a Consultant Neurologist in Kingston, Jamaica and since 2016 has headed research in the Neurosciences at UWI-SODECO (UWI-Solutions for Developing Countries). In 2017 he joined Avicanna Inc, a medical and scientific company focused on exploring cannabis as a medicine, initially on its Scientific Advisory Board and in 2018 served as Director of Neurology before assuming the position of Chief Medical Officer in this publicly traded company in March 2021. Since then, he has led all of the Company’s preclinical and clinical research activities in Canada and internationally. This foundation in basic science and clinical medicine has led to many international awards for his work, including the Swebelius Award from Yale University for his work in epilepsy as well as from the Royal College of Physicians of London for Excellence in Clinical Care.

Alan Friedman – Alan Friedman is principal of Bayline Capital Partners, Psyence’s capital market advisor who has recently led the Corporation through a successful listing onto the CSE. He has been associated with the North American public markets for more than two decades and has a depth of experience in representing, advising and assisting Canadian and global companies in acquiring assets, accessing capital, advising on mergers and acquisitions and navigating going public processes onto Canadian, US and UK stock exchanges with accompanying equity capital raisings. During his Bay Street career, he has been involved with or facilitated financings in excess of hundreds of millions of dollars, creating billions of dollars in shareholder value. Alan Friedman is currently the chairman and a director of Osino Resources Corp.

Marvin Singer – Marvin Singer has been a consultant to private and public companies since January 2020, after retiring from practising corporate and securities law for 40 years, most recently as a Senior Partner in the international law firm of Norton Rose Fulbright Canada LLP (2005-2019). Mr. Singer has extensive experience in equity and debt financings, governance, mergers and acquisitions. He has worked on many international business ventures, including throughout Africa and South America. During his career, Mr. Singer has advised boards of directors of public issuers on governance and other corporate matters. Mr. Singer received a Bachelor of Laws degree from Osgoode Hall Law School, Toronto, Canada in 1976.

Gavin Basserabie – Gavin Basserabie is a chartered accountant and company director based in Sydney, Australia. He has over 20 years’ experience in founding and supporting fast growing early stage businesses including numerous successful exits. He was previously the Chief Financial Officer, and then Strategic Director, for Canopy Growth Africa (then a wholly owned subsidiary

of Canopy Growth Corporation (NYSE: CGC / TSX: WEED)) from May 2018 to May 2020. While at Canopy Growth Africa, Mr. Basserabie was responsible for the transformation of a privately owned company to a subsidiary of Canopy Growth Corporation and became the Chief Financial Officer for Canopy Growth's African operations. Mr. Basserabie is a founding director of Confidence Club (Pty) Ltd, the leading exclusively direct to consumer brand of adult incontinence products for the disability and senior home care markets in Australia, founded in January 2018. Mr. Basserabie has strategic and advisory roles in a range of companies including IT, health care, leisure and medicinal cannabis. Mr. Basserabie received a Bachelor of Commerce degree from the University of Witwatersrand in Johannesburg, South Africa in 1991 and has been a member of the Chartered Accountants Institute of Australia and New Zealand since 1996.

Dr. Neil Maresky – Dr. Maresky brings more than 20 years of enterprise leadership and biopharmaceutical expertise and currently oversees the strategy and operations of Psyence. Dr. Maresky, having completed more than a decade at AstraZeneca Canada, most recently as Vice President of Scientific Affairs, is a South African trained doctor. He has held various executive leadership positions, including heading up research and development and driving the scientific strategy at Bayer Pharmaceuticals as well as Wyeth Pharmaceuticals, where he was appointed interim President and general manager in 2008. He has emergency room and cardiology training and has practiced as a family physician. In the mid 1990s he immigrated to Canada from South Africa where began his career in the pharmaceutical industry. During the course of his career, he has positively impacted the health of millions of patients across Canada with innovative medical therapies and technologies, including over 50 approvals of new medicinal entities and related indications. Dr. Maresky's most recent achievement was the approval of the AstraZeneca Covid vaccine by Health Canada. With his extensive experience and relationships with academic institutions, health authorities, and decision-making bodies across Canada, Dr. Maresky has been instrumental in the launch, commercialization, and uptake of many ground-breaking innovations.

Management recommends the approval of each of the nominees listed above for election as a director of Psyence Group Inc. for the ensuing year.

Cease Trade Orders & Bankruptcies

Within the last 10 years before the date of this Circular no proposed nominee for election as a director of the Company was a director or executive officer of any company (including the Company in respect of which this Circular is prepared) acted in that capacity for a company that was:

- (a) subject to a cease trade or similar order or an order denying the relevant company access to any exemptions under securities legislation, for more than 30 consecutive days;
- (b) subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under the securities legislation, for a period of more than 30 consecutive days;

- (c) 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; or has 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 the assets of the proposed director;
- (d) 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
- (e) subject to any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Personal Bankruptcies

To the best of the Company's knowledge, no proposed director of the Company has, within ten (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 the assets of the proposed director.

Securities Related Penalties and Sanctions

To the best of the Company's knowledge, no proposed director has been subject to, or entered into a settlement agreement resulting from:

- (a) a court order relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other 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.

Appointment of Auditor

At the Meeting, MNP LLP, Chartered Professional Accountant, located at 111 Richmond Street West, Suite 300, Toronto, Ontario, M5H 2G4 will be recommended by management and the board of directors for appointment as auditor of the Company at a remuneration to be fixed by the directors. On March 15, 2021, MNP LLP, Chartered Professional Accountants was appointed as the Company's auditor.

The Company's management recommends that the Shareholders vote in favour of the appointment of MNP LLP, Chartered Professional Accountants as the Company's auditor for the ensuing year

and grant the Board of Directors the authority to determine the remuneration to be paid to the auditor.

Unless otherwise directed, the management proxyholders intend to vote FOR the appointment of MNP LLP, Chartered Professional Accountants, to act as the Company's auditor until the Company changes its auditor or until the close of its next annual general meeting and authorize the Board of Directors to fix the remuneration to be paid to the auditor.

By-Laws Resolution

On January 19, 2021, the board of directors of the Company (the "**Board**") approved by-law No. 2A of the Company ("**By-Law No. 2A**"), which amended the by-laws of the Company to replace the requirement that a majority of the Company's directors be resident Canadians with a requirement that at least 25% of the directors of the Company be resident Canadians. The change was made to: (a) make the by-law conform to the more flexible requirements under the OBCA at that point in time, and (ii) to enable the board of directors to comprise a greater number of non-residents, reflective of the Company's multijurisdictional business. Since the Board's adoption of By-Law No. 2A, the OBCA has been further amended to remove director residency requirements entirely, with the effect that Ontario corporations are no longer required to have any resident Canadians on their board of directors. In light of this development, the Board has approved a further amendment to the Company's by-laws to remove the residency requirements for Directors altogether, again both to conform to the OBCA and to provide more flexibility in the residency of directors comprising the Board.

In accordance with the OBCA requirement that by-laws amended by the Board be submitted to shareholders for confirmation, shareholders will be asked to consider, and if deemed appropriate, to pass, with or without variation:

- (a) an ordinary resolution confirming By-Law No. 2A; followed by
- (b) an ordinary resolution confirming the repeal of By-Law No. 2A and the deletion of section 4.08 in By-Law No. 1, dealing with director residency requirements.

If confirmed by shareholders, the effect of the repeal of By-Law No. 2A and the deletion of section 4.08 in By-Law No. 1 will be to remove all director residency requirements from the Company's by-laws.

In order to pass, each of the resolutions respecting confirmation of the by-law amendments requires a simple majority of the votes cast at the Meeting to be voted in favour of the resolution (the "**ordinary resolution**").

Therefore, at the Meeting, shareholders will be asked to approve ordinary resolutions in substantially in the following form (together, the “**By-Laws Resolutions**”):

“**BE IT HEREBY RESOLVED** that:

the prior adoption of By-Law No. 2A, is hereby confirmed;

“**BE IT HEREBY RESOLVED** that:

- (c) the repeal of By-Law No. 2A and the deletion of Section 4.08 of By-Law No. 1, is hereby confirmed; and
- (d) all other provisions of By-Law No. 1 remain unamended and in full force and effect.”

The Board unanimously recommends that shareholders vote in favour of each of the By-Laws Resolutions. The persons designated as proxyholders in the accompanying Instrument of Proxy (absent contrary directions) intend to vote FOR the By-Laws Resolution.

Adoption of the New Stock Option Plan

The Company’s current stock option plan (the “**Legacy Stock Option Plan**”) was originally adopted on August 5, 2008, and underwent minor amendments on January 15, 2021. The Legacy Stock Option Plan contains terms that, in the view of management, are not in keeping with modern practice. It also contains a restriction limiting the grant of incentives under all of the Company’s incentive plans to an aggregate of 10% of the Company’s issued common shares.

To address the shortcomings of the Legacy Stock Option Plan, the Company now wishes to adopt a new and more modern stock option plan (the “**New Stock Option Plan**”) that is typical for issuers listed on the CSE.

The purpose of the New Stock Option Plan is to provide the Company with a share-related mechanism to enable the Company to attract, retain and motivate qualified directors, officers, employees and other service providers, to reward directors, officers, employees and other service providers for their contribution toward the long-term goals of the Company, and to enable and encourage such individuals to acquire shares of the Company as long-term investments. Options granted pursuant to the Legacy Stock Option Plan will continue to be governed by the terms and conditions of that plan, but no new stock options will be granted under the Legacy Stock Option Plan.

Summary of the New Stock Option Plan

The New Stock Option Plan will remain a “rolling” plan that limits the number of stock options that may be granted pursuant to the plan (combined with grants under the Company’s Legacy Stock Option Plan) to a number equal to 10% of the Company’s issued and outstanding common shares, calculated at the date of the stock option grant. Share incentives granted under any share

incentive plans of the Company other than the Legacy Stock Option Plan will not have a bearing on the number of shares that may be subject to option under the New Stock Option Plan.

Eligible Persons. Only executives (including directors and officers) employees, and consultants of the Company or its subsidiaries are eligible to receive stock options under the New Stock Option Plan.

Rolling Plan. The New Stock Option Plan is a rolling plan, such that the maximum number of common shares that may be issued pursuant to the New Stock Option Plan shall not exceed 10% of the Company's outstanding shares. As of the date hereof, 200,083 options (representing 0.2% of the Company's outstanding shares as of the date hereof) remain available for grant and 8,352,810 options are outstanding (representing 9.8% of the Company's outstanding shares as of the date hereof).

Limitations. The New Stock Option Plan contains the following limitations, which are substantially similar to those contained in the Legacy Stock Option Plan:

- (a) the maximum number of shares which may be reserved for issuance to any one person under the New Stock Option Plan must not exceed five percent (5%) of the issued shares (determined at the date the option was granted) in a twelve (12) month period, unless the Company first obtains any required disinterested shareholder approval of this plan;
- (b) the number of shares granted to any one Consultant (as defined in the New Stock Option Plan) under the New Stock Option Plan together with all other security based compensation arrangements in a twelve (12) month period must not exceed two percent (2%) of the issued shares of the Company;
- (c) the aggregate number of options granted to an option holder providing services that include investor relations activities under the New Stock Option Plan must not exceed two percent (2%) of the issued shares of the Company in any twelve (12) month period, calculated at the date the option was granted; and
- (d) the aggregate number of shares (i) issued to insiders under the New Stock Option Plan within a twelve-month period, and (ii) issuable to insiders of the Company at any time under the plan, together with all of the Company's other security based compensation arrangements, shall not exceed ten percent (10%) of the total number of shares then outstanding, unless the Company has first obtained disinterested shareholder approval of the plan, pursuant to applicable law or stock exchange rules (but only if the law or stock exchange rules require such approval).

Term of the Options. The expiry date of an option will be no later than the tenth anniversary of the grant date (as compared to five years under the Legacy Stock Option Plan). Any shares subject to an option which for any reason is cancelled or terminated without having been exercised shall again be available for grants under the New Stock Option Plan.

Exercise Price. The exercise price at which an option holder may purchase a share upon exercising their option shall be determined by the price determined by the Committee (as defined below) and

shall be set out in the option agreement. The exercise price shall not be less than the price determined in accordance with CSE policies while the Company's shares are listed on the CSE.

Additional provisions included in the New Stock Option Plan are as follows:

- The addition of a provision permitting the personal representative of an option holder who has become disabled to exercise the option on or before the date which is the earlier of one year following the termination of employment, engagement or appointment as a director or officer and the applicable expiry date (as compared to no such provision under the Legacy Stock Option Plan);
- The addition of a provision permitting the personal representative of an option holder who ceased to be employed by the Company by reason of a disability and who dies within six months after their termination to exercise the option on or before the date which is the earlier of one year following the death of such option holder and the applicable expiry date (as compared to no such provision under the Legacy Stock Option Plan);
- A broad ability for the Company to cause stock options to terminate on an accelerated basis without the consent of option holders, in order to facilitate certain transactions that might be beneficial to the Company; and
- An ability to grant stock options to investor relations consultants.

Black-out Period. The New Stock Option Plan provides that any options expiring during a disclosure "black-out period" will benefit from a 10-day extension beyond the end of the black-out period.

Transferability. Options are generally non-assignable and non-transferable.

Powers of the Board. The New Stock Option Plan permits the Board to appoint a committee (the "Committee") whose purpose is to administer the plan. The Committee (or the Board if no Committee is in place) may also:

- (a) determine all questions arising in connection with the administration, interpretation and application of the plan;
- (b) 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) prescribe, amend, and rescind rules and regulations relating to the administration of the plan;
- (d) do the following with respect to the granting of options:
 - (i) determine the executives, employees or consultants to whom options shall be granted, based on the eligibility criteria set out in this plan;
 - (ii) determine the terms of the option to be granted to an option holder including, without limitation, the grant date, expiry dates, exercise price and

vesting schedule (which need not be identical with the terms of any other option);

- (iii) determine when options shall be granted;
 - (iv) determine the number of shares subject to each option; and
- (e) accelerate the vesting schedule of any option previously granted, subject to certain limitations.

The above is intended to be a brief description of the New Stock Option Plan and is qualified in its entirety by the full text of the New Stock Option Plan. For greater detail, please see the New Stock Option Plan in Schedule “B”.

Stock Option Plan Resolution

The Board has concluded that the New Stock Option Plan is in the best interest of the shareholders of the Company. At the Meeting, shareholders entitled to vote on the matter will be asked to consider, and if thought advisable, to pass by ordinary resolution as set out below, to approve the adoption of the New Stock Option Plan (the “**Stock Option Plan Resolution**”).

To be effective, the Stock Option Plan Resolution must receive the affirmative vote of a majority of the votes cast at the Meeting.

The Company also seeks to obtain disinterested shareholder approval of the New Stock Option Plan. This requires obtaining approval from the majority of votes other than votes attaching to common shares beneficially owned by directors and officers of the Company or their associates. The directors and officers of the Company are Alan Friedman, Dr Amza Ali, Gavin Basserbie, Jody Aufrichtig, Marvin Singer, Warwick Corden-Lloyd and Dr Neil Maresky. To the best of the Company’s knowledge, as at the date hereof, such persons and their associates own 10,231,407 common shares representing approximately 12.0% of the issued and outstanding common shares.

Accordingly, the Company will tabulate the shareholder vote in two parts:

- First, the votes of all shareholders eligible to vote on the Stock Option Plan Resolution will be tabulated to confirm the adoption of the New Stock Option Plan.
- Second, only votes of disinterested shareholders will be tabulated, seeking to confirm disinterested shareholder approval of the New Stock Option Plan. Votes attaching to common shares beneficially owned by directors and officers of the Company and their associates will be excluded from this second tabulation.

In the event that the Stock Option Plan Resolution is not passed by the requisite number of votes cast at the Meeting, the Legacy Stock Option Plan will continue to operate subject to the proviso that the number of shares that may be subject to grant under the Legacy Stock Option Plan, and under all other share incentive plans of the Company, will be limited to an aggregate of 10% of the Company’s issued and outstanding shares.

The complete text of the Stock Option Plan Resolution, which management intends to place before the Meeting for approval, confirmation, and adoption, with or without variation, is as follows:

“BE IT HEREBY RESOLVED, that:

1. the Company’s New Stock Option Plan dated for reference November 9, 2021, is hereby approved; and
2. any one director or officer of the Company be and is hereby authorized and directed to perform all such acts and things and to execute and deliver, under the corporate seal of the Company or otherwise, all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to this resolution including, without limitation, making any changes to the New Stock Option Plan required by applicable securities regulatory authorities and to complete all transactions in connection with the administration of the New Stock Option Plan.”

The Board unanimously recommends that shareholders vote in favour of the Stock Option Plan Resolution. The persons designated as proxyholders in the accompanying Instrument of Proxy (absent contrary directions) intend to vote FOR the Stock Option Plan Resolution.

Approval of the Amendments to the Restricted Share Unit Plan

The Company adopted a restricted share unit plan on August 13, 2021 (the “**Existing RSU Plan**”). The Existing RSU Plan is designed to provide certain directors, officers, consultants and other key employees (collectively, an “**Eligible Person**”) of the Company and its related entities with the opportunity to acquire restricted share units (“**RSUs**”) of the Company. The acquisition of RSUs allows an Eligible Person to participate in the long-term success of the Company thus promoting the alignment of an Eligible Persons. The Existing RSU Plan provides that the aggregate number of shares reserved for issuance pursuant to awards granted, at any time, shall not exceed, when combined with all other incentive plans of the Company, 10% of the issued and outstanding shares in the capital of the Company.

Pursuant to CSE policies, the Company is required to obtain shareholder approval of any share incentive plan or plans, which in the aggregate, could result in grants thereunder, exceeding 10% of the issued and outstanding shares in the capital of the Company. The Board of Directors has approved, subject to obtaining shareholder approval, amendments to the Existing RSU Plan (the “**Amended RSU Plan**”), that would enable the Company to exceed the aforementioned 10% threshold, provided that shareholders also approve the New Stock Option Plan.

Summary of the Amended RSU Plan

Eligible Persons. All employees, officers, directors, management company employees or consultants (as defined in the Amended RSU Plan) of the Company and its related entities are eligible to participate in the Amended RSU Plan (as “**Participants**”), and the Company reserves the right to restrict eligibility or otherwise limit the number of persons eligible for participation as

Participants in the Amended RSU Plan. Eligibility to participate as a Participant in the Amended RSU Plan does not confer upon any person a right to receive an award of RSUs.

Subject to certain restrictions, the Board or its appointed Committee (as defined in the Amended RSU Plan) can, from time to time, award RSUs to Eligible Persons. RSUs will be credited to an account maintained for each Participant on the books of the Company as of the award date. The number of RSUs to be credited to each Participant's account shall be determined at the discretion of the Board and pursuant to the terms of the Amended RSU Plan.

Rolling Plan. The aggregate number of shares that may be reserved for issuance under the Amended RSU Plan at any time shall not exceed 7.5% of the Company's outstanding shares. As of the date hereof, 6,414,670 RSUs (representing 7.5% of the Company's outstanding shares as of the date hereof) remain available for grant. This 7.5% limit shall not include the number of shares reserved for issuance under any other incentive plans of the Company. The allocation of 980,516 RSUs to Dr. Neil Maresky has been approved by the Compensation Committee and recommended to the Board for execution, subject to shareholder approval of the Amended RSU Plan at this Meeting.

Vesting. The Board or the Committee may, in its sole discretion, determine the time during which RSUs shall vest (except that no RSU, or portion thereof, may vest after the expiry date) and whether there shall be any other conditions or performance criteria to vesting. In the absence of any determination by the Board or the Committee to the contrary, RSUs will vest and be payable as to one third (1/3) of the total number of RSUs granted on each of the first, second and third anniversaries of the date or dates on which an award of RSUs is made to a Participant (computed in each case to the nearest whole RSU), provided that in all cases payment in satisfaction of a RSU shall occur prior to the Outside Payment Date (which, in respect of a RSU, means December 31 of the calendar year in which the expiry date of the RSUs occurs). Notwithstanding the foregoing, the Committee may, in its sole discretion at any time or in the RSU agreement in respect of any RSUs granted, accelerate, or provide for the acceleration of vesting (in whole or in part) of RSUs previously granted. The award value of any RSU shall be determined as of the applicable vesting date.

Transferability. RSUs and all other rights, benefits or interests in the plan are non-transferable and may not be pledged or assigned or encumbered in any way and are not subject to attachment or garnishment, except that if a Participant dies the legal representatives of the Participant will be entitled to receive the amount of any payment otherwise payable to the Participant hereunder in accordance with the provisions of the Amended RSU Plan.

Limitations. Unless the Company has first obtained disinterested shareholder approval of the plan, the Amended RSU Plan limits the total number of shares issuable at any time to insiders of the Company, when combined with all other shares issuable to insiders under any security based compensation arrangement, to 10% of the total number of issued and outstanding equity securities of the Company. Unless the Company has first obtained disinterested shareholder approval of the plan, it further limits the total number of shares issuable to insiders during any one year period under the plan, when combined with all other shares issuable to insiders under any security based compensation arrangement, to 10% of the total number of issued and outstanding equity securities of the Company.

No RSU may be issued to anyone engaged to perform investor relations activities for the Company. In no event can the issuance of RSUs, when combined with any grant made pursuant to any other security based compensation arrangement, result in: (i) any one person being granted share-based compensation awards equaling or exceeding 5% of the issued shares, within a 12 month period; and, any one consultant in a 12 month period being granted share-based compensation equaling or exceeding 2% of the issued shares.

Resignation, Termination, Engagement, Death or Disability. Upon the voluntary resignation or the termination for cause of a Participant, all of the Participant's RSUs which remain vested, but unexercised or unvested in the Participant's Account shall be forfeited without any entitlement to such Participant.

Generally, if a Participant dies, or their employment or engagement terminates with the Company due to total disability, while employed or retained by the Company, or while an officer or director, the expiry date of any vested or unvested RSUs held by the Participant at the date of death or date of termination due to total disability, which have not yet been subject to an exercise notice and subsequent award payout, shall be amended to the earlier of (i) one (1) year after the date of death or date of termination due to total disability, and (ii) the expiry date of such award, except that in the event the expiration of the award is earlier than one (1) year after the date of death or date of termination due to total disability, the expiry date shall be up to one (1) year after the date of death or date of termination due to total disability as determined by the Board.

Change of Control. Subject to any provision to the contrary contained in an RSU agreement or other written agreement (such as an agreement of employment) between the Company and a Participant, if a change of control takes place, all issued and outstanding RSUs shall vest (whether or not then vested) and the vesting date shall be the date which is immediately prior to the time such change of control takes place, or at such earlier time as may be established by the Board or the Committee, in its absolute discretion, prior to the time such change of control takes place.

Credit For Dividends. Within ten (10) days following the declaration and payment of dividends on the Shares, the Board may determine to make a cash payment to a Participant in respect of outstanding RSUs credited to the Participant's Account, which shall be calculated in accordance with the Amended RSU Plan.

Terms of RSUs. Subject to an earlier expiry date as may be determined by the Board and set out in the RSU agreement, RSUs will expire either at the earlier of December 31st of the third calendar year following the year in which the grant date falls for Canadian employee participants or in all other cases, the earlier of the tenth anniversary of the date of the RSU grant.

Adjustments and Reorganizations. In the event of any dividend paid in shares, share subdivision, combination or exchange of shares, merger, consolidation, spin-off, or other distribution of Company assets to shareholders, or any other change in the capital of the Company affecting shares, the Board, in its sole and absolute discretion, will make, with respect to the number of RSUs outstanding under this Plan, any proportionate adjustments as it considers appropriate to reflect that change.

The above information is intended to be a brief description of the Amended RSU Plan and is qualified in its entirety by the full text of the Amended RSU Plan. For greater detail, please see the Amended RSU Plan in Schedule “C”.

RSU Plan Resolution

The Board has concluded that the Amended RSU Plan is in the best interest of the shareholders of the Company. At the Meeting, the shareholders will be asked, and if thought advisable, to pass the ordinary resolution as set out below, to approve the amendments to the Amended RSU Plan (the “**RSU Plan Resolution**”).

To be effective, the RSU Plan Resolution must receive the affirmative vote of a majority of the votes cast at the Meeting.

The Company also seeks to obtain disinterested shareholder approval of the Amended RSU Plan. This requires obtaining approval from the majority of votes other than votes attaching to common shares beneficially owned by directors and officers of the Company or their associates. The directors and officers of the Company are Alan Friedman, Dr Amza Ali, Gavin Basserabie, Jody Aufrechtig, Marvin Singer, Warwick Corden-Lloyd and Dr Neil Maresky. To the best of the Company’s knowledge, as at the date hereof, such persons and their associates own 10,231,407 common shares representing approximately 12.0% of the issued and outstanding common shares.

Accordingly, the Company will tabulate the shareholder vote in two parts:

- First, the votes of all shareholders eligible to vote on the RSU Plan Resolution will be tabulated to confirm the adoption of the RSU Plan Resolution.
- Second, only votes of disinterested shareholders will be tabulated, seeking to confirm disinterested shareholder approval of the RSU Plan resolution. Votes attaching to common shares beneficially owned by directors and officers of the Company and their associates will be excluded from this second tabulation.

In the event that the RSU Plan Resolution is not passed by the requisite number of votes cast at the Meeting, the Company’s Existing RSU Plan will continue to operate. However, the Board will not be able to issue RSUs up to a 7.5% rolling maximum, and the number of shares that may be subject to grant under the Existing RSU Plan, and under all other share incentive plans of the Company, will be limited to an aggregate of 10% of the Company’s issued and outstanding shares. Consequently, the Company may have difficulty attracting and retaining highly experienced and qualified personnel.

The complete text of the RSU Plan Resolution, which management intends to place before the Meeting for approval, confirmation and adoption, with or without modification, is as follows:

“BE IT HEREBY RESOLVED that:

1. the Company’s amended restricted share unit plan (the “**Amended RSU Plan**”) in the form attached as Schedule “C” to the Circular, is hereby confirmed;

2. all issued and outstanding RSUs previously granted are hereby confirmed and continued under and governed by the Amended RSU Plan; and
3. any one director or officer of the Company be and is hereby authorized and directed to perform all such acts and things and to execute and deliver, under the corporate seal of the Company or otherwise, all such deeds, documents, instruments and assurances as in his opinion may be necessary or desirable to give effect to this resolution, including, without limitation, making any changes to the Amended RSU Plan required by applicable securities regulatory authorities and to complete all transactions in connection with the administration of the Amended RSU Plan.”

The Board unanimously recommends that shareholders vote in favour of the RSU Plan Resolution. The persons designated as proxyholders in the accompanying Instrument of Proxy (absent contrary directions) intend to vote FOR the RSU Plan Resolution.

GENERAL MATTERS

It is not known whether any other matters will come before the Meeting other than those set forth above and in the Notice of Meeting, but if any other matters do arise, the person named in the Proxy intends to vote on any poll, in accordance with his or her best judgement, exercising discretionary authority with respect to amendments or variations of matters set forth in the Notice of Meeting and other matters which may properly come before the Meeting or any adjournment of the Meeting.

ADDITIONAL INFORMATION

Financial information is provided in the audited financial statements of the Company for the year ended December 31, 2020, and for the financial period from May 21, 2020 and ending on March 31, 2021, and the respective reports of the auditor and the related management discussion and analysis which were filed on SEDAR at www.sedar.com, of which will be placed before the Meeting.

Additional information relating to the Company is filed on SEDAR at www.sedar.com and upon request from the Company at Suite 2010 – 200 Bay Street, Toronto, Ontario, M5J 2J1, Tel: 416-477-1708. Copies of documents will be provided free of charge to securityholders of the Company. The Company may require the payment of a reasonable charge from any person or company who is not a securityholder of the Company, who requests a copy of any such document.

OTHER MATTERS

Management of the Company is not aware of any other matters to come before the Meeting other than as set forth in the Notice of Meeting that accompanies this Management Information Circular. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

BOARD APPROVAL

The contents of this Management Information Circular and its distribution to shareholders have been approved by the Board of Directors.

DATED at Toronto, Ontario on November 9, 2021.

By the Order of the board of Directors

A handwritten signature in black ink, appearing to read "J. Aufrichtig", written over a horizontal line.

Jody Aufrichtig
Director & Executive Chairman

SCHEDULE "A"
AUDIT COMMITTEE CHARTER

AUDIT COMMITTEE CHARTER

PSYENCE GROUP INC. AUDIT COMMITTEE OF THE BOARD OF DIRECTORS CHARTER

I. PURPOSE

The Audit Committee is a committee of the Board of Directors. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by:

- reviewing the financial reports and other financial information provided by the Corporation to any governmental body or the public and other relevant documents;
- recommending the appointment and reviewing and appraising the audit efforts of the Corporation's independent auditor and providing an open avenue of communication among the independent auditor, financial and senior management and the Board of Directors;
- serving as an independent and objective party to monitor the Corporation's financial reporting process and internal controls, the Corporation's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements;
- encouraging continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section III of this Charter.

II. COMPOSITION AND MEETINGS

The Audit Committee shall be comprised of three or more directors as determined by the Board, the majority of whom shall be independent directors, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances require. The Committee shall meet within sixty (60) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related Management Discussion & Analysis and shall meet within 120 days following the end of the fiscal year end to review and discuss the audited financial results for the year and related Management Discussion & Analysis.

The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their audit related duties, members of the Committee shall have full access to all corporate information and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and independent auditors of the Corporation.

As part of its job to foster open communication, the Committee should meet at least annually with management and the independent auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee or at least its Chair should meet with the independent auditor and management at least annually to review the Corporation's financial statements.

Quorum for the Sale of business at any meeting of the Audit Committee shall be a majority of the number of members of the Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as the Audit Committee or the Chairman of the Committee shall determine upon 48 hours notice to each of the members. The notice period may be waived by a quorum of the Committee. Each of the Chairman of the Committee, members of the Committee, Chairman of the Board, independent auditors, Chief Executive Officer, Chief Financial Officer or Secretary shall be entitled to request that the Chairman of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request.

III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

1. Create an agenda for the ensuing year.
2. Review and update this Charter at least annually, as conditions dictate.
3. Describe briefly in the Corporation's annual report and more fully in the Corporation's Management Information Circular the Committee's composition and responsibilities and how they were discharged.
4. Submit the minutes of all meetings of the audit committee to the Board of Directors.

Documents/Reports Review

5. Review the organization's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent auditor.
6. Review policies and procedures with respect to directors' and officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the independent auditor, based on terms of reference agreed upon by the independent auditor and the Audit Committee.
7. Review with financial management and the independent auditor any filings with regulatory bodies such as securities commissions prior to filing or prior to the release of earnings. The Chair of the Committee may represent the entire Committee for purposes of this review.

Independent Auditor

8. Recommend to the Board of Directors the selection of the independent auditor, considering independence and effectiveness and approve the fees and other compensation to be paid to the independent auditor. Instruct the independent auditor that the Board of Directors, as the shareholders' representative is the independent auditor's client.
9. Monitor the relationship between management and the independent auditor including reviewing any management letters or other reports of the independent auditor and discussing any material differences of opinion between management and the independent auditor.
10. Review and discuss, on an annual basis, with the independent auditor all significant relationships they have with the Corporation to determine their independence.
11. Review and approve requests for any management consulting engagement to be performed by the independent auditor and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter and related fees.

12. Review the performance of the independent auditor and approve any proposed discharge of the independent auditor when circumstances warrant. Consider with management and the independent auditor the rationale for employing accounting/auditing firms other than the principal independent auditor.
13. Periodically consult with the independent auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
14. Arrange for the independent auditor to be available to the Audit Committee and the full Board of Directors as needed.

Financial Reporting Processes

15. In consultation with the independent auditor review the integrity of the organization's financial reporting processes, both internal and external.
16. Consider the independent auditor's judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices or are minority practices.
17. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the independent auditor and ensure that the accountants' reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

Process Improvement

18. Establish regular and separate systems of reporting to the Audit Committee by each of management and the independent auditor regarding any significant judgments made in management's preparation of the financial statements and the view of each as to the appropriateness of such judgments.
19. Review the scope and plans of the independent auditor's audit and reviews prior to the audit and reviews being conducted. The Committee may authorize the independent auditor to perform supplemental reviews or audits as the Committee may deem desirable.
20. Following completion of the annual audit and quarterly reviews, review separately with each of management and the independent auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of work or access to required information and the cooperation that the independent auditor received during the course of the audit and reviews.
21. Review any significant disagreements among management and the independent auditor in connection with the preparation of the financial statements.
22. Where there are significant unsettled issues the Committee shall ensure that there is an agreed course of action for the resolution of such matters.
23. Review with the independent auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
24. Review activities, organizational structure, and qualifications of the chief financial officer and the staff in the financial reporting area and see to it that matters related to succession planning within the Corporation are raised for consideration at the full Board of Directors.

Ethical and Legal Compliance

25. Review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code. Review through appropriate actions taken to ensure compliance with the Code of Ethical Conduct and to review the results of confirmations and violations of such Code.
26. Review management's monitoring of the Corporation's system in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
27. Review, with the organization's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the organization's financial statements.

Risk Management

28. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage.

General

29. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The committee shall be empowered to retain independent counsel, accountants and other professionals to assist it in the conduct of any investigation.
30. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.
31. Notwithstanding the foregoing and subject to applicable law, the Committee shall not be responsible to plan or conduct internal or external audits or to determine that the Corporation's financial statements are in accordance with generally accepted accounting principles as these are the responsibility of management and the independent auditor. Nothing contained in this Charter is intended to require the Committee to ensure the Corporation's compliance with applicable laws or regulations.

SCHEDULE "B"
NEW STOCK OPTION PLAN

**PSYENCE GROUP INC.
STOCK OPTION PLAN
ADOPTED BY THE BOARD NOVEMBER 9, 2021 AND CONFIRMED BY
SHAREHOLDERS DECEMBER 9, 2021**

**SECTION 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 such Executive or Employee of the Company as may be designated as Administrator by the Committee from time to time, or, if no such person is appointed, the Committee itself.
- (b) “**Black-Out**” means a restriction imposed by the Company on all or any of its directors, officers, employees, insiders or persons in a special relationship whereby they are to refrain from trading in the Company’s securities until the restriction has been lifted by the Company.
- (c) “**Board**” means the board of directors of the Company.
- (d) “**Change of Control**” means an occurrence when either:
 - (i) a Person or Entity, other than the current “control person” of the Company (as that term is defined in the *Securities Act*), becomes a “control person” of the Company; or
 - (ii) a majority of the directors elected at any annual or extraordinary general meeting of shareholders of the Company are not individuals nominated by the Company’s then-incumbent Board.
- (e) “**Committee**” means a committee of the Board appointed in accordance with this Plan or if no such committee is appointed, the Board itself.
- (f) “**Company**” means Psyence Group Inc.
- (g) “**Consultant**” means an individual who:
 - (i) is engaged to provide, on an ongoing *bona fide* basis, consulting, technical, management or other services to the Company or any Subsidiary other than services provided in relation to a “distribution” (as that term is described in the *Securities Act*);
 - (ii) provides the services under a written contract between the Company or any Subsidiary and the individual or a Consultant Entity (as defined in clause (h)(v) below);

- (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or any Subsidiary; and
- (iv) has a relationship with the Company or any Subsidiary that enables the individual to be knowledgeable about the business and affairs of the Company or is otherwise permitted by applicable Regulatory Rules to be granted Options as a Consultant or as an equivalent thereof,

and includes:

- (v) a corporation of which the individual is an employee or shareholder or a partnership of which the individual is an employee or partner (a “**Consultant Entity**”); or
 - (vi) an RRSP or RRIF established by or for the individual under which he or she is the beneficiary.
- (h) “**CSE**” means the Canadian Securities Exchange.
- (i) “**Disability**” means a medically determinable physical or mental impairment expected to result in death or to last for a continuous period of not less than 12 months, and which causes an individual to be unable to engage in any substantial gainful activity, or any other condition of impairment that the Committee, acting reasonably, determines constitutes a disability.
- (j) “**Employee**” means:
- (i) an individual who works full-time or part-time for the Company or any Subsidiary and such other individual as may, from time to time, be permitted by applicable Regulatory Rules to be granted Options as an employee or as an equivalent thereto; or
 - (ii) an individual who works for the Company or any Subsidiary either full-time or on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company or any Subsidiary over the details and methods of work as an employee of the Company or any Subsidiary, but for whom income tax deductions are not made at source,

and includes:

- (iii) a corporation wholly-owned by such individual; and
 - (iv) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.
- (k) “**Executive**” means an individual who is a director or officer of the Company or a Subsidiary, and includes:
- (i) a corporation wholly-owned by such individual; and

- (ii) any RRSP or RRIF established by or for such individual under which he or she is the beneficiary.
- (l) “**Exercise Notice**” means the written notice of the exercise of an Option, in the form set out as Schedule “B” hereto, duly executed by the Option Holder.
- (m) “**Exercise Period**” means the period during which a particular Option may be exercised and is the period from and including the Grant Date through to and including the Expiry Time on the Expiry Date provided, however, that the Option has vested pursuant to the terms and conditions of this Plan and that no Option can be exercised unless and until all necessary Regulatory Approvals have been obtained.
- (n) “**Exercise Price**” means the price at which an Option is exercisable as determined in accordance with section 5.3.
- (o) “**Expiry Date**” means the date the Option expires as set out in the Option Agreement or as otherwise determined in accordance with sections 5.4, 6.2, 6.3, 6.4 or 11.4.
- (p) “**Expiry Time**” means the time the Option expires on the Expiry Date, which is 5:00 p.m. local time in Toronto, Ontario on the Expiry Date.
- (q) “**Grant Date**” means the date on which the Committee grants a particular Option, which is the date the Option comes into effect provided however that no Option can be exercised unless and until all necessary Regulatory Approvals have been obtained.
- (r) “**Insider**” means an insider as that term is defined in the *Securities Act*;
- (s) “**Investor Relations Activities**” means any activities or oral or written communications, by or on behalf of the Company or shareholder of the Company, that promote or reasonably could be expected to promote the purchase or sale of securities of the Company, but does not include:
 - (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Company:
 - (1) to promote the sale of products or services of the Company; or
 - (2) to raise public awareness of the Company;that cannot reasonably be considered to promote the purchase or sale of securities of the Company;
 - (ii) that activities or communications necessary to comply with the requirements of:
 - (1) applicable securities laws, policies, or regulations;
 - (2) the rules, and regulations of the CSE or the by-laws, rules or other regulatory instruments of any other self-regulatory body or Exchange having jurisdiction over the Company; or
 - (iii) activities or communications that may be otherwise specified by the CSE;

- (t) “**Legacy Plan**” means the prior stock option plan of the Company, initially adopted on August 5, 2008, as amended on January 15, 2021.
- (u) “**Option**” means a share purchase option granted pursuant to this Plan entitling the Option Holder to purchase Shares of the Company.
- (v) “**Option Agreement**” means the agreement, in substantially the form set out as Schedule “A” hereto, evidencing the Option.
- (w) “**Option Holder**” means a Person or Entity who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person.
- (x) “**Outstanding Issue**” means the number of Shares that are outstanding (on a non-diluted basis) immediately prior to the Share issuance or grant of Option in question.
- (y) “**Person or Entity**” means an individual, natural person, corporation, government or political subdivision or agency of a government, and where two or more persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such partnership, limited partnership, syndicate or group shall be deemed to be a Person or Entity.
- (z) “**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.
- (aa) “**Plan**” means this stock option plan as from time to time amended.
- (bb) “**Regulatory Approvals**” means any necessary approvals of the Regulatory Authorities as may be required from time to time for the implementation, operation or amendment of this Plan or for the Options granted from time to time hereunder.
- (cc) “**Regulatory Authorities**” means all organized trading facilities on which the Shares are listed, and all securities commissions or similar securities regulatory bodies having jurisdiction over the Company, this Plan or the Options granted from time to time hereunder.
- (dd) “**Regulatory Rules**” means all corporate and securities laws, regulations, rules, policies, notices, instruments and other orders of any kind whatsoever which may, from time to time, apply to the implementation, operation or amendment of this Plan or the Options granted from time to time hereunder including, without limitation, those of the applicable Regulatory Authorities.
- (ee) “**Securities Act**” means the *Securities Act* (Ontario) as amended from time to time.
- (ff) “**Security Based Compensation Arrangements**” means any incentive plan of the Company (other than this Plan), including the Company’s restricted share unit plan, as well

as any other (i) stock option plans for the benefit of Employees, Insiders, service providers or any one of such groups; (ii) individual stock options granted to Employees, service providers or Insiders if not granted pursuant to a plan previously approved by the Company's security holders; (iii) stock purchase plans where the Company provides financial assistance or where the Company matches the whole or a portion of the securities being purchased; (iv) stock appreciation rights involving issuances of securities from treasury; (v) any other compensation or incentive mechanism involving the issuance or potential issuances of securities of the Company; and (vi) security purchases from treasury by an Employee, Insider or service provider which is financially assisted by the Company by any means whatsoever;

- (gg) **"Share"** or **"Shares"** means, as the case may be, one or more common shares in the capital of the Company.
- (hh) **"Subsidiary"** means a wholly-owned or controlled subsidiary corporation of the Company.
- (ii) **"Triggering Event"** means:
 - (i) the proposed dissolution, liquidation or wind-up of the Company;
 - (ii) a proposed merger, amalgamation, arrangement or reorganization of the Company with one or more corporations as a result of which, immediately following such event, the shareholders of the Company as a group, as they were immediately prior to such event, are expected to hold less than a majority of the outstanding capital stock of the surviving corporation;
 - (iii) the proposed acquisition of all or substantially all of the issued and outstanding shares of the Company by one or more Persons or Entities;
 - (iv) a proposed Change of Control of the Company;
 - (v) the proposed sale or other disposition of all or substantially all of the assets of the Company; or
 - (vi) a proposed material alteration of the capital structure of the Company which, in the opinion of the Committee, is of such a nature that it is not practical or feasible to make adjustments to this Plan or to the Options granted hereunder to permit the Plan and Options granted hereunder to stay in effect.
- (jj) **"vest"** or **"vested"** or **"Vesting"** means that portion of the Option granted to the Option Holder which is available to be exercised by the Option Holder at any time and from time to time.

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 Ontario and the laws of Canada applicable therein without giving effect to the conflicts of laws principles thereof and without reference to the laws in any other jurisdiction. The Company and each Option Holder hereby attorn to the jurisdiction of the Courts of Ontario.

1.3 **Headings**

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

SECTION 2 GRANT OF OPTIONS

2.1 **Grant of Options**

The Committee shall, from time to time in its sole discretion, grant Options to such Persons or Entities and on such terms and conditions as are permitted under this Plan.

2.2 **Record of Option Grants**

The Administrator shall be responsible to maintain a record of all Options granted under this Plan and such record shall contain, in respect of each Option:

- (a) the name and address of the Option Holder
- (b) the category (Executive, Employee or Consultant) under which the Option was granted to him, her or it;
- (c) the Grant Date and Expiry Date of the Option;
- (d) the number of Shares which may be acquired on the exercise of the Option and the Exercise Price of the Option;
- (e) the vesting and other additional terms, if any, attached to the Option; and
- (f) the particulars of each and every time the Option is exercised.

2.3 **Effect of Plan**

All Options granted pursuant to the Plan shall be subject to the terms and conditions of the Plan notwithstanding the fact that the Option Agreements issued in respect thereof do not expressly contain such terms and conditions but instead incorporate them by reference to the Plan. The Option Agreements will be issued for convenience only and in the case of a dispute with regard to any matter in respect thereof, the provisions of the Plan and the records of the Company shall prevail over the terms and conditions in the Option Agreement, save and except as noted below. Each Option will also be subject to, in addition to the provisions of the Plan, the terms and conditions contained in the schedules, if any, attached to the Option Agreement for such Option. Should the terms and conditions contained in such schedules be inconsistent with the provisions of the Plan, such terms and conditions will supersede the provisions of the Plan.

All stock options previously granted pursuant to the Legacy Plan shall continue to be governed by the terms and conditions of the Legacy Plan, and shall not be subject to the terms and conditions of this Plan. For greater certainty, no further stock options may be granted pursuant to the Legacy Plan.

SECTION 3 PURPOSE AND PARTICIPATION

3.1 Purpose of Plan

The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Executives, Employees and Consultants, to contribute toward the long term goals of the Company, and to encourage such individuals to acquire Shares of the Company as long term investments.

3.2 Participation in Plan

The Committee shall, from time to time and in its sole discretion, determine those Executives, Employees and Consultants, if any, to whom Options are to be granted.

3.3 Limits on Option Grants

The following limitations shall apply to the Plan and all Options thereunder:

- (a) the maximum number of Shares which may be reserved for issuance to any one Option Holder under the Plan which are subject to outstanding Options granted under the Plan must not exceed five percent (5%) of the issued Shares (determined at the date the Option was granted) in a twelve (12) month period, unless the Company first obtains disinterested shareholder approval of this Plan pursuant to the Regulatory Rules (but only if the Regulatory Rules require such approval);
- (b) The number of Shares granted to any one Consultant under the Plan together with all other Security Based Compensation Arrangements in a twelve (12) month period must not exceed two percent (2%) of the issued Shares of the Company, calculated at the date the Option was granted to the Consultant.
- (c) The aggregate number of Options granted to an Option Holder employed to provide Investor Relations Activities under the Plan must not exceed two percent (2%) of the issued Shares of the Company in any twelve (12) month period, calculated at the date the Option was granted.
- (d) Unless the Company has first obtained disinterested shareholder approval of this Plan pursuant to the Regulatory Rules (but only if the Regulatory Rules require such approval), the aggregate number of Shares (i) issued to Insiders under the Plan within a twelve-month period, and (ii) issuable to Insiders of the Company at any time under the Plan, together with all of the Company's other Security Based Compensation Arrangements, shall not exceed ten percent (10%) of the total number of Shares then outstanding (calculated at the date an Option is granted to any Insider).
- (e) Any Shares subject to an Option which for any reason is cancelled or terminated without having been exercised shall again be available for grants under the Plan; and
- (f) with respect to section 5.1, the Expiry Date of an Option shall be no later than the tenth anniversary of the Grant Date of such Option.

3.4 **Notification of Grant**

Following the granting of an Option, the Administrator shall, within a reasonable period of time, notify the Option Holder in writing of the grant and shall enclose with such notice the Option Agreement representing the Option so granted. In no case will the Company be required to deliver an Option Agreement to an Option Holder until such time as the Company has obtained all necessary Regulatory Approvals for the grant of the Option.

3.5 **Copy of Plan**

Each Option Holder, concurrently with the notice of the grant 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.

3.6 **Limitation on Service**

The Plan does not give any Option Holder that is an Executive the right to serve or continue to serve as an Executive of the Company or any Subsidiary, nor does it give any Option Holder that is an Employee or Consultant the right to be or to continue to be employed or engaged by the Company or any Subsidiary.

3.7 **No Obligation to Exercise**

Option Holders shall be under no obligation to exercise Options granted under this Plan.

3.8 **Agreement**

The Company and every Option Holder granted an Option hereunder shall be bound by and subject to the terms and conditions of this Plan. By accepting an Option granted hereunder, the Option Holder has expressly agreed with the Company to be bound by the terms and conditions of this Plan. In the event that the Option Holder receives his, her or its Options pursuant to an oral or written agreement with the Company or a Subsidiary, whether such agreement is an employment agreement, consulting agreement or any other kind of agreement of any kind whatsoever, the Option Holder acknowledges that in the event of any inconsistency between the terms relating to the grant of such Options in that agreement and the terms attaching to the Options as provided for in this Plan, the terms provided for in this Plan shall prevail and the other agreement shall be deemed to have been amended accordingly. Nothing in this section shall be construed as preventing the Company from attaching to any Options granted hereunder terms or conditions that are more stringent than those set out in the Plan, including any terms or conditions that, in the opinion of United States counsel to the Company, are advisable in order to comply with laws applicable to grants to United States Option Holders, or to make grants to such Option Holders more tax efficient.

3.9 **Notice**

Any notice, delivery or other correspondence of any kind whatsoever to be provided by the Company to an Option Holder will be deemed to have been provided if provided to the last home address, fax number or email address of the Option Holder in the records of the Company and the Company shall be under no obligation to confirm receipt or delivery.

3.10 **Representation to CSE**

As a condition precedent to the issuance of an Option, the Company must be able to represent to the CSE as of the Grant Date that the Option Holder is a bona fide Executive, Employee or Consultant of the Company or any Subsidiary.

SECTION 4 NUMBER OF SHARES UNDER PLAN

4.1 **Number of Shares**

Subject to adjustment as provided for herein, the aggregate number of Shares which will be available for purchase pursuant to Options granted pursuant to this Plan and the Legacy Plan will not exceed 10% of the number of Shares which are issued and outstanding from time to time. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Shares in respect of such expired or terminated Option shall again be available for the purposes of granting Options pursuant to this Plan.

4.2 **Fractional Shares**

No fractional shares shall be issued upon the exercise of any Option and, if as a result of any adjustment, an Option Holder would become entitled to a fractional share, such Option Holder shall have the right to purchase only the next lowest whole number of Shares and no payment or other adjustment will be made for the fractional interest.

SECTION 5 TERMS AND CONDITIONS OF OPTIONS

5.1 **Exercise Period of Option**

Subject to sections 5.4, 6.2, 6.3, 6.4 and 11.4, the Grant Date and the Expiry Date of an Option shall be the dates fixed by the Committee at the time the Option is granted and shall be set out in the Option Agreement issued in respect of such Option.

5.2 **Number of Shares Under Option**

The number of Shares which may be purchased pursuant to an Option shall be determined by the Committee and shall be set out in the Option Agreement issued in respect of the Option.

5.3 **Exercise Price of Option**

The Exercise Price at which an Option Holder may purchase a Share upon the exercise of an Option shall be determined by the Committee and shall be set out in the Option Agreement issued in respect of the Option. The Exercise Price shall not be less than the price determined in accordance with CSE policies while the Company's Shares are listed on the CSE.

5.4 **Termination of Option**

Subject to such other terms or conditions that may be attached to Options granted hereunder, an Option Holder may exercise an Option in whole or in part at any time and 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 the Expiry Time. The Expiry Date of an Option shall be the date so fixed by the Committee at the time the Option is granted as set out in the Option Agreement or, if no such date is set out in for the Option Agreement the applicable circumstances, the date established, if applicable, in paragraphs (a) or (b) below or sections 6.2, 6.3, 6.4, or 11.4 of this Plan:

(a) *Ceasing to Hold Office* - In the event that the Option Holder holds his or her Option as an Executive and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless otherwise expressly provided for in the Option Agreement, the 90th day following the date the Option Holder ceases to hold such position unless the Option Holder ceases to hold such position as a result of:

- (i) ceasing to meet the qualifications set forth in the corporate legislation applicable to the Company;
- (ii) a special resolution having been passed by the shareholders of the Company removing the Option Holder as a director of the Company or any Subsidiary; or
- (iii) an order made by any Regulatory Authority having jurisdiction to so order; in

which case the Expiry Date shall be the date the Option Holder ceases to hold such position;
OR

(b) *Ceasing to be Employed or Engaged* - In the event that the Option Holder holds his or her Option as an Employee or Consultant, other than an Option Holder who is engaged in Investor Relations Activities, and such Option Holder ceases to hold such position other than by reason of death or Disability, the Expiry Date of the Option shall be, unless otherwise expressly provided for in the Option Agreement, the 90th day following the date the Option Holder ceases to hold such position, or, in the case of an Option Holder that is engaged in Investor Relations Activities, the 30th day after the date such Option Holder ceases to hold such position, unless the Option Holder ceases to hold such position as a result of:

- (i) termination for cause;
- (ii) resigning or terminating his or her position; or
- (iii) an order made by any Regulatory Authority having jurisdiction to so order; in

which case the Expiry Date shall be the date the Option Holder ceases to hold such position.

In the event that the Option Holder ceases to hold the position of Executive, Employee or Consultant for which the Option was originally granted, but comes to hold a different position as an Executive, Employee or Consultant prior to the expiry of the Option, the Committee may, in its sole discretion, choose to permit the Option to stay in place for that Option Holder with such Option then to be treated as being held by that Option Holder in his or her new position and such will not be considered to be an amendment to the Option in question requiring the consent of the Option Holder under section 9.2 of this Plan. Notwithstanding anything else contained herein, in no case will an Option be exercisable later than the Expiry Date of the Option.

5.5 **Vesting of Option and Acceleration**

The vesting schedule for an Option, if any, shall be determined by the Committee and shall be set out in the Option Agreement issued in respect of the Option. The Committee may elect, at any time, to accelerate the vesting schedule of one or more Options including, without limitation, on a Triggering Event, and such acceleration will not be considered an amendment to the Option in question requiring the consent of the Option Holder under section 9.2 of this Plan, subject to the limitation under subsection 3.3.

5.6 **Additional Terms**

Subject to all applicable Regulatory Rules and all necessary Regulatory Approvals, the Committee may attach additional terms and conditions to the grant of a particular Option, such terms and conditions to be set out in a schedule attached to the Option Agreement. The Option Agreements will be issued for convenience only, and in the case of a dispute with regard to any matter in respect thereof, the provisions of this Plan and the records of the Company shall prevail over the terms and conditions in the Option Agreement, save and except as noted below. Each Option will also be subject to, in addition to the provisions of the Plan, the terms and conditions contained in the schedules, if any, attached to the Option Agreement for such Option. Should the terms and conditions contained in such schedules be inconsistent with the provisions of the Plan, such terms and conditions will supersede the provisions of the Plan.

SECTION 6 **TRANSFERABILITY OF OPTIONS**

6.1 **Non-transferable**

Except as provided otherwise in this section 6 or expressly set out in an Option Agreement, Options are non-assignable and non-transferable.

6.2 **Death of Option Holder**

In the event of the Option Holder's death, any Options held by such Option Holder shall pass to the Personal Representative of the Option Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the date of death and the applicable Expiry Date.

6.3 **Disability of Option Holder**

If the employment or engagement of an Option Holder as an Employee or Consultant or the position of an Option Holder as a director or officer of the Company or a Subsidiary is terminated by the Company by reason of such Option Holder's Disability, any Options held by such Option Holder shall be exercisable by such Option Holder or by the Personal Representative on or before the date which is the earlier of one year following the termination of employment, engagement or appointment as a director or officer and the applicable Expiry Date.

6.4 **Disability and Death of Option Holder**

If an Option Holder has ceased to be employed, engaged or appointed as a director or officer of the Company or a Subsidiary by reason of such Option Holder's Disability and such Option Holder dies within six months after the termination of such engagement, any vested Options at the time an Option Holder ceased to be employed, engaged or appointed as a director or officer of the Company or a Subsidiary which remains exercisable may be exercised in accordance with its terms by the Personal Representative of such

Option Holder and shall be exercisable by the Personal Representative on or before the date which is the earlier of one year following the death of such Option Holder and the applicable Expiry Date.

6.5 Vesting

Unless the Committee determines otherwise, Options held by or exercisable by a Personal Representative shall, during the period prior to their termination, continue to vest in accordance with any vesting schedule to which such Options are subject.

6.6 Deemed Non-Interruption of Engagement

Employment or engagement by the Company shall be deemed to continue intact during any military or sick leave or other bona fide leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Option Holder's right to re-employment or re-engagement by the Company is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Option Holder's re-employment or re-engagement is not so guaranteed, then his or her employment or engagement shall be deemed to have terminated on the ninety-first day of such leave.

SECTION 7 EXERCISE OF OPTION

7.1 Exercise of Option; Black Out Period

An Option may be exercised only by the Option Holder or the Personal Representative of any Option Holder. An Option Holder or the Personal Representative of any Option Holder may exercise an Option in whole or in part at any time and from time to time during the Exercise Period up to the Expiry Time by delivering to the Administrator the required Exercise Notice, the applicable Option Agreement and a certified cheque or bank draft or wire transfer payable to the Company in an amount equal to the aggregate Exercise Price of the Shares then being purchased pursuant to the exercise of the Option. Notwithstanding anything else contained herein, Options may not be exercised during Black-Out unless the Committee determines otherwise. Notwithstanding any other provision of this Plan, the Exercise Period of Options that would expire during a Black-Out shall be extended to the date that is 10 business days following the expiry of the applicable Black-Out.

7.2 Issue of Share Certificates

As soon as reasonably practicable following the receipt of the Exercise Notice, the Administrator shall cause to be delivered to the Option Holder a certificate (or DRS statement) for the Shares so purchased. If the number of Shares so purchased is less than the number of Shares subject to the Option Agreement surrendered, the Administrator shall also provide a new Option Agreement for the balance of Shares available under the Option to the Option Holder concurrent with delivery of the Share certificate (or DRS statement).

7.3 No Rights as Shareholder

Until the date of the issuance of the certificate (or DRS statement) for the Shares purchased pursuant to the exercise of an Option, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Option, unless the Committee determines otherwise. In the event of any dispute over the date of the issuance of the certificate (or DRS statement), the decision of the Committee shall be final, conclusive and binding.

7.4 Tax Withholding and Procedures

Notwithstanding anything else contained in this Plan, the Company may, from time to time, implement such procedures and conditions as it determines appropriate with respect to the withholding and remittance of taxes imposed under applicable law, or the funding of related amounts for which liability may arise under such applicable law. Without limiting the generality of the foregoing, an Option Holder who wishes to exercise an Option must, in addition to following the procedures set out in section 7.1 and elsewhere in this Plan, and as a condition of exercise:

- (a) deliver a certified cheque, wire transfer or bank draft payable to the Company for the amount determined by the Company to be the appropriate amount on account of such taxes or related amounts; or
- (b) otherwise ensure, in a manner acceptable to the Company (if at all) in its sole and unfettered discretion, that the amount will be securely funded;

and must in all other respects follow any related procedures and conditions imposed by the Company.

SECTION 8 ADMINISTRATION

8.1 Board or Committee

The Plan shall be administered by the Board, by a Committee of the Board appointed in accordance with section 8.2 below, or by an Administrator appointed in accordance with subsection 8.4(b).

8.2 Appointment of Committee

The Board may at any time appoint a Committee, consisting of not less than two of its members, to administer the Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and appoint new members in their place, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan.

8.3 Quorum and Voting

A majority of the members of the Committee shall constitute a quorum and, subject to the limitations in this section 8, all actions of the Committee shall require the affirmative vote of members who constitute a majority of such quorum. Members of the Committee may vote on any matters affecting the administration of the Plan or the grant of Options pursuant to the Plan, except that no such member shall act upon the granting of an Option to himself or herself (but any such member may be counted in determining the existence of a quorum at any meeting of the Committee during which action is taken with respect to the granting of Options to that member). The Committee may approve matters by written resolution signed by a majority of the quorum.

8.4 Powers of Committee

The Committee (or the Board if no Committee is in place) shall have the authority to do the following:

- (a) administer the Plan in accordance with its terms;
- (b) appoint or replace the Administrator from time to time;
- (c) determine all questions arising in connection with the administration, interpretation and application of the Plan;
- (d) 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;
- (e) prescribe, amend, and rescind rules and regulations relating to the administration of the Plan;
- (f) determine the duration and purposes of leaves of absence from employment or engagement by the Company which may be granted to Option Holders without constituting a termination of employment or engagement for purposes of the Plan;
- (g) do the following with respect to the granting of Options:
 - (i) determine the Executives, Employees or Consultants to whom Options shall be granted, based on the eligibility criteria set out in this Plan;
 - (ii) determine the terms of the Option to be granted to an Option Holder including, without limitation, the Grant Date, Expiry Dates, Exercise Price and vesting schedule (which need not be identical with the terms of any other Option);
 - (iii) subject to any necessary Regulatory Approvals and section 9.2, amend the terms of any Options;
 - (iv) determine when Options shall be granted; and
 - (v) determine the number of Shares subject to each Option;
- (h) accelerate the vesting schedule of any Option previously granted, subject always to the limitation in subsection 3.3; and
- (i) make all other determinations necessary or advisable, in its sole discretion, for the administration of the Plan.

8.5 Administration by Committee

All determinations made by the Committee in good faith shall be final, conclusive and binding upon all persons. The Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan.

8.6 Interpretation

The interpretation by the Committee of any of the provisions of the Plan and any determination by it pursuant thereto shall be final, conclusive and binding and shall not be subject to dispute by any Option Holder. No member of the Committee or any person acting pursuant to authority delegated by it hereunder

shall be personally liable for any action or determination in connection with the Plan made or taken in good faith and each member of the Committee and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Company.

SECTION 9 APPROVALS AND AMENDMENT

9.1 Shareholder Approval of Plan

If required by a Regulatory Authority or by the Committee, this Plan may be made subject to the approval of a majority of the votes cast at a meeting of the shareholders of the Company or by a majority of votes cast by disinterested shareholders at a meeting of shareholders of the Company. Any Options granted under this Plan will not be exercisable or binding on the Company unless and until such shareholder approval is obtained.

9.2 Amendment of Option or Plan

Subject to any required Regulatory Approvals, the Committee may from time to time amend any existing Option or the Plan or the terms and conditions of any Option thereafter to be granted provided that where such amendment relates to an existing Option and it would:

- (a) materially decrease the rights or benefits accruing to an Option Holder; or
- (b) materially increase the obligations of an Option Holder;

then, unless otherwise excepted out by a provision of this Plan, the Committee must also obtain the written consent of the Option Holder in question to such amendment. If at the time the Exercise Price of an Option is reduced the Option Holder is an Insider of the Company, the Insider must not exercise the option at the reduced Exercise Price until the reduction in Exercise Price has been approved by the disinterested shareholders of the Company, if required by the CSE.

SECTION 10 CONDITIONS PRECEDENT TO ISSUANCE OF OPTIONS AND SHARES

10.1 Compliance with Laws

An Option shall not be granted or exercised, and Shares shall not be issued pursuant to the exercise of any Option, unless the grant and exercise of such Option and the issuance and delivery of such Shares comply with all applicable Regulatory Rules, and such Options and Shares will be subject to all applicable trading restrictions in effect pursuant to such Regulatory Rules and the Company shall be entitled to legend the Option Agreements and the certificate (or DRS statement) representing such Shares accordingly.

10.2 Obligation to Obtain Regulatory Approvals

In administering this Plan, the Committee will seek any Regulatory Approvals which may be required. The Committee will not permit any Options to be granted without first obtaining the necessary Regulatory Approvals unless such Options are granted conditional upon such Regulatory Approvals being obtained. The Committee will make all filings required with the Regulatory Authorities in respect of the Plan and each grant of Options hereunder. No Option granted will be exercisable or binding on the Company unless and until all necessary Regulatory Approvals have been obtained. The Committee shall be entitled to amend

this Plan and the Options granted hereunder in order to secure any necessary Regulatory Approvals and such amendments will not require the consent of the Option Holders under section 9.2 of this Plan.

10.3 Inability to Obtain Regulatory Approvals

The Company's inability to obtain Regulatory Approval from any applicable Regulatory Authority, which Regulatory Approval is deemed by the Committee to be necessary to complete the grant of Options hereunder, the exercise of those Options or the lawful issuance and sale of any Shares pursuant to such Options, shall relieve the Company of any liability with respect to the failure to complete such transaction.

SECTION 11 ADJUSTMENTS AND TERMINATION

11.1 Termination of Plan

Subject to any necessary Regulatory Approvals, the Committee may terminate or suspend the Plan.

11.2 No Grant During Suspension of Plan

No Option may be granted during any suspension, or after termination, of the Plan. Suspension or termination of the Plan shall not, without the consent of the Option Holder, alter or impair any rights or obligations under any Option previously granted.

11.3 Alteration in Capital Structure

If there is a material alteration in the capital structure of the Company and the Shares are consolidated, subdivided, converted, exchanged, reclassified or in any way substituted for, the Committee shall make such adjustments to this Plan and to the Options then outstanding under this Plan as the Committee determines to be appropriate and equitable under the circumstances, so that the proportionate interest of each Option Holder shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustments may include, without limitation:

- (a) a change in the number or kind of shares of the Company covered by such Options; and
- (b) a change in the Exercise Price payable per Share provided, however, that the aggregate Exercise Price applicable to the unexercised portion of existing Options shall not be altered, it being intended that any adjustments made with respect to such Options shall apply only to the Exercise Price per Share and the number of Shares subject thereto.

For purposes of this section 11.3, and without limitation, neither:

- (c) the issuance of additional securities of the Company in exchange for adequate consideration (including services); nor
- (d) the conversion of outstanding securities of the Company into Shares shall be deemed to be material alterations of the capital structure of the Company.

Any adjustment made to any Options pursuant to this section 11.3 shall not be considered an amendment requiring the Option Holder's consent for the purposes of section 9.2 of this Plan.

11.4 **Triggering Events**

Subject to the Company complying with section 11.5 and any necessary Regulatory Approvals and notwithstanding any other provisions of this Plan or any Option Agreement, the Committee may, without the consent of the Option Holder or Option Holders in question:

- (a) cause all or a portion of any of the Options granted under the Plan to terminate upon the occurrence of a Triggering Event; or
- (b) cause all or a portion of any of the Options granted under the Plan to be exchanged for incentive stock options of another corporation upon the occurrence of a Triggering Event in such ratio and at such exercise price as the Committee deems appropriate, acting reasonably.

Such termination or exchange shall not be considered an amendment requiring the Option Holder's consent for the purpose of section 9.2 of the Plan.

11.5 **Notice of Termination by Triggering Event**

In the event that the Committee wishes to cause all or a portion of any of the Options granted under this Plan to terminate on the occurrence of a Triggering Event, it must give written notice to the Option Holders in question not less than 10 days prior to the consummation of a Triggering Event so as to permit the Option Holder the opportunity to exercise the vested portion of the Options prior to such termination. Upon the giving of such notice and subject to any necessary Regulatory Approvals, all Options or portions thereof granted under the Plan which the Company proposes to terminate shall become immediately exercisable notwithstanding any contingent vesting provision to which such Options may have otherwise been subject.

11.6 **Determinations to be Made By Committee**

Adjustments and determinations under this section 11 shall be made by the Committee, whose decisions as to what adjustments or determination shall be made, and the extent thereof, shall be final, binding, and conclusive.

SCHEDULE "A"

[Any applicable securities law resale restrictions to be added hereto.]

OPTION AGREEMENT

Psyence Group Inc. (the "**Company**") hereby grants to the Optionee named below (the "**Optionee**"), the Option to purchase, in accordance with and subject to the terms, conditions and restrictions of this Agreement, together with the provisions of the Company's stock option plan dated _____ (the "**Plan**") as it may be amended or replaced from time to time in accordance with the terms of the Plan, the number of Shares in the capital of the Company at the price per share set forth below:

Name of Optionee: _____

Type of Eligible Person: Executive (including members of the Board), Employee, Consultant
(choose one) _____

Date of Grant: _____

Total Number of Shares Subject to Option: _____

Exercise Price: CDNS _____

Vesting Schedule:*

- a) 1/3 6 months after listing
- b) 1/3 12 months after listing
- c) 1/3 30 months after listing
- d) * in each case measured from the date of the listing of the shares of the Company, or the shares of any corporation for which the Company's shares are exchanged, on the Canadian Securities Exchange

Expiry Date: _____

1. The terms and conditions of the Plan are incorporated by reference as terms and conditions of this Option Agreement and all capitalized terms used in this Agreement, unless expressly defined in a different manner, have the meanings given to them in the Plan.
2. Subject to the Plan and unless otherwise determined by the Board at the time of granting an Option, each Option shall vest as set out in the table above.
3. In no event is the Option exercisable, in whole or in part, after the Expiry Date.
4. No fractional Shares will be issued on the exercise of any part of the Option. If, as a result of any adjustment to the number of Shares issuable on the exercise of the Option pursuant to the Plan, the Optionee would be entitled to receive a fractional Share, the Optionee has the right to acquire only the adjusted number of full Shares and no payment or other adjustment will be made with respect to the fractional Shares so disregarded.

5. Nothing in the Plan or in this Option Agreement will affect the Company's right, or that of an affiliate, to terminate the employment of, term of office of, or consulting agreement or arrangement with an Optionee at any time for any reason. Upon such termination, an Optionee's rights to exercise Options will be subject to the restrictions and time limits for the exercise of Options set out in the Plan.
6. In the event the Optionee violates, breaches, fails to fully perform or otherwise contravenes any obligation it owes to the Company set out in any agreement it has with the Company or to which it is subject under applicable law pertaining to (i) non-disclosure of confidential information of the Company, (ii) ownership of intellectual property or inventions, (iii) noncompetition or restraint of trade undertakings or (iv) dealings with employees or customers of the Company, then all unexercised Options, whether vested or unvested, held by such Optionee shall be deemed to have terminated immediately upon the occurrence of such event and thereafter shall be deemed to be null and void and no longer exercisable or enforceable.
7. In the event (i) the Optionee's employment or consulting services with the Company or any of its affiliated companies is/are terminated for cause or (ii) the Optionee ceases to be a director of the Company following a breach of its fiduciary duty to the Company under any applicable law or as contemplated in any agreement with the Company, then all unexercised Options held by the Optionee, whether vested or unvested, shall be deemed to have terminated immediately upon delivery to the Optionee of notice of termination or notice of removal or the Optionee's resignation and thereafter all of such Options shall be deemed to be null and void and no longer exercisable or enforceable.
8. Each notice relating to the Option must be in writing. Any exercise of the Option must be in the exercise form attached to this Agreement as Schedule "A". All notices to the Company must be delivered personally or by prepaid registered mail and must be addressed to the Secretary of the Company. All notices to the Optionee will be addressed to the principal address of the Optionee on file with the Company. Either the Company or the Optionee may designate a different address by written notice to the other. Such notices are deemed to be received, if delivered personally, on the date of delivery, and if sent by prepaid, registered mail, on the fifth business day following the date of mailing. Any notice given by the Optionee is not binding on the Company until received.
9. If the issuance of Shares on the exercise of the Option may, in the opinion of the Company, conflict or be inconsistent with any applicable law or regulation of any governmental agency having jurisdiction, the Company reserves the right to refuse to issue such Shares for so long as such conflict or inconsistency remains outstanding.
10. Subject to the Plan, the Option granted pursuant to this Option Agreement may only be exercised during the lifetime of the Optionee by the Optionee personally and, subject to the Plan, no assignment or transfer of the Option, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Option whatsoever in any assignee or transferee, and immediately upon any assignment or transfer or any attempt to make such assignment or transfer, the Option terminates and is of no further force or effect. Complete details of this restriction are set out in the Plan.
11. The Optionee hereby agrees that:

- (a) any rule, regulation or determination, including the interpretation by the Board of the Plan, the Option granted hereunder and the exercise of it, is final and conclusive for all purposes and binding on all persons including the Company and the Optionee; and
 - (b) the grant of the Option does not affect in any way the right of the Company or any affiliate to terminate the employment or service of the Optionee.
12. The Optionee hereby acknowledges and agrees that his/her/its participation in the grant of the Option (the “**trade**”) is entirely voluntary. In that regard, the Optionee acknowledges that under applicable securities laws, participation in the trade is considered voluntary if:
- (a) in the case of an Employee, the Employee is not induced to participate in the trade by expectation of employment or continued employment of the Employee with the Company or an affiliate;
 - (b) in the case of an Executive, the Executive is not induced to participate in the trade by expectation of appointment, employment, continued appointment or continued employment of the Executive with the Company or an affiliate; and
 - (c) in the case of a Consultant, the Consultant is not induced to participate in the trade by expectation of engagement of the Consultant to provide services or continued engagement of the Consultant to provide services to the Company or an affiliate.
13. This Option Agreement shall terminate and be of no further force or effect if not executed and returned by the Optionee within one week of the date of grant of the Option.
14. This Option Agreement has been made in and is to be construed under and in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
15. This Option Agreement or any part of it may be executed by the parties in separate counterparts each of which, when executed, shall be considered to be an original and all of which shall constitute the same agreement. Executed counterparts may be delivered by facsimile or other electronic delivery, including Adobe Acrobat PDF.

PSYENCE GROUP INC.

By: _____
Authorized Signatory

I have read the foregoing Option Agreement and hereby accept the Option to purchase Shares in accordance with and subject to the terms and conditions of this Option Agreement and the Plan. I understand that I may review the complete text of the Plan by contacting the Secretary of the Company. I agree to be bound by the terms and conditions of the Plan governing the award of Options evidenced by this Option Agreement.

Date Accepted

Optionee's Signature

Optionee's Name
(Please Print)

SCHEDULE "A"

EXERCISE FORM

TO: PSYENCE GROUP INC.

The undersigned holder of the within Option hereby irrevocably exercises the Option and subscribes for the number of Shares of Psyence Group Inc. at the Exercise Price referred to in such Option and encloses herewith a certified cheque, bank draft or money order payable to the order of Psyence Group Inc. in full payment of the subscription price of the Shares hereby subscribed for.

The undersigned hereby directs that the said Shares be issued as follows:

NAME(S) IN FULL	ADDRESS(ES)	NUMBER OF SHARES

(Please print. If securities are issued to a person other than the holder, the holder must pay all exigible taxes and the signature of the holder must be guaranteed.)

DATED this _____ day of _____, _____.

Witness)	Signature
)	
)	
)	Print Name
)	
)	
)	Address in full

If required, the signature of holder must be guaranteed by a Canadian chartered bank or a Canadian trust company or by a member firm of a Canadian stock exchange.

SCHEDULE "C"
AMENDED RESTRICTED SHARE UNIT PLAN

**RESTRICTED SHARE UNIT PLAN OF
PSYENCE GROUP INC.**
(The “Corporation”), as adopted by shareholders on December 9, 2021

**PART 1
GENERAL PROVISIONS**

Establishment and Purpose

- 1.1 The Corporation’s Restricted Share Unit (“RSU”) plan (in this document referred to as the “Plan”) was initially established by the Board (as defined below) on August 13, 2021. The Board subsequently approved this version of the RSU Plan on November 9, 2021, subject to shareholder approval. Shareholders approved of the amendments to the Plan and it became effective on December 9, 2021.
- 1.2 The purpose of the Plan is to secure for the Corporation and its shareholders the benefits of incentive inherent in share ownership by Eligible Persons who, in the judgment of the Board, will be responsible for its future growth and success. The Board also contemplates that through the Plan, the Corporation will be better able to compete for and retain the services of the individuals needed for the continued growth and success of the Corporation.

Definitions

- 1.3 In this Plan:
- (a) “**Affiliate**” means any corporation that is an affiliate of the Corporation as defined in National Instrument 45-106 - *Prospectus Exemptions*, as may be amended from time to time;
 - (b) “**Applicable Law**” means all applicable federal, provincial, and foreign laws and any regulations, instruments or orders enacted thereunder, and the rules, regulations, and policies of the Exchange;
 - (c) “**Applicable Withholding Tax**” means any and all taxes and other source deductions or other amounts which the Corporation is required by Applicable Law to withhold from any amounts paid or credited to a Participant under the Plan, which the Corporation determines to withhold in order to fund remittance obligations;
 - (d) “**Award**” means an award of RSUs under this Plan represented by a Restricted Share Unit Notice;
 - (e) “**Award Payout**” means the applicable Share issuance or cash payment in respect of a vested RSU pursuant and subject to the terms and conditions of this Plan and the applicable Award;
 - (f) “**Award Value**” means, with respect to any RSUs, an amount equal to the number of RSUs, as such number may be adjusted in accordance with the terms of this Plan, multiplied by the Fair Market Value of the Shares;
 - (g) “**Board**” means the board of directors of the Corporation;
 - (h) “**Business Day**” means a day upon which the Exchange is open for trading;
 - (i) “**Canadian Employee Participant**” means a Participant who (a) is resident in Canada for the purposes of the Tax Act or is otherwise subject to taxation under the Tax Act in respect of any RSU granted under this Plan, and (b) is granted a RSU in respect of, in the course of, or by virtue of such Participant’s “office or employment” within the meaning of the Tax Act;

- (j) **“Change of Control”** means:
- (i) a successful takeover bid for Shares of the Corporation; or
 - (ii) (A) any change in the beneficial ownership or control of the outstanding securities or other interests of the Corporation which results in:
 - (1) a person or group of persons “acting jointly or in concert” (within the meaning of NI 62-104); or
 - (2) an affiliate or associate of such person or group of persons;
holding, owning or controlling, directly or indirectly, more than 50% of the outstanding voting securities or interests of the Corporation; and
 - (B) members of the Board who are members of the Board immediately prior to the earlier of such change and the first public announcement of such change ceasing to constitute a majority of the Board at any time within sixty days of such change; or
 - (iii) any person or group of persons shall succeed in having a sufficient number of its nominees elected as directors of the Corporation such that such nominees, when added to any existing directors of the Corporation, will constitute a majority of the Board;
 - (iv) the winding up of the Corporation or the sale, lease or transfer of all or substantially all of the assets to any other person or persons (other than pursuant to an internal reorganization or in circumstances where the business of the Corporation is continued and where the shareholdings or other securityholdings, as the case may be, in the continuing entity and the constitution of the board of directors or similar body of the continuing entity is such that the transaction would not be considered a “Change of Control” if paragraph 1.3(j)(ii) above was applicable to the transaction); or
 - (v) any determination by a majority of the Board that a Change of Control has occurred or is about to occur and any such determination shall be binding and conclusive for all purposes of this Plan;
- (k) **“Code”** means the U.S. Internal Revenue Code of 1986, as amended;
- (l) **“Committee”** means the Compensation Committee of the Board or other committee of the Board, consisting of not less than three directors, to whom the authority of the Board is delegated in accordance with Section 1.8 hereof;
- (m) **“Consultant”** means an individual or Consultant corporation other than an Employee or a Director of the Corporation, that (i) provides ongoing consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation; (ii) provides the services under a written contract between the Corporation or the Affiliate and the individual or the Consultant corporation; (iii) spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate of the Corporation; and (iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation;
- (n) **“Corporation”** means, and includes any successor corporation thereto;
- (o) **“CSE”** means the Canadian Securities Exchange;
- (p) **“Director”** means a member of the Board;

- (q) “**Eligible Person**” means any person who is an Employee, Officer, Director or a Management Company Employee or a Consultant;
- (r) “**Employee**” means an employee of the Corporation or of a Related Entity;
- (s) “**Exchange**” means such duly recognized Canadian stock exchange on which such Shares are listed and posted for trading as may be selected for such purpose by the Board;
- (t) “**Exercise Date**” means the date a Participant requests the issuance of Shares, pursuant to an Exercise Notice, issuable upon vesting of an Award and prior to the Expiry Date;
- (u) “**Exercise Notice**” means the notice respecting the issuance of Shares pursuant to vested RSU(s), substantially in the form attached to the Restricted Share Unit Notice, duly executed by the Participant;
- (v) “**Expiry Date**” means, with respect to a RSU, either:
 - (i) the earlier of December 31st of the third calendar year following the year in which the Grant Date falls for Canadian Employee Participants; or
 - (ii) in all other cases, the earlier of the tenth anniversary of the date of the RSU grantor such earlier expiry date as may be determined by the Board, in its sole discretion, and set out in the applicable RSU Agreement;
- (w) “**Fair Market Value**” with respect to a Share, as at any date, means the volume weighted average of the prices at which the Shares traded on the Exchange (or, if the Shares are not then listed and posted for trading on the Exchange or are then listed and posted for trading on more than one stock exchange, on such stock exchange on which the majority of the trading volume and value of the Shares occurs) for the three (3) trading days on which the Shares traded on the said stock exchange immediately preceding such date. In the event that the Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Shares as determined by the Board in its sole discretion, acting reasonably and in good faith;
- (x) “**Grant Date**” means the date of grant of any RSU;
- (y) “**Insider**” means has the meaning ascribed to that term pursuant to the *Securities Act* (Ontario);
- (z) “**Investor Relations Activities**” means any activities or oral or written communications, by or on behalf of the Corporation or shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:
 - (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation:
 - (1) to promote the sale of products or services of the Corporation; or
 - (2) to raise public awareness of the Corporation;that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;
 - (ii) activities or communications necessary to comply with the requirements of:
 - (1) applicable securities laws, policies, or regulations;
 - (2) the rules, and regulations of the CSE or the by-laws, rules or other regulatory instruments of any other self-regulatory body or Exchange having jurisdiction over the Corporation; or

- (iii) activities or communications that may be otherwise specified by the CSE;
- (aa) “**Management Company Employee**” means an individual employed by a corporation 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 individual who is an officer of the Corporation or of a Related Entity as an appointee of the Board or the board of directors of the Related Entity, as the case may be;
- (cc) “**Outside Payment Date**” in respect of a RSU, means December 31 of the calendar year in which the Expiry Date occurs;
- (dd) “**Outstanding Issue**” means the number of Shares outstanding on a non-diluted basis;
- (ee) “**Participant**” means an Eligible Person who may be granted RSUs from time to time under this Plan;
- (ff) “**Plan**” means this Restricted Share Unit Plan, as amended from time to time;
- (gg) “**Related Entity**” means a person that is controlled by the Corporation. For the purposes of this Plan, a person (first person) is considered to control another person (second person) if the first person, directly or indirectly, has the power to direct the management and policies of the second person by virtue of:
 - (i) ownership of or direction over voting securities in the second person;
 - (ii) a written agreement or indenture;
 - (iii) being the general partner or controlling the general partner of the second person; or
 - (iv) being a trustee of the second person;
- (hh) “**Restricted Share Unit Notice**” means the form of notice set out in Schedule “A”;
- (ii) “**RSU**” means a right granted under this Plan to receive the Award Payout on the terms contained in this Plan as more particularly described in Section 4.1 hereof;
- (jj) “**Securities Act**” means the *Securities Act* (Ontario), as amended from time to time;
- (kk) “**Security Based Compensation Arrangements**” means any incentive plan of the Corporation (other than this Plan), including the Corporation’s stock option plan, as well as any other (i) stock option plans for the benefit of employees, Insiders, service providers or any one of such groups; (ii) individual stock options granted to employees, service providers or Insiders if not granted pursuant to a plan previously approved by the Corporation’s security holders; (iii) stock purchase plans where the Corporation provides financial assistance or where the Corporation matches the whole or a portion of the securities being purchased; (iv) stock appreciation rights involving issuances of securities from treasury; (v) any other compensation or incentive mechanism involving the issuance or potential issuances of securities of the Corporation; and (vi) security purchases from treasury by an employee, Insider or service provider which is financially assisted by the Corporation by any means whatsoever;
- (ll) “**Share**” means a common share in the capital of the Corporation as from time to time constituted;
- (mm) “**Tax Act**” means *Income Tax Act* (Canada);
- (nn) “**Total Disability**” means, with respect to a Participant, that, solely because of disease or injury, within the meaning of the long-term disability plan of the Corporation, the Participant, is deemed by a qualified physician selected by the Corporation to be unable to work at any occupation which the Participant, is reasonably qualified to perform; and

- (oo) “**Vesting Date**” means, with respect to any RSU, the date upon which such RSU shall irrevocably vest in accordance with the terms hereof.

Interpretation

- 1.4 For all purposes of this Plan, except as otherwise expressly provided or unless the context otherwise requires:
 - (a) any reference to a statute shall include and shall, unless otherwise set out herein, be deemed to be a reference to such statute and to the regulations made pursuant thereto, with all amendments made thereto and in force from time to time, and to any statute or regulations that may be passed which has the effect of supplementing or superseding such statute or such regulations;
 - (b) the singular includes the plural and vice-versa, and a reference to any of the feminine, masculine or neuter includes the other two;
 - (c) any reference to “consent” or “discretion” of any person shall be construed as meaning that such person may withhold such consent arbitrarily or grant it, if at all, on such terms as the person sees fit, and may exercise all discretion fully and in unfettered manner; and
 - (d) any reference to “including” or “inclusive” shall be construed as not restricting the generality of any foregoing or other provision.

Effective Date

- 1.5 The Board may, in its discretion, at any time, and from time to time, issue RSUs to Eligible Persons as it determines appropriate under this Plan.

Administration

- 1.6 The Board shall have the full power to administer this Plan, including, but not limited to, the authority to:
 - (a) interpret and construe any provision hereof and decide all questions of fact arising in their interpretation;
 - (b) adopt, amend, suspend, and rescind such rules and regulations for administration of this Plan as the Board may deem necessary in order to comply with the requirements of this Plan, or in order to conform to any law or regulation or to any change in any laws or regulations applicable thereto;
 - (c) determine the individuals or companies to whom RSUs may be awarded;
 - (d) award such RSUs on such terms and conditions as it determines including, without limitation: the time or times at which RSUs may be awarded; the time or times when each RSU shall vest and the term of each RSU; whether restrictions or limitations are to be imposed on the Shares the Corporation may elect to issue in settlement of all or a portion of the Award Value of vested RSUs and the nature of such restrictions or limitations, if any; whether the Corporation shall settle the Award Value in respect of vested RSUs by payment in cash or Shares; any acceleration or waiver of termination or forfeiture regarding any RSU; in each case, based on such factors as the Board may determine appropriate, in its sole discretion;
 - (e) take any and all actions permitted by this Plan; and
 - (f) make any other determinations and take such other action in connection with the administration of this Plan that it deems necessary or advisable.
- 1.7 The interpretation and construction of any provision of this Plan by the Board shall be final and conclusive. Administration of this Plan shall be the responsibility of the appropriate officers of the Corporation and all costs in respect thereof shall be paid by the Corporation.

Delegation to Committee

- 1.8 All of the powers exercisable hereunder by the Board may, to the extent permitted by law and as determined by a resolution of the Board, be delegated to a Committee including, without limiting the generality of the foregoing, those referred to under Section 1.6 and all actions taken and decisions made by the Committee or by such officers in this regard will be final, conclusive and binding on all parties concerned, including, but not limited to, the Corporation, the Eligible Person, and their legal representatives.

Incorporation of Terms of Plan

- 1.9 Subject to specific variations approved by the Board all terms and conditions set out herein will be incorporated into and form part of each RSU granted under this Plan.

Indemnification

- 1.10 Each member of the Board or Committee is indemnified and held harmless by the Corporation against any cost or expense (including any sum paid in settlement of a claim with the approval of the Corporation) arising out of any act or omission to act in connection with the terms hereof to the extent permitted by Applicable Law. This indemnification is in addition to any rights of indemnification a Board or Committee member may have as director or otherwise under the by-laws of the Corporation, any agreement, any vote of shareholders, or disinterested directors, or otherwise.

Maximum Number of Shares

- 1.11 The aggregate number of Shares that may be reserved for issuance pursuant to awards granted under the Plan, at any time, shall not exceed 7.5% of the Shares in the capital of the Corporation issued and outstanding from time to time, subject to adjustment as provided in the Plan.
- 1.12 Any Shares subject to a RSU which has been granted under the Plan and which is cancelled or terminated in accordance with the terms of the Plan without being paid out in Shares as provided for in this Plan shall again be available under the Plan.
- (a) So long as the Corporation is subject to CSE requirements, no RSU may be issued to anyone engaged to perform Investor Relations Activities for the Corporation and in no event can an issuance of RSU, when combined with any grants made pursuant to any other Security Based Compensation Arrangement, result in:
- (i) any one person being granted such number of share-based compensation awards equaling or exceeding 5% of the issued Shares, within any 12-month period, calculated on the date a security-based compensation unit/option is granted to the person (unless the Corporation has obtained the requisite disinterested shareholder approval); and
 - (ii) any one Consultant in a 12-month period being granted such number of share-based compensation awards equaling or exceeding 2% of the issued Shares, calculated at the date the security-based compensation unit/option is granted to the Consultant.

PART 2 AWARDS UNDER THIS PLAN

Eligibility

- 2.1 Awards will be granted only to Eligible Persons. If any Eligible Person is (pursuant to the terms of his or her employment, engagement or otherwise) subject to a requirement that he or she not benefit personally from an Award, the Committee may (in its discretion, taking into account relevant corporate, securities and tax laws) grant any Award to which such Eligible Person would otherwise be entitled to the Eligible Person's employer or to any other entity designated by them that directly or indirectly imposes such requirement on the Eligible Person. The

Committee shall have the power to determine other eligibility requirements with respect to Awards or types of Awards.

Limitation on Issuance of Shares to Insiders

- 2.2 Notwithstanding anything in this Plan, unless the Corporation has first obtained the requisite disinterested shareholder approval of this Plan, the Corporation shall not issue Shares under this Plan to any Eligible Person who is an Insider of the Corporation where such issuance would result in:
- (a) the total number of Shares issuable at any time under this Plan to Insiders, or when combined with all other Shares issuable to Insiders under any Security Based Compensation Arrangements, exceeding 10% of the total number of issued and outstanding equity securities of the Corporation on a non-diluted basis; and
 - (b) the total number of Shares that may be issued to Insiders during any one year period under this Plan, or when combined with all other Shares issuable to Insiders under any Security Based Compensation Arrangements, exceeding 10% of the total number of issued and outstanding equity securities of the Corporation on a non-diluted basis.

PART 3 RESTRICTED SHARE UNITS

Participants

- 3.1 RSUs that may be granted hereunder to a particular Eligible Person in a calendar year will (subject to any applicable terms and conditions and the Board's discretion) represent a right to a bonus or similar payment to be received for services rendered by such Eligible Person to the Corporation or a Related Entity, as the case may be, in the Corporation's or the Related Entity's fiscal year ending in, or coincident with, such calendar year.

Grant

- 3.2 The Board may, in its discretion, at any time, and from time to time, grant RSUs to Eligible Persons as it determines is appropriate, subject to the limitations set out in this Plan, and shall be as set forth in a Restricted Share Unit Notice delivered to such Participant. In making such grants the Board may, in its sole discretion but subject to Section 3.3 hereof, in addition to any performance conditions and restrictions as the Board or the Committee may determine, impose such conditions on the vesting of the Awards as it sees fit, including imposing a vesting period on grants of RSUs.

Vesting

- 3.3 The Board or the Committee may, in its sole discretion, determine the time during which RSUs shall vest (except that no RSU, or portion thereof, may vest after the Expiry Date) and whether there shall be any other conditions or performance criteria to vesting. In the absence of any determination by the Board or the Committee to the contrary, RSUs will vest and be payable as to one third (1/3) of the total number of RSUs granted on each of the first, second and third anniversaries of the date or dates on which an award of RSUs is made to a Participant (computed in each case to the nearest whole RSU), provided that in all cases payment in satisfaction of a RSU shall occur prior to the Outside Payment Date. Notwithstanding the foregoing, the Committee may, in its sole discretion at any time or in the RSU Agreement in respect of any RSUs granted, accelerate, or provide for the acceleration of vesting in whole or in part of RSUs previously granted. The Award Value of any RSU shall be determined as of the applicable Vesting Date.

Forfeiture and Cancellation Upon Expiry Date

- 3.4 A Participant shall confirm acknowledgement of an award of RSUs made to such Participant in such form as determined by the Board from time to time (the "**RSU Agreement**"), within such time period and in such manner as specified by the Board. If acknowledgement of an award of RSUs is not confirmed by a Participant within the

time specified, the Corporation reserves the right to revoke the crediting of RSUs to the Participant's Account (as defined in Section 3.6).

Forfeiture and Cancellation Upon Expiry Date

- 3.5 RSUs which do not vest and have not been issued on or before the Expiry Date of such RSU will be automatically deemed cancelled, without further act or formality and without compensation.

Account

- 3.6 RSUs issued pursuant to this Plan (including fractional RSUs, computed to three digits) will be credited to a notional account maintained for each Participant by the Corporation for the purposes of facilitating the determination of amounts that may become payable hereunder (the "**Account**"). A written confirmation of the balance in each Participant's account will be sent by the Corporation to the Participant upon request of the Participant.

Adjustments and Reorganizations

- 3.7 In the event of any dividend paid in shares, share subdivision, combination or exchange of shares, merger, consolidation, spin-off, or other distribution of Corporation assets to shareholders, or any other change in the capital of the Corporation affecting Shares, the Board, in its sole and absolute discretion, will make, with respect to the number of RSUs outstanding under this Plan, any proportionate adjustments as it considers appropriate to reflect that change.

Notice and Acknowledgement

- 3.8 No certificates will be issued with respect to the RSUs issued under this Plan. Each Participant will, prior to being granted any RSUs, deliver to the Corporation a signed acknowledgement substantially in the form of Schedule "A" to this Plan.

PART 4 PAYMENTS UNDER THE RESTRICTED SHARE UNITS

Payment of RSUs

- 4.1 Subject to the terms of this Plan and, without limitation, Section 3.3 hereof, the Corporation, in its sole and absolute discretion, shall have the option of settling the Award Value in respect of vested RSUs issued under this Plan and credited to the account of a Participant by any of the following methods or by a combination of such methods:
- (a) payment in cash; or
 - (b) payment in Shares issued from the treasury of the Corporation (net of any Applicable Withholding Tax) to such Participant, on or before the 10th Business Day following the Exercise Date but no later than the Expiry Date of such vested RSU, an Award Payout of one Share for such whole vested RSU.
- 4.2 The Corporation shall not determine whether the payment method shall take the form of cash or Shares until the Vesting Date, or some reasonable time prior thereto. A holder of RSUs shall not have any right to demand, be paid in, or receive Shares in respect of the Award Value underlying any RSU at any time. Notwithstanding any election by the Corporation to settle the Award Value of any vested RSUs, or portion thereof, in Shares, the Corporation reserves the right to change its election in respect thereof at any time up until payment is actually made, and the holder of such vested RSUs shall not have the right, at any time to enforce settlement in the form of Shares of the Corporation.
- 4.3 Fractional Shares shall not be issued and where a Participant would be entitled to receive a fractional Share in respect of any fractional vested RSU, the Corporation shall pay to such Participant, in lieu of such fractional

Share, cash equal to the Vesting Date value as at the Exercise Date of such fractional Share. Each Share issued by the Corporation pursuant to this Plan shall be issued as fully paid and non-assessable.

Credits for Dividends

- 4.4 Within ten (10) days following the declaration and payment of dividends on the Shares, the Board may, in its absolute discretion, determine to make a cash payment to a Participant in respect of outstanding RSUs credited to the Participant's Account (a "**Dividend Equivalent**"). Such Dividend Equivalent, if any, shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Share by the number of RSUs recorded in the Participant's Account on the record date for the payment of such dividend, by (b) the Fair Market Value per Share on the dividend record date, with fractions computed to three decimal places. Payment of any such Dividend Equivalent will be made forthwith following any such determination by the Board and in any event within thirty (30) days of such determination.

Award Payout

- 4.5 Upon the vesting of RSUs, no Shares will be issued by the Corporation to the Participant, until the receipt by the Corporation of an Exercise Notice, on or before 5:00 p.m. (Toronto) on a day which is at least two (2) weeks prior to the Expiry Date. Upon receipt of an Exercise Notice, the Corporation, in its sole and absolute discretion, shall have the option of settling the Award Value in respect of vested RSUs issued under this Plan in accordance with Section 4.1, provided that the Award Value shall be paid no later than the Expiry Date.

Effect of Termination of Employment or Engagement, Death or Disability

- 4.6 Upon the voluntary resignation or the termination for cause of a Participant, all of the Participant's RSUs which remain vested, but unexercised or unvested in the Participant's Account shall be forfeited without any entitlement to such Participant. If the Participant has an employment or consulting agreement with the Corporation, the term "**cause**" shall include any meaning given to that term in the employment or consulting agreement or, if such term is not defined in such agreement, shall mean any ground which would justify the services of the Participant to be terminated without notice or payment in lieu and/or shall have the meaning given to such term under any Applicable Law.
- 4.7 If a Participant shall die while employed or retained by the Corporation, or while an Officer or Director, the Expiry Date of any vested or unvested RSUs held by the Participant at the date of death, which have not yet been subject to an Exercise Notice and subsequent Award Payout, shall be amended to the earlier of (i) one (1) year after the date of death, and (ii) the Expiry Date of such Award, except that in the event the expiration of the Award is earlier than one (1) year after the date of death, the Expiry Date shall be up to one (1) year after the date of death as determined by the Board. Notwithstanding the foregoing, the Board, in its discretion, may resolve that up to all of the RSUs held by a Participant at the date of death which have not yet vested shall vest immediately upon death.
- 4.8 If the employment or engagement of a Participant shall terminate with the Corporation due to Total Disability while the Participant is employed or retained by the Corporation, the Expiry Date of any vested or unvested RSUs held by the Participant at the date of his or her termination due to Total Disability, which have not yet been subject to an Exercise Notice and subsequent Award Payout, shall be amended to the earlier of (i) one (1) year after the date of his or her termination due to Total Disability, and (ii) the Expiry Date of such Award, except that in the event the expiration of the Award is earlier than one (1) year after the date of his or her termination due to Total Disability, the Expiry Date shall be up to one (1) year after the date of his or her termination due to Total Disability as determined by the Board. Notwithstanding the foregoing, the Board, in its discretion, may resolve that up to all of the RSUs held by a Participant at the date of his or her termination due to Total Disability which have not yet vested shall vest immediately upon the date of Total Disability.
- 4.9 Subject to Section 4.6 hereof, if a Participant ceases to be an Eligible Person (other than as provided in Section 4.7 or 4.8), the Expiry Date of any vested or unvested RSUs held by the Participant at the date such Participant ceased to be an Eligible Person, which have not yet been subject to an Exercise Notice and subsequent Award Payout, shall be amended to the earlier of (i) one (1) year after the date such Participant ceased to be an Eligible Person, and (ii) the Expiry Date of such Award. Notwithstanding the foregoing, the Board, in its discretion, may

resolve that up to all of the RSUs held by a Participant on the date the Participant ceased to be an Eligible Person which have not yet vested shall: (a) vest immediately upon such date or (b) be deemed forfeited to the Corporation.

Tax Matters and Applicable Withholding Tax

- 4.10 The Corporation does not assume any responsibility for or in respect of the tax consequences of the grant to Participants of RSUs, or payments received by Participants pursuant to this Plan. The Corporation or relevant Related Entity, as applicable, is authorized to deduct any Applicable Withholding Tax, in such manner (including, without limitation, by selling Shares otherwise issuable to Participants, on such terms as the Corporation determines or the withholding by the Corporation from any cash payment otherwise due to the Participant) as it determines so as to ensure that it will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other required deductions, or the remittance of tax or other obligations. The Corporation or relevant Related Entity, as applicable, may require Participants, as a condition of receiving amounts to be paid to them under this Plan, to deliver undertakings to, or indemnities in favour of, the Corporation or Related Entity, as applicable, respecting the payment by such Participant's applicable income or other taxes.

PART 5 MISCELLANEOUS

Compliance with Applicable Laws

- 5.1 The issuance by the Corporation of any RSUs and its obligation to make any payments hereunder is subject to compliance with all Applicable Laws. As a condition of participating in this Plan, each Participant agrees to comply with all such Applicable Laws and agrees to furnish to the Corporation all information and undertakings as may be required to permit compliance with such Applicable Laws. The Corporation will have no obligation under this Plan, or otherwise, to grant any RSU or make any payment under this Plan in violation of any applicable laws.

The Corporation intends that the Awards and payments provided for in this Plan either be exempt from Section 409A of the Code, or be provided in a manner that complies with Section 409A of the Code, and any ambiguity herein shall be interpreted so as to be consistent with the intent of this Section 5.1. In no event whatsoever shall the Corporation be liable for any additional tax, interest or penalty that may be imposed on the any person by Section 409A of the Code or damages for failing to comply with Section 409A. Notwithstanding anything contained herein to the contrary, all payments under this Plan to paid or provided at the time of a termination of employment or service will be paid at a termination of employment or service that constitutes a "separation from service" from the Corporation within the meaning of Section 409A of the Code and the regulations and guidance promulgated thereunder (determined after applying the presumptions set forth in Treas. Reg. Section 1.409A-1(h)(1)). Further, if at the time of a Participant's termination of employment with the Corporation, the Participant is a "specified employee" as defined in Section 409A of the Code as determined by the Corporation in accordance with Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Corporation will defer the payment hereunder until the date that is at least six (6) months following the Participant's termination of employment with the Corporation (or the earliest date permitted under Section 409A of the Code).

Non-Transferability

- 5.2 RSUs and all other rights, benefits or interests in this Plan are non-transferable and may not be pledged or assigned or encumbered in any way and are not subject to attachment or garnishment, except that if a Participant dies the legal representatives of the Participant will be entitled to receive the amount of any payment otherwise payable to the Participant hereunder in accordance with the provisions hereof.

No Right to Service

- 5.3 Neither participation in this Plan nor any action under this Plan will be construed to give any Eligible Person or Participant a right to be retained in the service or to continue in the employment of the Corporation or any Related

Entity, or affect in any way the right of the Corporation or any Related Entity to terminate his or her employment at any time.

Applicable Trading Policies

- 5.4 The Board and each Participant will ensure that all actions taken and decisions made by the Board or the Participant, as the case may be, pursuant to this Plan comply with any applicable securities laws and policies of the Corporation relating to insider trading or “blackout” periods.

Successors

- 5.5 This Plan will enure to the benefit of and be binding upon the respective legal representatives of the Eligible Person or Participants.

Plan Amendment

5.6

- (a) The Board may amend this Plan in any way, or discontinue this Plan altogether, and may amend, in any way, any RSU granted under this Plan at any time without the consent of a Participant, provided that (i) such amendment shall not adversely alter or impair any RSU previously granted under the Plan or any related RSU Agreement, except as otherwise permitted hereunder (ii) all RSUs granted to U.S. Participants are intended to comply with the short-term deferral exception under Section 409A of the Code and the regulations and other interpretive guidance thereunder; and (iii) all RSUs granted to Canadian Employee Participants shall have terms and conditions necessary to ensure that such RSUs comply, at all times, with the requirements of paragraph (k) of the exception to the definition of “salary deferral arrangement” in subsection 248(1) of the Tax Act or are governed by the provisions of section 7 of the Tax Act. In addition, the Board may, by resolution, make any amendment to this Plan or any RSU granted under it (together with any related RSU Agreement) without shareholder approval.
- (b) Without limitation of Section 5.6(a), the Board may (i) correct any defect or supply any omission or reconcile any inconsistency in this Plan in the manner and to the extent deemed necessary or desirable; (ii) establish, amend, and rescind any rules and regulations relating to this Plan; and (iii) may make such determinations as it deems necessary or desirable for the administration of this Plan.
- (c) On termination of this Plan, any outstanding awards of RSUs under this Plan shall immediately vest and the Award Value underlying the RSUs shall be paid to the Participants in accordance with and upon compliance with Section 4.1.

Plan Termination

- 5.7 The Board may terminate this Plan at any time, but no termination will, without the consent of the Participant or unless required by law, adversely affect the rights of a Participant respect to RSUs to which the Participant is then entitled under this Plan. In no event will a termination of this Plan accelerate the vesting of RSUs or the time at which a Participant would otherwise be entitled to receive any payment in respect of RSUs hereunder.

Governing Law

- 5.8 This Plan and all matters to which reference is made in this Plan will be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein.

Currency

- 5.9 All amounts paid or values to be determined under this Plan shall be in Canadian dollars.

Reorganization of the Corporation

- 5.10 Except in the case of a transaction that is a Change of Control and to which Section 5.11 applies, if the Corporation enters into any transaction or series of transactions whereby the Corporation or all or substantially all of the assets would become the property of any other trust, body corporate, partnership or other person (a “**Successor**”), whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, prior to or contemporaneously with the consummation of such transaction the Corporation and the Successor will execute such instruments and do such things as the Board or the Committee may determine are necessary to establish that upon the consummation of such transaction the Successor will assume the covenants and obligations of the Corporation under this Plan and the RSU Agreements outstanding on consummation of such transaction. Any such Successor shall succeed to, and be substituted for, and may exercise every right and power of the Corporation under this Plan and RSU Agreements with the same effect as though the Successor had been named as the Corporation herein and therein and thereafter, the Corporation shall be relieved of all obligations and covenants under this Plan and such RSU Agreements and the obligation of the Corporation to the Participants in respect of the RSUs shall terminate and be at an end and the Participants shall cease to have any further rights in respect thereof including, without limitation, any right to acquire Shares upon vesting of the RSUs.

Change of Control

- 5.11 Notwithstanding any other provision in this Plan but subject to any provision to the contrary contained in an RSU Agreement or other written agreement (such as an agreement of employment) between the Corporation and a Participant, if there takes place a Change of Control, all issued and outstanding RSUs shall vest (whether or not then vested) and the Vesting Date shall be the date which is immediately prior to the time such Change of Control takes place, or at such earlier time as may be established by the Board or the Committee, in its absolute discretion, prior to the time such Change of Control takes place.

No Shareholder Rights

- 5.12 RSUs are not considered to be Shares or securities of the Corporation, and a Participant who is granted RSUs will not, as such, be entitled to receive notice of or to attend any shareholders’ meeting of the Corporation, nor entitled to exercise voting rights or any other rights attaching to the ownership of Shares or other securities of the Corporation, and will not be considered the owner of Shares by virtue of such issuance of RSUs.

Severability

- 5.13 The invalidity or unenforceability of any provision of this document shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from this document.

No Other Benefit

- 5.14 No amount will be paid to, or in respect of, an Eligible Person under this Plan to compensate for a downward fluctuation in the Fair Market Value or price of a Share, nor will any other form of benefit be conferred upon, or in respect of, an Eligible Person for such purpose.
- 5.15 For greater certainty, the crediting of any Award to the notional accounts set out in this Plan for any Participant does not confer any entitlement, benefits, or any rights of a similar nature or otherwise, aside from the rights expressly set out in this Plan, and this Plan will be an unfunded plan, including for tax purposes and for purposes of the *Employee Retirement Income Security Act* (United States). Any Participant to which RSUs are credited to his or her account or holding RSUs or related accruals under this Plan will have the status of a general unsecured creditor of the Corporation with respect to any relevant rights that may arise thereunder.

Remainder of page intentionally left blank

SCHEDULE "A"
PSYENCE GROUP INC.
RESTRICTED SHARE UNIT PLAN
RESTRICTED SHARE UNIT NOTICE

PSYENCE GROUP INC. (the "**Corporation**") hereby confirms the grant to the undersigned (the "**Participant**") of Restricted Share Units ("**Units**") described in the table below pursuant to the Corporation's Restricted Share Unit Plan (the "**Plan**"), a copy of which Plan has been provided to the undersigned Participant.

Grant Date	No. of Units	Vesting	Expiry Date

Capitalized terms not specifically defined in this Notice have the respective meanings ascribed to them in the Plan.

The Participant may elect to have common shares in the capital of the Corporation as from time to time constituted (the "**Shares**") issued pursuant to the foregoing Units at any time and from time to time from and including the date Units vest through to 5:00 p.m. (Toronto) December 31st of:

- (i) the third calendar year following the year in which the Grant Date fell for Canadian Employee Participants; or
- (ii) in all other cases, the tenth calendar year following the year in which the Grant Date fell

by delivering to the Corporation the form of Exercise Notice attached as Schedule "B" hereto, on or before 5:00 p.m. (Toronto) on a day which is at least two (2) weeks prior to the Expiry Date.

The Corporation in its sole and absolute discretion, shall have the option of settling the Award Value in respect of vested RSUs issued under this Plan by payment of cash and/or the issuance of Shares.

For Canadian Employee Participants, no Shares shall be issuable by the Corporation to the Participant in the event vesting does not occur prior to December 31st of the third calendar year following the year in which the Grant Date fell.

For Participants other than Canadian Employee Participants, no Shares shall be issuable by the Corporation to the Participant in the event vesting does not occur prior to December 31st of the tenth calendar year following the year in which the Grant Date fell.

DATED _____, 20____.

PSYENCE GROUP INC.

Per: _____
 Authorized Signatory

The undersigned hereby accepts such grant, acknowledges being a Participant under the Plan, agrees to be bound by the provisions thereof and agrees that the Plan will be effective as an agreement between the Corporation and the undersigned with respect to the Units granted or otherwise issued to it.

[If the Units are being issued to a U.S. Participant, include the following additional Provisions:]

The undersigned acknowledges and agrees that:

1. The Units and any Shares that may be issued in respect of vested Units pursuant to the Plan have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), and will constitute “restricted securities” as such term is defined in Rule 144 under the U.S. Securities Act;

2. The certificate(s) representing the Shares will be endorsed with the following or a similar legend until such time as it is no longer required under the applicable requirements of the U.S. Securities Act or applicable state securities laws:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, (THE “U.S. SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION, THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT; (C) IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS; OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, AND, IN THE CASE OF CLAUSE (C) OR (D), THE SELLER FURNISHES TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION TO SUCH EFFECT. THE PRESENCE OF THIS LEGEND MAY IMPAIR THE ABILITY OF THE HOLDER HEREOF TO EFFECT “GOOD DELIVERY” OF THE SECURITIES REPRESENTED HEREBY ON A CANADIAN STOCK EXCHANGE.”

provided, that if the Shares are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S under the U.S. Securities Act (“**Regulation S**”) and the Shares were issued at a time when the Corporation is a “foreign issuer” as defined in Regulation S, the legend set forth above may be removed by providing an executed declaration to the registrar and transfer agent of the Corporation, in such form as the Corporation may prescribe from time to time and, if requested by the Corporation or the transfer agent, an opinion of counsel of recognized standing in form and substance satisfactory to the Corporation and the transfer agent to the effect that such sale is being made in compliance with Rule 904 of Regulation S; and provided, further, that, if any Shares are being sold otherwise than in accordance with Regulation S and other than to the Corporation, the legend may be removed by delivery to the registrar and transfer agent and the Corporation of an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation, that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws; and

3. The Corporation may be deemed to be an issuer that at a previous time has been an issuer with no or nominal operations and no or nominal assets other than cash and cash equivalents (a “**Shell Corporation**”), and if the Corporation is deemed to have been a Shell Corporation at any time previously, Rule 144 under the U.S. Securities Act may not be available for resales of the Shares except in very limited circumstances, and the Corporation is not obligated to make Rule 144 under the U.S. Securities Act available for resales of the Shares.

4. If the undersigned is resident in the State of California on the effective date of the grant of the Units, then, in addition to the terms and conditions contained in the Plan and in this Notice, the undersigned acknowledges that the Corporation, as a reporting issuer under the securities legislation in certain Provinces of Canada, is required to publicly file with the securities regulators in those jurisdictions continuous disclosure documents, including audited annual financial statements and unaudited quarterly financial statements (collectively, the “**Financial Statements**”). Such filings are available on the System for Electronic Document Analysis and Retrieval (SEDAR), and documents filed on SEDAR may be viewed under the Corporation’s profile at the following website address: www.sedar.com. Copies of Financial Statements will be made available to the undersigned by the Corporation upon the undersigned’s request.

DATED _____, 20____.

Witness (Signature)

Participant's Signature

Name (please print)

Name of Participant (print)

Address
City, Province/State

SCHEDULE "B"
PSYENCE GROUP INC.
RESTRICTED SHARE UNIT PLAN
EXERCISE NOTICE

TO: PSYENCE GROUP INC. (the "Corporation")

1. The undersigned (the "**Participant**"), being the holder of vested Restricted Share Units to purchase _____ Shares, hereby irrevocably gives notice, pursuant to the Plan, of the request to issue to the Participant _____ Shares.
2. By executing this Exercise Notice, the Participant 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 Restricted Share Unit Notice.
3. The Participant acknowledges and agrees that notwithstanding the Participant's election to have common shares in the capital of the Corporation issued to settle vested Units, the Corporation in its sole and absolute discretion, shall have the option of settling the Award Value in respect of vested Restricted Share Units issued under the Plan by payment of cash and/or the issuance of Shares.
4. The Participant is resident in _____ [name of country/province/state].
5. The Participant acknowledges that he/she must execute this Exercise Notice and deliver it to the Chief Financial Officer or Secretary of the Corporation at the registered office of the Corporation at least two (2) weeks before the Expiry Date of the vested Restricted Share Units.
6. The Participant hereby represents, warrants, acknowledges, and agrees that there may be material tax consequences to the Participant of a request for Shares pursuant to vested Restricted Share Units. The Corporation gives no opinion and makes no representation with respect to the tax consequences to the Participant under applicable, federal, local, or foreign tax law of the Participant's acquisition or disposition of such securities.
7. The Participant hereby represents, warrants, acknowledges, and agrees that the certificate(s) representing the Shares may be subject to applicable hold periods and legending pursuant to applicable securities laws.

DATED _____, 20____.

Witness (Signature)

Participant's Signature

Name (please print)

Name of Participant (print)

Address
City, Province/State

SCHEDULE "D"
BY-LAW NO. 2A

BY-LAW NO. 1, AS AMENDED AND RESTATED,
as of November 9, 2021

A by-law relating generally to the transaction of the business and affairs of

ELI-ECO-LOGICPSYENCE GROUP INC.

Contents

Section 1	INTERPRETATION	<u>72</u>
Section 2	BUSINESS OF THE CORPORATION	<u>72</u>
Section 3	BORROWING AND SECURITY	<u>84</u>
Section 4	DIRECTORS	<u>94</u>
Section 5	COMMITTEES	<u>117</u>
Section 6	OFFICERS.....	<u>127</u>
Section 7	PROTECTION OF DIRECTORS, OFFICERS AND OTHERS.....	<u>139</u>
Section 8	SHARES	<u>149</u>
Section 9	DIVIDENDS AND RIGHTS.....	<u>151</u>
Section 10	MEETINGS OF SHAREHOLDERS.....	<u>152</u>
Section 11	NOTICES.....	<u>195</u>
Section 12	EFFECTIVE DATE.....	<u>147</u>

BE IT ENACTED as a by-law of the Corporation as follows:

SECTION 1 INTERPRETATION

1.01 Definitions. - In the by-laws of the Corporation, unless the context otherwise requires:

“Act” means the Business Corporations Act, 1982 (Ontario), or any statute that may be substituted therefor, as from time to time amended;

“appoint” includes “elect” and vice versa;

“articles” means the articles on which is endorsed the certificate of incorporation of the Corporation as from time to time amended or restated;

“board” means the board of directors of the Corporation and “director” means a member of the board;

“by-laws” means this by-law and all other by-laws of the Corporation from time to time in force and effect;

“cheque” includes a draft;

“Corporation” means the corporation incorporated under the Act by the said certificate endorsed on the articles and named “ELI - ECO LOGIC INC.”;

“meeting of shareholders” includes an annual meeting of shareholders and a special meeting of shareholders; and “special meeting of shareholders” includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders; and

“recorded address” has the meaning set forth in section 11.08.

Save as aforesaid, words and expressions defined in the Act, including “resident Canadian” and “unanimous shareholder agreement”, have the same meanings when used herein. Words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing a person include an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, and a natural person in his capacity as trustee, executor, administrator, or other legal representative.

SECTION 2 BUSINESS OF THE CORPORATION

2.01 Registered Office. - The registered office of the Corporation shall be at the place within Ontario from time to time specified in the articles and at such location therein initially as is specified in the articles and thereafter as the board may from time to time determine.

2.02 Corporate Seal. - The Corporation may, but need not have, a corporate seal and if one is adopted it shall be in a form approved from time to time by the board.

2.03 Financial Year. - Until changed by the board, the financial year of the Corporation shall end on the last day of February in each year.

2.04 Execution of Instruments. - Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by one person who holds the office of president, vice-president, treasurer or is a director. In addition, the board or the said person may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same.

2.05 Banking Arrangements. - The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe.

2.06 Voting Rights in Other Bodies Corporate. - The signing officers of the Corporation under section 2.04 may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments shall be in favour of such persons as may be determined by the officers executing or arranging for the same. In addition, the board may from time to time direct the manner in which and the persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.07 Divisions. - The board may cause the business and operations of the Corporation or any part thereof to be divided into one or more divisions upon such basis, including without limitation types of business or operations, geographical territories, product lines or goods or services, as may be considered appropriate in each case. In connection with any such division the board or, subject to any direction by the board, the chief executive officer may authorize from time to time, upon such basis as may be considered appropriate in each case:

- (a) Subdivision and Consolidation - the further division of the business and operations of any such division into sub-units and the consolidation of the business and operations of any such divisions and sub-units;
- (b) Name - the designation of any such division or sub-unit by, and the carrying on of the business and operations of any such division or sub-unit under, a name other than the name of the Corporation; provided that the Corporation shall set out its name in legible characters in all places required by law; and
- (c) Officers - the appointment of officers for any such division or sub-unit, the determination of their powers and duties, and the removal of any of such officers so appointed, provided that any such officers shall not, as such, be officers of the Corporation.

SECTION 3 BORROWING AND SECURITY

3.01 Borrowing Power. - Without limiting the borrowing powers of the Corporation as set forth in the Act, but subject to the articles and any unanimous shareholder agreement, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

- (a) borrow money upon the credit of the Corporation;

- (b) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantee of the Corporation, whether secured or unsecured;
- (c) to the extent permitted by the Act, give directly or indirectly financial assistance to any person by means of a loan, a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person, or otherwise; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

3.02 Delegation. - Subject to the Act, the articles and any unanimous shareholder agreement the board may from time to time delegate to a committee of the board, a director or an officer of the Corporation or any other person as may be designated by the board all or any of the powers conferred on the board by section 3.01 or by the Act to such extent and in such manner as the board may determine at the time of such delegation.

SECTION 4 DIRECTORS

4.01 Number of Directors. - Until changed in accordance with the Act, the board shall consist of not fewer than the minimum number and not more than the maximum number of directors provided in the articles.

4.02 Qualification. - No person shall be qualified for election as a director if he is less than 18 years of age; if he is of unsound mind and has been so found by a court in Canada or elsewhere; if he is not an individual; or if he has the status of a bankrupt. A director need not be a shareholder. A majority of the directors shall be resident Canadians.

4.03 Election and Term. - The election of directors shall take place at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. Subject to the Act, the number of directors to be elected at any such meeting shall be the number of directors determined from time to time by special resolution or, if the special resolution empowers the directors to determine the number, by resolution of the board. Where the shareholders adopt an amendment to the articles to increase the number or minimum number of directors, the shareholders may, at the meeting at which they adopt the amendment, elect the additional number of directors authorized by the amendment to take office from the effective date of the endorsement of the articles of amendment with respect thereto. The election shall be by resolution. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.

4.04 Removal of Directors. - Subject to the Act, the shareholders may by ordinary resolution passed at an annual or special meeting of shareholders remove any director from office and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the board.

4.05 Vacation of Office. - A director ceases to hold office when he dies; he is removed from office by the shareholders; he ceases to be qualified for election as a director; or his written resignation is received by the Corporation, or, if a time is specified in such resignation, at the time so specified, whichever is later.

4.06 Vacancies. - Subject to the Act, a quorum of the board may appoint a qualified individual to fill a vacancy in the board.

4.07 Action by the Board. - Subject to any unanimous shareholder agreement, the board shall manage or supervise the management of the business and affairs of the Corporation. The powers of the board may be exercised at a meeting (subject to sections 4.08 and 4.09) at which a quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office. Where the Corporation has a board consisting of only one director, that director may constitute a meeting.

4.08 Intentionally Deleted.

~~Canadian Majority at Meetings.~~ - The board shall not transact business at a meeting, other than filling a vacancy in the board, unless a majority of the directors present are resident Canadians, except where

- ~~(a) a resident Canadian director who is unable to be present approves in writing or by telephone, electronic, or other communications facilities the business transacted at the meeting; and~~
- ~~(b) a majority of resident Canadians would have been present had that director been present at the meeting.~~

~~4.08~~4.09 Meeting by Telephone. - If all the directors of the Corporation consent thereto generally or in respect of a particular meeting, a director may participate in a meeting of the board or of a committee of the board by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other, simultaneously and instantaneously, and a director participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board.

~~4.09~~4.10 Place of Meetings. - Meetings of the board may be held at any place within or outside Ontario and in any financial year of the Corporation a majority of the meetings need not be held in Canada.

~~4.10~~4.11 Calling of Meetings. - Meetings of the board shall be held from time to time at such time and at such place as the board, the chairman of the board, the managing director, the president or any two directors may determine.

~~4.11~~4.12 Notice of Meeting. - Notice of the time and place of each meeting of the board shall be given in the manner provided in Section Eleven to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business or the general nature thereof to be specified.

4.124.13 First Meeting of New Board. - Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.134.14 Adjourned Meeting. - Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.144.15 Regular Meetings. - The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.154.16 Chairman. - The chairman of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chairman of the board, managing director or president. If no such officer is present, the directors present shall choose one of their number to be chairman.

4.164.17 Quorum. - Subject to section 4.08, the quorum for the transaction of business at any meeting of the board shall be two-fifths of the number of directors or minimum number of directors, as the case may be, or such greater number of directors as the board may from time to time determine.

4.174.18 Votes to Govern. - At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairman of the meeting shall be entitled to a second or casting vote.

4.184.19 Conflict of Interest. - A director who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or transaction or proposed material contract or transaction with the Corporation shall disclose to the Corporation the nature and extent of his interest at the time and in the manner provided by the Act. Such a director shall not vote on any resolution to approve the same except as provided by the Act.

4.194.20 Remuneration and Expenses. - Subject to any unanimous shareholder agreement, the directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

SECTION 5 COMMITTEES

5.01 Committees of the Board. - The board may appoint from their number one or more committees of the board, however designated, and delegate to any such committee any of the powers of the board except those which pertain to items which, under the Act, a committee of the board has no authority to exercise. A majority of the members of any such committee shall be resident Canadians.

5.02 Transaction of Business. - The powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Ontario.

5.03 Advisory Bodies. - The board may from time to time appoint such advisory bodies as it may deem advisable.

5.04 Procedure. - Unless otherwise determined by the board, each committee and advisory body shall have power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure.

SECTION 6 OFFICERS

6.01 Appointment. - Subject to any unanimous shareholder agreement, the board may from time to time appoint a president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. One person may hold more than one office. The board may specify the duties of and, in accordance with this by-law and subject to the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to sections 6.02 and 6.03, an officer may but need not be a director.

6.02 Chairman of the Board. - The board may from time to time also appoint a chairman of the board who shall be a director. If appointed, the board may assign to him any of the powers and duties that are by any provisions of this by-law assigned to the managing director or to the president; and he shall have such other powers and duties as the board may specify.

6.03 Managing Director. - The board may from time to time also appoint a managing director who shall be a resident Canadian and a director. If appointed, he shall be the chief executive officer and, subject to the authority of the board, shall have general supervision of the business and affairs of the Corporation; and he shall have such other powers and duties as the board may specify. During the absence or disability of the president, or if no president has been appointed, the managing director shall also have the powers and duties of that office.

6.04 President. - The president shall be the chief operating officer and, subject to the authority of the board, shall have general supervision of the business of the Corporation; and he shall have such other powers and duties as the board may specify. During the absence or disability of the managing director, or if no managing director has been appointed, the president shall also have the powers and duties of that office.

6.05 Secretary. - Unless otherwise determined by the board, the secretary shall be the secretary of all meetings of the board, shareholders and committees of the board that he attends. The secretary shall enter or cause to be entered in records kept for that purpose minutes of all proceedings at meetings of the board, shareholders and committees of the board, whether or not he attends such meetings; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, records and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as otherwise may be specified.

6.06 Treasurer. - The treasurer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions

as treasurer and of the financial position of the Corporation; and he shall have such other powers and duties as otherwise may be specified.

6.07 Powers and Duties of Officers. - The powers and duties of all officers shall be such as the terms of their engagement call for or as the board or (except for those whose powers and duties are to be specified only by the board) the chief executive officer may specify. The board and (except as aforesaid) the chief executive officer may, from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

6.08 Term of Office. - The board, in its discretion, may remove any officer of the Corporation. Otherwise each officer appointed by the board shall hold office until his successor is appointed or until his earlier resignation.

6.09 Agents and Attorneys. - The Corporation, by or under the authority of the board, shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers (including the power to subdelegate) of management, administration or otherwise as may be thought fit.

6.10 Conflict of Interest. - An officer shall disclose his interest in any material contract or transaction or proposed material contract or transaction with the Corporation in accordance with section 4.19.

SECTION 7 PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

7.01 Limitation of Liability. - Every director and officer of the Corporation in exercising his powers and discharging his duties shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer shall be liable for the acts, receipts, neglects or defaults of any other director, officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune which shall happen in the execution of the duties of his office or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

7.02 Indemnity. - Subject to the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful. The

Corporation shall also indemnify such person in such other circumstances as the Act or law permits or requires. Nothing in this by-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this by-law.

7.03 Insurance. - Subject to the Act, the Corporation may purchase and maintain such insurance for the benefit of any person referred to in section 7.02 hereof as the board may from time to time determine.

SECTION 8 SHARES

8.01 Allotment of Shares. - Subject to the Act, the articles or any unanimous shareholder agreement, the board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such times and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as provided by the Act.

8.02 Commissions. - The board may from time to time authorize the Corporation to pay a reasonable commission to any person in consideration of his purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

8.03 Registration of Transfers. - Subject to the Act, no transfer of a share shall be registered in a securities register except upon presentation of the certificate representing such share with an endorsement which complies with the Act made thereon or delivered therewith duly executed by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the board may from time to time prescribe, upon payment of all applicable taxes and any reasonable fees prescribed by the board, upon compliance with such restrictions on issue, transfer or ownership as are authorized by the articles and upon satisfaction of any lien referred to in section 8.09.

8.04 Non-recognition of Trusts. - Subject to the Act, the Corporation may treat the registered holder of any share as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payment in respect of the share, and otherwise to exercise all the rights and powers of an owner of the share.

8.05 Share Certificates. - Every holder of one or more shares of the Corporation shall be entitled, at his option, to a share certificate, or to a non-transferable written certificate of acknowledgement of his right to obtain a share certificate, stating the number and class or series of shares held by him as shown on the securities register. Such certificates shall be in such form as the board may from time to time approve. Any such certificate shall be signed in accordance with section 2.04 and need not be under the corporate seal.

8.06 Replacement of Share Certificates. - The board or any officer or agent designated by the board may in its or his discretion direct the issue of a new share or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, apparently destroyed or wrongfully taken on payment of such reasonable fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.07 Joint Shareholders. - If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may

give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

8.08 Deceased Shareholders. - In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

8.09 Lien for Indebtedness. - The Corporation shall have a lien on shares registered in the name of a shareholder indebted to the Corporation and such lien may be enforced, subject to the articles and to any unanimous shareholder agreement, by the sale of the shares thereby affected or by any other action, suit, remedy or proceeding authorized or permitted by law or by equity and, pending such enforcement, the Corporation may refuse to register a transfer of the whole or any part of such shares.

SECTION 9 DIVIDENDS AND RIGHTS

9.01 Dividends. - Subject to the Act, the board may from time to time declare dividends payable to the share-holders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation or options or rights to acquire fully paid shares of the Corporation. Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

9.02 Dividend Cheques. - A dividend payable in money shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at his recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold. In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.03 Record Date for Dividends and Rights. - The board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of the right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities, and notice of any such record date shall be given not less than 7 days before such record date in the manner provided by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

SECTION 10 MEETINGS OF SHAREHOLDERS

10.01 Annual Meetings. - The annual meeting of share-holders shall be held at such time in each year and, subject to section 10.03, at such place as the board, the chairman of the board, the managing

director or the president may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may properly be brought before the meeting.

10.02 Special Meetings. - The board, the chairman of the board, the managing director or the president shall have power to call a special meeting of shareholders at any time.

10.03 Place of Meetings. - Meetings of shareholders of the Corporation shall be held at such place in or outside Ontario as the directors determine or, in the absence of such a determination, at the place where the registered office of the Corporation is located.

10.04 Notice of Meetings. - Notice of the time and place of each meeting of shareholders shall be given in the manner provided in Section Eleven not less than 10 nor more than 50 days before the date of the meeting to each director, to the auditor, and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the minutes of an earlier meeting, financial statements and auditor's report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution or by-law to be submitted to the meeting.

10.05 List of Shareholders Entitled to Notice. - For every meeting of shareholders, the Corporation shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to vote at the meeting. If a record date for the meeting is fixed pursuant to section 10.06, the shareholders listed shall be those registered at the close of business on such record date. If no record date is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given or, where no such notice is given, on the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where the central securities register is maintained and at the meeting for which the list was prepared. Where a separate list of shareholders has not been prepared, the names of persons appearing in the securities register at the requisite time as the holder of one or more shares carrying the right to vote at such meeting shall be deemed to be a list of shareholders.

10.06 Record Date for Notice. - If no such record date is so fixed, the record date for the determination of the shareholders entitled to receive notice of the meeting shall be at the close of business on the day immediately preceding the day on which the notice is given or, if no notice is given, shall be the day on which the meeting is held.

10.07 Meetings Without Notice. - A meeting of shareholders may be held without notice at any time and place permitted by the Act (a) if all the shareholders entitled to vote thereat are present in person or duly represented or if those not present or represented waive notice of or otherwise consent to such meeting being held, and (b) if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held; so long as such shareholders, auditors or directors present are not attending for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. At such a meeting any business may be transacted which the Corporation at a meeting of shareholders may transact.

10.08 Chairman, Secretary and Scrutineers. - The chairman of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the

meeting: managing director, president, chairman of the board, or a vice-president who is a shareholder. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Corporation is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairman with the consent of the meeting.

10.09 Persons Entitled to be Present. - The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

10.10 Quorum. - Subject to the Act in respect of a majority shareholder, a quorum for the transaction of business at any meeting of shareholders shall be two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the time appointed for the meeting or within a reasonable time thereafter as the shareholders may determine, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

10.11 Right to Vote. - Every person named in the list referred to in section 10.05 shall be entitled to vote the shares shown thereon opposite his name at the meeting to which such list relates, except to the extent that (a) where the Corporation has fixed a record date in respect of such meeting, such person has transferred any of his shares after such record date or, where the Corporation has not fixed a record date in respect of such meeting, such person has transferred any of his shares after the date on which such list is prepared, and (b) the transferee, having produced properly endorsed certificates evidencing such shares or having otherwise established that he owns such shares, has demanded not later than 10 days before the meeting that his name be included in such list. In any such excepted case the transferee shall be entitled to vote the transferred shares at such meeting.

10.12 Proxyholders and Representatives. - Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, as his nominee to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his attorney and shall conform with the requirements of the Act. Alternatively, every such shareholder which is a body corporate or association may authorize by resolution of its directors or governing body an individual to represent it at a meeting of shareholders and such individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chairman of the meeting. Any such proxyholder or representative need not be a shareholder.

10.13 Time for Deposit of Proxies. - The board may fix a time not exceeding 48 hours, excluding Saturdays and holidays, preceding any meeting or adjourned meeting of shareholders before which time proxies to be used at the meeting must be deposited with the Corporation or an agent thereof, and any period of time so fixed shall be specified in the notice calling the meeting. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or if, no such time having been specified in such notice, it has been received by the secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the time of voting.

10.14 Joint Shareholders. - If two or more persons hold shares jointly, any one of them present in person or duly represented at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented and vote, they shall vote as one the shares jointly held by them.

10.15 Votes to Govern. - At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairman of the meeting shall be entitled to a second or casting vote.

10.16 Show of Hands. - Subject to the Act, any question at a meeting of shareholders shall be decided by a show of hands, unless a ballot thereon is required or demanded as hereinafter provided, and upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

10.17 Ballots. - On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chairman may require a ballot or any person who is present and entitled to vote on such question at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.18 Adjournment. - The chairman at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. Subject to the Act, if a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

10.19 Action in Writing by Shareholders. - A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders unless, in accordance with the Act, (a) in the case of the resignation or removal of a director, or the appointment or election of another person to fill the place of such director, a written statement is submitted to the Corporation by the director giving the reasons for his resignation or the reasons why he opposes any proposed action or resolution for the purpose of removing him from office or the election of another person to fill the office of such director; or (b) in the case of the removal or resignation of an auditor, or the appointment or election of another person to fill the office of auditor, representations in writing are made to the Corporation by that auditor concerning his proposed removal, the appointment or election of another person to fill the office of auditor, or his resignation.

10.20 Only One Shareholder. - Where the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or duly represented constitutes a meeting.

SECTION 11 NOTICES

11.01 Method of Giving Notices. - Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the regulations thereunder, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if mailed to him at his recorded address by prepaid mail. A notice so delivered shall be deemed to have been received when it is delivered personally and a notice so mailed shall be deemed to have been received on the fifth day after it is deposited in a post office or public letter box. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by him to be reliable.

11.02 Notice to Joint Shareholders. - If two or more persons are registered as joint holders of any share, any notice may be addressed to all such joint holders, but notice addressed to one of such persons shall be sufficient notice to all of them.

11.03 Computation of Time. - In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the day of giving the notice shall be excluded and the day of the meeting or other event shall be excluded.

11.04 Undelivered Notices. - If any notice given to a shareholder pursuant to section 11.01 is returned on three consecutive occasions because he cannot be found, the Corporation shall not be required to give any further notices to such shareholder until he informs the Corporation in writing of his new address.

11.05 Omissions and Errors. - The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

11.06 Persons Entitled by Death or Operation of Law. - Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom he derives his title to such share prior to his name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement prescribed by the Act.

11.07 Waiver of Notice. - Any shareholder, proxyholder or other person entitled to attend a meeting of shareholders, director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under the Act, the regulations thereunder, the articles, the by-laws or otherwise, and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board or a committee of the board which may be given in any manner.

11.08 Interpretation. - In this by-law, "recorded address" means in the case of a shareholder his address as recorded in the securities register; and in the case of joint shareholders the address appearing in

the securities register in respect of such joint holding or the first address so appearing if there are more than one; in the case of an officer, auditor or member of a committee of the board, his latest address as recorded in the records of the Corporation; and in the case of a director, his latest address as recorded in the records of the Corporation or in the most recent notice filed under the Corporations Information Act, whichever is the more current.

SECTION 12
EFFECTIVE DATE

12.01 Effective Date. - This by-law shall come into force when made by the board in accordance with the Act.

ENACTED AND MADE by the board of the Corporation and the shareholders on the 20th day of February, 1986, with amendments enacted by the board of the Corporation on November 9, 2021, and confirmed by the shareholders on December 9, 2021.

Psyence Group Inc.
(formerly Cardinal Capital Partners Inc.)

Consolidated Financial Statements

December 31, 2020 and 2019

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These consolidated financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors reviews the results of the annual audit and the consolidated financial statements prior to submitting the consolidated financial statements to the Board for approval.

The Company's auditors, MNP LLP, are appointed by the shareholders to conduct an audit and their report follows.

Signed: "Jody Aufrichtig"
Jody Aufrichtig
Chief Executive Officer

Signed: "Warwick Corden-Lloyd"
Warwick Corden-Lloyd
Chief Financial Officer

Toronto, Canada
April 30, 2021

To the Shareholders of Psyence Group Inc. (formerly Cardinal Capital Partners Inc.):

Opinion

We have audited the consolidated financial statements of Psyence Group Inc. (formerly Cardinal Capital Partners Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, 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.

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.

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, 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.

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 Andrew Kevin Spidle.

Mississauga, Ontario

April 30, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	December 31 2020	December 31 2019
Assets		
Current		
Cash	\$ 95,910	\$ 140,738
Cash held in trust (note 1)	28,599	-
	<u>124,509</u>	<u>140,738</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (note 6)	<u>\$ 136,769</u>	<u>\$ 60,487</u>
Shareholders' Equity		
Share capital (note 5(b))	8,328,310	8,328,310
Contributed surplus (note 5(c))	15,391,132	15,391,132
Deficit	<u>(23,731,702)</u>	<u>(23,639,191)</u>
	<u>(12,260)</u>	<u>80,251</u>
	<u>\$ 124,509</u>	<u>\$ 140,738</u>

Risk Management and Financial Risks (note 8)

Subsequent event (note 9)

On Behalf of the Board

Signed "Jody Aufrichtig", DirectorSigned "Gavin Basserabie", Director

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

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2020 and 2019(Expressed in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total
	\$	\$	\$	\$
Balance, January 1, 2019	8,328,310	15,391,132	(23,620,135)	99,307
Net loss for the year	-	-	(19,056)	(19,056)
Balance, December 31, 2019	8,328,310	15,391,132	(23,639,191)	80,251
Net loss for the year	-	-	(92,511)	(92,511)
Balance, December 31, 2020	8,328,310	15,391,132	(23,731,702)	(12,260)

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

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2020 and 2019(Expressed in Canadian dollars)

	2020	2019
Expenses		
General office and administration (note 1)	\$ 92,511	\$ 19,056
	<hr/> 92,511	<hr/> 19,056
Net loss before forgiveness of debt and income taxes	(92,511)	(19,056)
Forgiveness of debt (notes 5(c) and 6)	<hr/> -	<hr/> -
Net loss and comprehensive loss for the year	<hr/> (92,511)	<hr/> (19,056)
Basic and diluted net loss per share	\$ (0.06)	\$ (0.01)
Weighted average number of shares outstanding	1,666,459	1,666,459

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

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019(Expressed in Canadian dollars)

	2020	2019
Loss for the year	\$ (92,511)	\$ (19,056)
Non-cash items:		
Non-refundable expense advance from MHBC (note 1)	(30,000)	-
Changes in working capital:		
Changes in accounts payable and accrued liabilities	76,282	(13,426)
Net cash flows (used in) operating activities	<u>(46,229)</u>	<u>(32,482)</u>
Financing activities		
Non-refundable expense advance from MHBC (note 1)	30,000	-
	<u>30,000</u>	<u>-</u>
(Decrease) increase in cash	(16,229)	(32,482)
Cash , beginning of year	140,738	173,220
Cash , end of year	<u>\$ 124,509</u>	<u>\$ 140,738</u>
Cash comprises:		
Cash	\$ 95,910	\$ 140,738
Cash held in trust	28,599	-
	<u>\$ 124,509</u>	<u>\$ 140,738</u>

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

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

1. Nature of Business

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.) (“the Company” or “Cardinal”) was a merchant bank that assumed the role of participating lender in the acquisition, development, sales and management of real estate properties that met a predetermined set of guidelines within North American markets. On September 30, 2009 the Company ceased its operations upon the sale of its wholly owned subsidiary Global Development Resources, Inc. (USA) (“GDR USA”). As a result of the sale of GDR USA, the Company no longer has continuing operations.

The Company is a publicly traded company incorporated and domiciled in Ontario. The Company’s registered office is as follows: 200 Bay Street, Suite 2010, P.O. Box 10, Toronto, Ontario M5J 2J1.

On January 19, 2021, MindHealth Biomed Corp (the “MHBC”) completed a Reverse Takeover (“RTO”) of the Company (see note 9).

In August 2020, MHBC provided the Company with a non-refundable advance of \$30,000, held in trust, to cover certain expenses related to the RTO. The \$30,000 advance was recognized during the year ended December 31, 2020 as a reduction of general and administration expenses. \$1,401 of the advance had been dispensed prior to December 31, 2020, and the remainder of the advance was applied against \$28,599 of legal expense which were accrued in accounts payable and accrued liabilities at December 31, 2020 and paid from cash held in trust in January 2021.

2. Basis of Presentation

Statement of Compliance

These consolidated financial statements, including comparative periods, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

These consolidated financial statements are prepared using IFRSs in effect at April 30, 2021, the date the Board of Directors approved the consolidated financial statements. Significant accounting policies used in the preparation of the consolidated financial statements are described in Note 3.

3. Summary of Significant Accounting Policies

Basis of Consolidation

All intercompany transactions and balances have been eliminated.

(i) Subsidiaries

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Eco Logic Chemical Technologies Inc. and Eco Logic Solutions Inc., both of which are inactive.

Use of Estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount expenses during the year. No material estimates were required in the preparation of these consolidated financial statements.

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

3. Summary of Significant Accounting Policies - continued

Financial Instruments

IFRS 9 - Financial Instruments was issued by the IASB to establish principles for the financial reporting of financial assets and financial liabilities, including requirements for classification and measurement, impairment, and hedge accounting.

All of the Company's financial assets and liabilities are and measured at amortized cost.

Financial instruments measured at amortized cost are initially recognized at fair value, plus adjustments for transaction costs, and then subsequently measured at amortized cost using the effective interest rate method, with gains and losses recorded as a charge against earnings.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

The following table summarizes the classification of the Company's financial assets and liabilities under IFRS 9.

	Classification
Financial assets:	
Cash	Amortized cost
Cash held in trust	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost

Income Taxes

Income tax expense comprises current and deferred components.

Current income tax expense is the expected tax payable for the current year's taxable income based on rates enacted or substantively enacted at the end of the reporting period and any adjustments to previous estimates.

Deferred income taxes are calculated using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in expected future tax rates is recognized in net (loss) income in the year that includes the date of substantive enactment of the revised tax rates. Deferred tax assets are recognized to the extent that it is probable that they will be realized.

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

3. Summary of Significant Accounting Policies - continued

Earnings (loss) per Share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by dividing net earnings available to common shareholders for the year by the diluted weighted average number of common shares outstanding during the year. The diluted weighted average number of shares includes the potential dilution from common shares issuable through stock options, if dilutive, using the treasury stock method. The treasury stock method assumes that the proceeds from any shares issued on the exercise of stock options are used by the Company to repurchase and cancel shares at the average market price of the Company's share price for the period. As such, where the strike price of stock options exceeds the average market price of the Company's shares for the reporting period, the inclusion of these shares under the treasury stock method would be anti-dilutive, so these shares are excluded from the calculation of the weighted average number of diluted common shares.

In years that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

Share-Based Payment Transactions

The fair value of share options granted to employees, officers and directors is recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and the vesting period. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted.

4. Accounting Standards Adopted

IFRS 16 – Leases was adopted on January 1, 2019. There is no impact to the Company from the adoption of IFRS 16 because the Company was not party to any lease agreements.

5. Share Capital

- a) Authorized
 - Unlimited common shares
 - Unlimited preferred shares

- b) Shares issued and outstanding

	Number of Shares	Amount
Common shares		
Balance, December 31, 2018, 2019, and 2020	<u>1,666,459</u>	<u>\$ 8,328,310</u>

(see note 9 – subsequent events)

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019(Expressed in Canadian dollars)

5. Share Capital – continued

c) Stock Options Outstanding

The Company has a stock option plan (the “Plan”) which was approved by the Board of Directors of the Company. The total amount of shares reserved for issuance under the Plan is equal to 10% of the outstanding common shares.

The Plan is for the benefit of the employees, officers and directors and certain consultants of the Company and its subsidiaries. The Plan is administered by the Compensation Committee of the Board of Directors of the Company. The Compensation Committee may from time to time designate individuals to whom options to purchase shares of the capital stock of the Company may be granted and the number of shares to be optioned to each. The option price per share which is the subject of any option shall be fixed by the Board of Directors when such option is granted. The option price can be discounted according to the rules of the Exchange at the time the option is granted. It is the Company’s policy that options vest fully upon issuance. The period during which an option is exercisable shall not exceed five years from the date the option is granted. The options may not be assigned, transferred or pledged. Subject to any grace period allowed under the policies of the Exchange, the options will expire upon the termination of the employment or office with Company or any of its subsidiaries or death of an individual. The total number of shares to be optioned to any one individual cannot exceed five percent of the total of the issued and outstanding shares.

The number of shares reserved for issuance under the plan is 166,646 of which, 155,925 have been granted (see note 9 – subsequent events)

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at December 31, 2020 are as follows:

Exercise Price	Number Outstanding (i)	Weighted-Average Exercise Price	Remaining Contractual Life (years)
\$0.1924	155,925	\$0.1924	2.91
Total	155,925	\$0.1924	2.91

(i) All stock options outstanding on December 31, 2020 were exercised in January 2021 – see note 9.

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019(Expressed in Canadian dollars)

6. Related Party Transactions and Balances

- a) At December 31, 2020, accounts payable and accrued liabilities included \$66,383 (December 31, 2019 - \$30,841) payable to officers and directors of the Company.

Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Consulting fees	\$ 38,000	\$ -
Share-based compensation (note 5(c))		-
Total	\$ -	\$ -

7. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 - 26.5%) to the effective tax rate is as follows:

	2020	2019
Loss before income taxes	\$ (92,511)	\$ (19,056)
Expected income tax recovery	(24,500)	(5,050)
Change in temporary differences not recognized	24,500	5,050
Total	\$ -	\$ -

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and carrying amounts of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can utilize these benefits:

	2020	2019
Non-capital losses	\$ 1,285,011	\$ 1,192,500
Net capital losses	\$ 10,639,090	\$ 10,639,090
Share issue costs	\$ 8,000	\$ 12,000

The non-capital losses carried forward will expire between 2027 and 2040. The net capital losses may be carried forward indefinitely but can only be used to reduce capital gains. Share issue costs will be deducted between 2021 and 2022.

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

8. Risk Management and Financial Risks

Capital Management

The Company manages its shareholders' equity as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue project opportunities for the benefit of its shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may attempt to issue new shares or debt, or adjust the amount of cash. There can be no assurance that the Company will be able to obtain debt or equity capital in the case of operating cash deficits. The Company is not subject to any externally imposed capital requirements.

Financial Risks

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

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had current assets of \$124,509 (2019 - \$140,738) to settle current liabilities of \$136,769 (2019 - \$60,487). See notes 1 and 9 for RTO transaction.

Credit Risk

The credit risk relates to the cash on hand which is held in a single financial institution and cash held in trust with a law firm.

9. Subsequent Events

Exercise of Options

On January 15th, 2021 Option holders exercised 155,925 options at an exercise price of \$0.1924 for a total consideration of \$30,000, \$5,000 of which was settled in cash and \$25,000 in accounts payable settlement.

Share Consolidation

In contemplation of the RTO with MHBC, the Company consolidated its common shares by exchanging 1 post-consolidation share for every 19.24 pre-consolidation shares outstanding. All share quantities or per share amounts presented in these consolidated financial statements have been retrospectively presented to give effect to the consolidation.

RTO with MHBC

On January 19th, 2021, MHBC successfully completed a RTO of the Company. The RTO was completed by way of a three-cornered amalgamation among MHBC, the Company and 1264216 B.C. Ltd. a wholly owned subsidiary of the Company incorporated for the purposes of completing the Transaction under the Business Corporations Act (British Columbia). The amalgamation resulted in MHBC combining its corporate existence with 1264216 B.C., and the entity resulting from the amalgamation became a wholly owned subsidiary of the Company. Pursuant to the RTO, all of the outstanding shares, options and warrants of MHBC were exchanged for shares, options, and warrants of the Company.

In connection with the RTO the Company changed its name to "Psyence Group Inc", the newly amalgamated wholly-owned subsidiary was named "Psyence Biomed Corp", and Company's common shares (the "Shares") were consolidated on the basis of one (1) post-consolidation Share for every 19.24 pre-consolidation shares held, resulting in 1,822,384 Shares being outstanding immediately prior to giving effect to the RTO.

As a result of the transaction, the Company issued a total of 81,706,552 common shares to the shareholders of MHBC and 1,999,995 common shares were issued as a finders' fee.

Psyence Group Inc. commenced trading on the Canadian Securities Exchange under the symbol "PSYG" on January 27, 2021.

Psyence™

PSYENCE GROUP INC.
(Formerly Cardinal Capital Partners Inc.)

Annual MD&A for year ended
December 31, 2020

Date of MD&A:
April 30, 2021

The following information should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2020 and 2019 of Psyence Group Inc. (formerly Cardinal Capital Partners Inc.) (the "**Company**" or "**Cardinal**"), which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are expressed in Canadian dollars unless otherwise indicated.

Forward-Looking Information

This MD&A contains forward-looking statements and forward-looking information as such terms are defined under applicable Canadian securities laws. These forward-looking statements and forward-looking information include, but are not limited to, statements with respect to management's expectations regarding the future growth, results of operations, performance and business prospects of the Company, and relate to, without limitation:

- the Company's research and development plans, business model, strategic objectives and growth strategy;
- the Company's future growth plans;
- anticipated trends and challenges in the Company's business and the markets in which it operates;
- the future demand for psilocybin and psilocybin mushroom products from time to time produced, supplied, or distributed by the Company;
- the impact of the recent novel coronavirus ("**COVID-19**") pandemic on the Company's operations;
- the Company's expectations regarding regulatory requirements and developments in the jurisdictions in which it operates;
- the approval of regulatory bodies of psychedelic substances including psilocybin for the treatment of various health conditions;
- controlled substances laws;
- the Company's ability to obtain renewals of licenses and regulatory authorizations for its business operations;
- the Company's estimate of the size of the potential markets for its products;
- the Company may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues;
- risks relating to an evolving regulatory regime related to psilocybin and psychedelic products;
- the continuation of the Company as a going concern;
- the Company's intellectual property;
- the growth of competition from other companies in the industry;
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- the Company's exposure to fluctuations in foreign currencies; and
- the Company's expectations regarding the sufficiency of its cash for funding non-development related expenditures and future cash balances.

These forward-looking statements and forward-looking information may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. Without limitation, the words "may", "will", "would", "should", "could", "expect", "plan", "intend", "trend", "indicate", "assume", "anticipate", "believe", "estimate", "predict", "likely" or "potential", or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Forward-looking statements and forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

With respect to forward-looking statements and forward-looking information contained in this MD&A, assumptions have been made regarding, among other things: future research and development plans for the Company proceeding substantially as currently envisioned, future expenditures to be incurred by the Company, research and development and operating costs, additional sources of funding, the impact of competition on the Company and the Company being able to obtain financing on acceptable terms.

Although management believes the expectations reflected in such forward-looking statements and forward-looking information are reasonable, forward-looking statements and forward-looking information are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements and forward-looking information.

These risks, uncertainties and factors include, but are not limited to: risks, uncertainties and the results of the growth and cultivation of psilocybin or the development of the Company's future products and the timing thereof; the Company may not have sufficient capital to achieve its growth strategy; risks that its growth strategy may not be successful; regulatory policies concerning psilocybin products; the ability to obtain renewals or approvals for licences and authorizations; the Company's plan to conduct research for psilocybin products in Canada and obtaining Canadian regulatory approval thereto; the Company's expansion of its Lesotho-based production and processing facility; competitors from other companies; clinical trial results; limitations on insurance coverage; the timing and amount of estimated capital expenditure in respect of the business of the Company; operating expenditures; success of marketing activities; estimated budgets; currency fluctuations; requirements for additional capital; the timing and possible outcome of litigation in future periods; the effects of COVID-19 pandemic; goals; strategies; future growth; planned business activities and planned future acquisitions; the adequacy of financial resources; and other events or conditions that may occur in the future.

In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in, or incorporated by reference into, this MD&A. Accordingly, prospective investors are cautioned not to place undue reliance on such statements.

All of the forward-looking statements and forward-looking information in this MD&A are qualified by these cautionary statements. Statements containing forward-looking statements and/or forward-looking information contained herein are made only as of the date hereof. The Company expressly disclaims any obligation to update, revise or alter statements containing any forward-looking statements or forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law. New factors emerge from time to time, and it is not possible for the Company to predict which factors may arise. In addition, the Company cannot assess the impact of each factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements or forward-looking information.

Overview

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.) was a merchant bank that assumed the role of participating lender in the acquisition, development, sales and management of real estate properties that met a predetermined set of guidelines within North American markets. The Company did not carry on active business operations during the periods that are the subject of this MD&A prior to the Transaction (as defined herein).

Business Combination with MindHealth Biomed Corp.

On September 11, 2020, the Company and MindHealth Biomed Corp. ("**MindHealth**", and together with the Company, the "**Parties**") entered into a binding definitive agreement (the "**Definitive Agreement**") pursuant to which the Parties intended to complete a business combination transaction, which, subject to certain conditions and applicable shareholder and regulatory approvals, would result in a reverse takeover of the Company by MindHealth (the "**Transaction**"). The combined public company resulting from the Transaction (the "**Resulting Issuer**") would carry on the business of MindHealth.

Under the terms of the Definitive Agreement, the Transaction was completed by way of a three-cornered amalgamation (the "**Amalgamation**") among the Company, MindHealth, and 1264216 B.C. Ltd., ("**Acquisitionco**"), a wholly owned subsidiary of the Company incorporated for the purposes of completing the Transaction, under the Business Corporations Act (British Columbia). The Amalgamation resulted in MindHealth combining its corporate existence with Acquisitionco, and the entity resulting from the Amalgamation becoming a wholly-owned subsidiary of the Company.

In anticipation of the Transaction, pursuant to articles of amendment dated January 19, 2021, Cardinal completed the consolidation of common shares in the capital of Cardinal (the "**Cardinal Shares**") on the basis of one (1) post-consolidation Cardinal Share for every 19.24 pre-consolidation Cardinal Shares (the "**Consolidation**") and changed its name to "Psyence Group Inc.". As part of the Transaction, MindHealth and Acquisitionco amalgamated under the BCBCA pursuant to the terms of an amalgamation agreement between Acquisitionco and MindHealth dated January 19, 2021 to form Amalco. Cardinal issued 1.0649 Cardinal common shares (on a post-Consolidation basis) for each MindHealth common share. All outstanding warrants and options of MindHealth issued prior to the Transaction were cancelled and the Company issued 1.0649 warrants and options in the capital of the Resulting Issuer, as applicable, for each MindHealth warrant or option on the same terms and conditions as the respectively cancelled warrants and options granted by MindHealth.

The transaction was completed after financial year-end on January 19, 2021. On the same day, the Company changed its name from "Cardinal Capital Partners Inc." to "Psyence Group Inc."

MindHealth is a private, British Columbia company, with a mission to become the leading supplier of branded medicinal-grade psilocybin mushroom products to the global legal psychedelic research, medical and nutraceutical industries. MindHealth intends to capitalize on significantly lower cost production in Africa to distribute and supply internationally certified medical grade psilocybin mushroom products to legal export markets, to differentiate itself through best of class cultivation, processing, distribution, brand and retail services. MindHealth currently possesses a cultivation, processing and export license for psilocybin mushrooms in Lesotho, in Southern Africa (which is one of the first commercial medical grade psilocybin mushroom cultivation licenses globally) and has commenced the build-out of a fully integrated cultivation, processing and product manufacturing facility to international standards at its licensed facility.

Immediately after the closing of the Transaction, the Company had approximately 85,528,931 common shares in the capital of the Resulting Issuer (the "**Company Shares**") issued and outstanding (on a non-diluted basis), of which (i) approximately 83,706,547 Company Shares (or 97.869%) were held by the former MindHealth shareholders, and (ii) approximately 1,822,384 Company Shares (or 2.131%) were held by the Cardinal Shareholders.

The Company also had a total of 7,432,055 options of the Resulting Issuer (each a "**Company Option**") and 8,910,553 share purchase warrants (each a "**Company Warrant**") outstanding.

On a fully-diluted basis, presuming the exercise of the Company Options and Company Warrants, immediately after closing of the Transaction the Company would have approximately 101,871,539 Company Shares issued and outstanding, of which (i) approximately 100,049,155 Company Shares (or 98.211% %) were held by the former MindHealth shareholders, and (ii) approximately 1,822,384 Company Shares (or 1.789 %) were held by the Cardinal Shareholders.

Upon the conclusion of the Transaction, the business of the Company became the business of MindHealth. The new entity called Psyence Group Inc. (formerly called Cardinal Capital Partners Inc) listed on the Canadian Securities Exchange on January 27, 2021.

The Transaction was an arm's length transaction.

Upon completion of the Transaction, the board of directors and management of the Company was reconstituted such that the directors were comprised of Jody Aufrichtig (Chairman), Gavin Basserabie, Amza Ali, Marvin Singer and Ryan Roebuck. On March 4, 2021 Ryan Roebuck resigned and Alan Friedman was appointed.

Overall Performance

As at December 31, 2020 the Company had \$124,509 in assets (December 31, 2019 - \$140,738) which consisted of cash of \$95,910 and cash held in trust of \$28,599 (2019 – cash of \$140,738).

For the year ended December 31, 2020 Cardinal had a basic and diluted net loss of \$92,511 or \$0.06 per share compared to \$19,056 or \$0.01 per share for the same period in 2019.

Selected Annual Information

The following annual selected information is prepared in accordance with IFRS.

For the years ended December 31	2020	2019	2018
Total Revenue	\$ -	\$ -	\$ -
Net income (loss) for the year	(92,511)	(19,056)	(13,322)
Net income (loss) per share ⁽¹⁾	(0.06)	(0.01)	(0.00)
Total assets	124,509	140,738	173,220
Total financial liabilities	136,769	60,487	73,913
Cash dividends declared per share	\$ -	\$ -	\$ -

(1) Net income (loss) per share has been calculated using the weighted average number of common shares during each year. Diluted net income (loss) per share was not calculated as it would be anti-dilutive.

Operating Results for the Year Ended December 31, 2020

General and Administrative Expenses

General office and administration expenses totaled \$92,511 as compared to \$19,056 in 2019 and increased as result of the Transaction. Consulting fees of \$38,000 (2019: \$0) were accrued for the services rendered by former directors of the Company.

Net Loss

Net loss was \$92,511 in 2020 compared to a net loss of \$19,056 in 2019.

Summary of Quarterly Results

For the quarters ended	Dec 31/20	Sep 30/20	Jun 30/20	Mar 31/20
Total revenue	\$ -	\$ -	\$ -	\$ -
Net income (loss) for the period	(72,981)	(7,625)	(7,500)	(4,405)
Net loss per share ⁽¹⁾	(0.00)	(0.00)	(0.00)	(0.00)

For the quarters ended	Dec 31/19	Sep 30/19	Jun 30/19	Mar 31/19
Total revenue	\$ -	\$ -	\$ -	\$ -
Net income (loss) for the period	(6,582)	(3,133)	(4,783)	(4,558)
Net loss per share ⁽¹⁾	(0.00)	(0.00)	(0.00)	(0.00)

- (1) Net income (loss) per share has been calculated using the weighted average number of common shares during each period. Diluted income (loss) per share was not calculated as it would be anti-dilutive.

Operating Results for the Three Months Ended December 31, 2020

General and Administrative Expenses

General office and administration expenses totaled \$72,981 (including \$38,000 consulting fees accrued for former directors) as opposed to \$6,582 for the same period in 2019 as result of the Transaction.

Net Income (Loss)

Net loss for the quarter ended December 31, 2020 totaled \$72,981 or \$0.04 per share versus a net loss of \$6,582 or \$0.00 per share for the same period in 2019.

Summary of Quarterly Results

Liquidity

As at December 31, 2020, the Company had current assets of \$124,509 (December 31, 2019 - \$140,738) to settle current liabilities of \$136,769 (December 31, 2019 - \$60,487). All of the Company's financial liabilities have contractual maturities of less than one year. Post the Transaction, the Company has sufficient working capital to meet its operational requirements and it is be able to pay its existing liabilities. However, there can be no assurance that the Company will be able to obtain sufficient funds continue to fund its future operations.

Capital Resources

Management is not aware of any significant commitments or expected fluctuations with respect to its Capital Resources at the date of its annual financial statements.

Off-balance Sheet Arrangements

The Company did not have any off-balance sheet arrangements as at the date of its financial statements.

Transactions with Related Parties

At December 31, 2020 accounts payable and accrued liabilities included \$66,383 (December 31, 2019 - \$30,841) payable to officers and directors of the Company.

Compensation of key management personnel

The remuneration expense of directors and key management personnel during the years ended December 31,2020 and 2019 were as follows:

	2020	2019
Consulting fees	\$ 38,000	-
Share-based compensation	-	-
Total	<u>\$ 38,000</u>	<u>\$ -</u>

Disclosure of Management Compensation

The Company did not have any standard compensation agreements with directors or officers for the year ended December 31, 2020.

Proposed Transactions

On March 4, 2021, the Company announced that it had launched its functional mushroom brand, "Goodmind", through a South African-based special purpose vehicle ("SPV") called Goodmind (Pty) Ltd ("Goodmind"). The SPV will be responsible for the production, commercialization and sale of Goodmind functional mushroom products, which will include additional psilocybin containing products, subject to compliance with all applicable local laws and regulations in the jurisdictions in which the SPV operates. The primary aim of the SPV is to establish a revenue-generating business by executing on opportunities in the functional mushroom space. The SPV is a 50/50 partnership between the Company, via its subsidiary Psyence Biomed Corp, and Southern Sun Pharma Inc's wholly owned subsidiary, The Goodleaf Company (Pty) Ltd, a private company incorporated in South Africa ("Goodleaf"). Goodleaf is the leading cannabis brand in South Africa with established distribution lines through retail stores, online, wholesale, and deli and coffee shops.

On March 31, 2021, the Company announced that a letter of intent had been signed with Pure Extracts Technologies Corp ("Pure Extracts") to form a Joint Venture ("JV"). The JV would specialise in the extraction of psilocybin from psychedelic mushrooms and development of psilocybin formulations. Pure Extracts is a plant-based extraction company focused on cannabis, hemp, functional mushrooms and the psychedelic sector with a state-of-the-art processing facility and has submitted an application to Health Canada for a Dealer's Licence under the Controlled Drugs and Substances Act (CDSA). The JV will facilitate the importation of standardized psychedelic mushrooms into Canada, creating the opportunity to further optimize extraction methods and produce advanced products needed for safe clinical research. The expected effect on financial condition, results of operations and cash flows of the JV are not quantifiable at the date of this report.

Critical Accounting Estimates

The preparation of the accompanying consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. While management believes that the estimates and assumptions are reasonable, actual results may differ materially from those estimates.

Financial Instruments

All of the Company's financial assets and liabilities are and measured at amortized cost.

Financial instruments measured at amortized cost are initially recognized at fair value, plus adjustments for transaction costs, and then subsequently measured at amortized cost using the effective interest rate method, with gains and losses recorded as a charge against earnings.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

The following table summarizes the classification of the Company's financial assets and liabilities under IFRS 9:

Financial assets:	
Cash	Amortized cost
Cash held in trust	Amortized cost
Financial liabilities:	
Amounts payable and accrued liabilities	Amortized cost

Risk Management

The success of the Company is dependent upon its ability to assess and manage all forms of risk that affect its operations. The Company is exposed to many factors that could adversely affect its business, financial conditions or operating results. Developing policies and procedures to identify risk and the implementation of appropriate risk management policies and procedures is the responsibility of senior management and the Board of Directors. The Board directly, or through its committees, reviews and approves these policies and procedures, and monitors their compliance with them through ongoing reporting requirements. A description of the Company's most prominent risks follows.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash to meet its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

As at December 31, 2020, the Company had current assets of \$124,509 (December 31, 2019 - \$140,738) to settle current liabilities of \$136,769 (December 31, 2019 - \$60,487). All of the Company's financial liabilities have contractual maturities of less than one year.

Credit Risk

The credit risk as at December 31, 2020 related to the cash on hand of \$95,910 which was held in a single financial institution and \$28,599 provided by MindHealth as a non-refundable advance which was held in trust to cover certain expenses related to the Transaction.

Foreign Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company operates internationally and is exposed to foreign exchange risk from the Lesotho Loti and South African Rand. Foreign exchange risk arises from transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

Other Data

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com.

Share Data

Outstanding Shares

1,666,459 (pre-consolidation) common shares as at December 31, 2020 and December 31, 2019. Subsequent to year end and upon completion of the Transaction there were 85,528,931 (post-consolidation) common shares outstanding.

Outstanding Options

As at December 31, 2020 the Company had 155,925 stock options outstanding. Currently the Company has a total of 7,432,055 stock options and 8,910,553 warrants outstanding.

Psyence™

Psyence Group Inc.
(Formerly Cardinal Capital Partners Inc.)

Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation of MindHealth Biomed
Corp.) to March 31, 2021

Expressed in Canadian Dollars
(CAD \$)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These consolidated financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors reviews the results of the annual audit and the consolidated financial statements prior to submitting the consolidated financial statements to the Board for approval.

The Company's auditors, MNP LLP, are appointed by the shareholders to conduct an audit and their report follows.

"Jody Aufrichtig"

Chief Executive Officer

Toronto, Canada

June 30, 2021

Independent Auditor's Report



To the Shareholders of Psyence Group Inc. (formerly Cardinal Capital Partners Inc.):

Opinion

We have audited the consolidated financial statements of Psyence Group Inc. (formerly Cardinal Capital Partners Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the period from May 21, 2020 (date of incorporation) to March 31, 2021, 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 March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the period from May 21, 2020 to March 31, 2021 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit 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 audit 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.

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 audit 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 audit 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.

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, 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Zhi Huang.

Toronto, Ontario
June 30, 2021

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

MNP

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

Consolidated Statement of Financial Position as at March 31, 2021

	Note	CAD \$
ASSETS		
Current assets		
Cash and cash equivalents	7	6,096,074
Other receivables	8	181,780
Prepays		42,727
Total current assets		6,320,581
Non-current assets		
Property and equipment	9	392,405
Intangible assets	10	17,866
Total non-current assets		410,271
TOTAL ASSETS		6,730,852
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	11	227,577
Due to related parties	16	7,581
Current portion of lease liabilities	15	2,155
Total current liabilities		237,313
Non-current liabilities		
Lease liabilities	15	54,621
Total non-current liabilities		54,621
TOTAL LIABILITIES		291,934
SHAREHOLDERS' EQUITY		
Share capital	12	16,023,565
Options reserve	12	358,723
Warrants reserve	12	1,329,640
Foreign currency translation reserve		10,788
Deficit		(11,283,798)
TOTAL SHAREHOLDERS' EQUITY		6,438,918
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,730,852

Nature of operations (Note 1)

Commitments (Note 20)

Subsequent events (Note 22)

Approved on behalf of the Board of Directors.

“Jody Aufrichtig”

Chief Executive Officer and Director

“Gavin Basserabie”

Director

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

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

Consolidated Statement of Net Loss and Comprehensive Loss

For Period from May 21, 2020 (date of incorporation) to March 31, 2021

	Note	CAD \$
Expenses		
Sales and marketing		109,994
Research and development		21,906
General and administrative		105,304
Professional fees and consulting fees	12,16	2,925,403
Depreciation and amortization	9,10	24,496
Listing expense	5	1,271,894
Consideration paid in excess of net assets acquired from acquisition	6	6,794,631
Loss before other items		(11,253,628)
Other items		
Accretion expense	15	(1,193)
Foreign exchange loss		(28,977)
NET LOSS		(11,283,798)
Other comprehensive income		
Foreign exchange gain on translation		10,788
TOTAL COMPREHENSIVE LOSS		(11,273,010)
Loss per share - basic and diluted	18	(0.22)
Weighted average number of outstanding shares - basic and diluted		51,205,555

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

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Annual Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

Consolidated Statement of Changes in Equity

For Period from May 21, 2020 (date of incorporation) to March 31, 2021

	Note	Number of shares	Share capital	Warrants reserve	Options reserve	Foreign currency translation reserve	Deficit	Total shareholders' equity
			\$	\$	\$	\$	\$	\$
Founder's share	12	1	-	-	-	-	-	-
Acquisition of Mind Health (Pty) Ltd.	12,13	24,000,000	390	-	-	-	-	390
Shares issued	12	34,720,517	9,302,882	-	-	-	-	9,302,882
Share issuance costs	12	-	(835,901)	208,252	-	-	-	(627,649)
Issuance of options	12	-	-	358,723	-	-	-	358,723
Issuance of warrants	12	-	-	735,323	-	-	-	735,323
Acquisition of Psyence Therapeutics Corp	6	18,000,000	6,300,000	386,065	-	-	-	6,686,065
Shares issued to Cardinal Capital Partners Inc. in connection with reverse take-over	5	3,822,379	1,256,194	-	-	-	-	1,256,194
Impacts of share exchange due to reverse take-over	12	4,986,034	-	-	-	-	-	-
Other comprehensive income		-	-	-	-	10,788	-	10,788
Net loss		-	-	-	-	-	(11,283,798)	(11,283,798)
Balance, March 31, 2021		85,528,931	16,023,565	1,329,640	358,723	10,788	(11,283,798)	6,438,918

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

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

Consolidated Statement of Cash Flows

For Period from May 21, 2020 (date of incorporation) to March 31, 2021

	Note	CAD \$
Net loss		(11,283,798)
Non-cash adjustments:		
Depreciation and amortization	9,10	24,496
Foreign exchange		11,005
Cost of acquisition	6	6,794,631
Listing expense	5	1,271,894
Share based compensation - warrants	12	735,323
Share based compensation - options	12	358,723
Accretion expense	15	1,193
Changes in non-cash working capital:		
Other receivables		(181,163)
Prepays		(24,983)
Accounts payable and accrued liabilities		81,840
Due to related parties		7,581
Cash used in operating activities		(2,203,258)
Additions of intangible assets	10	(18,324)
Additions to property and equipment	9	(357,941)
Increase in cash due to reverse take-over	5	3,499
Cash used in investing activities		(372,766)
Repayment of lease liabilities	15	(3,135)
Proceeds from shares issuance, net of issuance costs	12	8 675 233
Cash provided from financing activities		8,672,098
Change in cash and cash equivalents		6,096,074
Cash and cash equivalents, beginning of period		-
Cash and cash equivalents, end of period		6,096,074

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

Notes to the Consolidated Financial Statements

1. Nature of operations

Psyence Group Inc. (formerly Cardinal Capital Partners Inc (“**Cardinal**”)) (the “**Company**” or “**PGI**”) is a life science biotechnology company pioneering the use of natural psychedelics in the treatment of psychological trauma and mental health disorders. The Company is also developing nutraceutical products for depression, acute anxiety and sleep disorders. Prior to January 19, 2021, the Company’s operations were conducted through MindHealth Biomed Corp. (“**MindHealth**”). MindHealth was incorporated under the laws of the province of British Columbia, Canada on May 21, 2020. On January 19, 2021, MindHealth changed its name to Psyence Biomed Corp. (“**PBC**”). The Company’s registered office is at 200 Bay Street, P. O. Box 10, Toronto, Ontario M5J 2J1.

On September 11, 2020, the Company and MindHealth (the “**Parties**”) entered into a definitive agreement (the “**Definitive Agreement**”) pursuant to which the Parties intended to complete a business combination transaction, in which MindHealth acquired all of the issued and outstanding common shares of Cardinal, in a three-cornered amalgamation (the “**Transaction**”), involving the Company, MindHealth and 1264216 B.C. Ltd., a wholly owned subsidiary of the Company. The combined public company resulting from the Transaction (the “**Resulting Issuer**” or “Psyence Group Inc.”) would carry on the business of MindHealth. The transaction constitutes a “Qualifying Transaction” for Cardinal as defined in the TSX Venture Exchange Policy 2.4 – Capital Pool Companies.

In anticipation of the Transaction, pursuant to articles of amendment dated January 19, 2021, Cardinal completed the consolidation of common shares in the capital of Cardinal on the basis of one (1) post-consolidation Cardinal share for every 19.24 pre-consolidation Cardinal shares (the “**Consolidation**”), resulting in approximately 3,822,379 common shares (note 5). Cardinal changed its name to “Psyence Group Inc.” and the newly amalgamated wholly-owned subsidiary was named “Psyence Biomed Corp”. Cardinal issued 1.0649 Cardinal common shares (on a post-Consolidation basis) for each MindHealth common share. All outstanding warrants and options of MindHealth issued prior to the transaction were cancelled and the Company issued 1.0649 warrants and options in the capital of the Resulting Issuer, as applicable, for each MindHealth warrant or option on the same terms and conditions as the respectively cancelled warrants and options granted by MindHealth. The transaction was completed on January 19, 2021 (refer to note 5).

During the period, there was a global outbreak of COVID-19, which had a significant impact on businesses as restrictions were put in place by governments regarding travel, business operations and isolation/quarantine orders. The financial performance of the Company has not been impacted until now. It is unknown the extent the impact the Coronavirus outbreak may have on the Company as this will depend on future developments that are highly uncertain and cannot be predicted with certainty. These uncertainties arise from the inability to predict the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by governments. While the extent of the impact is unknown, the Company does not anticipate that the outbreak will impact its financial condition.

2. Basis of presentation

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (“**IASB**”).

The consolidated financial statements were authorized for issue on June 30, 2021 by the directors of the Company.

Basis of measurement

These consolidated financial statements have been prepared on an accrual basis, are based on historical costs and are presented in Canadian dollars, unless otherwise noted.

Functional and presentation currency

These consolidated financial statements are presented in Canadian Dollars (“CAD \$”), which is also PGI’s functional currency. The functional currency of PGI’s subsidiary, PBC, and Psyence Therapeutics Corp (“PTC”) is Canadian Dollars and Mind Health (Pty) Ltd, is the Lesotho Loti (“LSL”).

3. Significant accounting policies

Basis of consolidation

These consolidated financial statements incorporate the accounts of PGI and its subsidiaries. A subsidiary is an entity controlled by PGI and its results are consolidated into the financial results of the Company from the effective date of control up to the effective date of loss of control.

Control exists when an investor is exposed, or has rights, to variable returns from the involvement with the investee and has liability to affect those returns through its power over the investee. Where the Company’s interest is less than 100%, the Company recognizes non-controlling interests.

The subsidiaries of PGI that have been consolidated as of March 31, 2021 are as follows:

Name of entity	Place of incorporation	% Ownership	Accounting method
Mind Health (Pty) Ltd.	Lesotho	100%	Consolidation
Psyence Biomed Corp.	British Columbia	100%	Consolidation
Psyence Therapeutics Corp.	Ontario	100%	Consolidation

Inter-company balances and transactions are eliminated upon consolidation.

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date on which the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Acquisition costs are expensed as incurred to net loss.

Contingent consideration, if any, is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognized in net loss.

The Company measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets and liabilities assumed, all measured as of the acquisition date. Goodwill is initially recognized at cost as an asset and subsequently measured at cost less accumulated impairment. Goodwill is not amortized but is tested annually for impairment.

Common control transactions

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same parties, both before and after the business combination, and control is not transitory. Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. IFRS provides no guidance on the accounting for these types of transactions. As a result, the Company was required to develop an accounting policy. The three most common methods utilized are the acquisition method, the predecessor values since inception method, and the predecessor values from the date of transaction method. The Company determined that the predecessor carrying value from date of transaction method to account for common control transactions is the most appropriate. This method requires the consolidated financial statements to be prepared using the predecessor carrying values without an adjustment to fair value. The consideration given is measured based on the aggregate carrying value

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

of the assets and liabilities acquired. Transaction costs associated with common control transactions are recognized as an expense in the period.

Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to purchase common shares at the average market price during the period. The impact of convertible securities issued during the period from May 21, 2020 (date of incorporation) to March 31, 2021 is anti-dilutive.

IFRS 9 Financial instruments

The Company recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

The classification and measurement approach for financial assets reflect the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income (“**FVOCI**”) and fair value through profit and loss (“**FVTPL**”). Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment’s fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial liabilities are classified and measured based on two categories - amortized cost or FVTPL:

Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Classification and measurement of the financial instruments is as follows:

<u>Financial instrument</u>	<u>Classification</u>
Cash and cash equivalents	Amortized cost
Other receivables (excluding sales tax receivable)	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Current and non-current portion of lease liabilities	Amortized cost

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

Under IFRS 9, the Company applies a forward-looking expected credit loss (“ECL”) model, at each balance sheet date, to financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments.

The three-stage approach to recognizing ECL under IFRS 9 is intended to reflect the increase in credit risk of a financial instrument and are:

- Stage 1 is comprised of all financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. The Company recognizes an impairment loss for those financial instruments at an amount equal to the twelve-month expected credit loss following the balance sheet date.
- Stage 2 is comprised of all financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of a credit loss event. The Company recognizes an impairment loss for those financial instruments at an amount equal to the lifetime expected credit losses.
- Stage 3 is comprised of all financial instruments that have objective evidence of impairment at the reporting date. The Company recognizes an impairment loss for those financial instruments at an amount equal to the lifetime expected credit losses.

Impairment losses are recorded in the consolidated statement of net loss and comprehensive loss with the carrying amount of the financial assets reduced through the use of impairment allowance accounts.

The Company reverses impairment losses on financial assets carried at amortized cost when the decrease in impairment can be objectively related to an event occurring after the impairment loss was initially recognized.

Foreign currency translation

The consolidated financial statements are presented in CAD \$ which is PGI's functional currency. The functional currency of one subsidiary of the Company is the LSL, while the functional currency of other two subsidiaries is CAD \$.

In each individual entity, a foreign currency transaction is initially recorded in the functional currency of the entity, by applying the exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period, monetary assets and liabilities of the Company which are denominated in foreign currencies are translated at the period-end exchange rate. Non-monetary assets and liabilities are translated at rates in effect at the date the assets were acquired, and liabilities incurred.

The resulting exchange gains or losses arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition, are included in profit or loss in the period in which they arise.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the subsidiary are translated into CAD \$ at the exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average rates for the period. Exchange differences arising are recognized in foreign currency translation reserve.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years. Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Share capital

Financial instruments issued by PGI are classified as shareholders' equity only to the extent that they do not meet the definition of a financial asset or financial liability. PGI's common shares, warrants and share options are classified as equity instruments.

Incremental costs directly attributable to the issuance of new shares are recognized as a deduction from shareholders' equity.

Share-based payments

Equity-settled share-based payments to directors, officers and employees are measured at the fair value of the equity instruments at the grant date and are recognized as an expense over the relevant vesting periods with a corresponding credit to options reserve or warrants reserve.

Equity-settled share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments granted, if it is determined that the fair value of the goods or services received cannot be reliably measured. The fair value of equity-settled share-based payments to non-employees is recorded as an expense at the date the goods or services are received with a corresponding credit to options reserve or warrants reserve.

The number of equity instruments expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. After the vesting date, amounts recorded for expired instruments remain in options reserve or warrants reserve.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM is responsible for allocating resources and assessing performance of the operating segments. Management has determined that the Company has only one operating segment for the period from May 21, 2020 (date of incorporation) to March 31, 2021.

Property and equipment

Property and equipment are recognized as an asset when:

- it is probable that an associated future economic benefit will flow to the Company; and
- the cost can be measured reliably.

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes costs incurred initially to acquire or construct a capital asset and costs incurred subsequently to add to, replace part of or service it. If a replacement cost is recognized in the carrying amount of a capital asset, the carrying amount of the replaced part is derecognized.

Property and equipment are depreciated on a straight-line basis over their expected useful lives to their estimated residual value. Their useful lives have been assessed as follows:

Asset	Method	Rate
Computer equipment	Straight-line	3 years
Right-of-use assets	Straight-line	Over lease term – 19 years
Buildings	Straight-line	10 years
Equipment	Straight-line	3 years
Furniture & fixtures	Straight-line	3 years
Bulk infrastructure	Straight-line	10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The gain or loss arising from the derecognition of a capital asset is included in the consolidated statement of net loss and comprehensive loss when the item is derecognized. The gain or loss arising

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

from the derecognition of a capital asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Intangible assets

Intangible assets are recognized when:

- it is probable that an associated future economic benefit will flow to the Company; and
- the cost can be measured reliably.

Intangible assets are initially recorded at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and/or impairment losses.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives using the following rates:

Asset	Method	Rate
Website	Straight-line	10 years

The amortization period and the amortization method for intangible assets are reviewed every period end. During the period from May 21, 2020 (date of incorporation) to March 31, 2021, the Company did not recognize any impairment losses.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and, when applicable, short-term, highly liquid deposits which are either cashable or with original maturities of less than three months at the date of their acquisition.

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. Related parties may be individuals or entities. A transaction is considered to be a related party transaction when there is transfer of resources or obligations between related parties.

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets (which include property and equipment) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of net loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed to profit or loss if there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

IFRS 16 Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low values assets. For these leases, the Company recognizes the leases as an operating expense on a straight-line basis over the term of the lease.

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

The Company presents right-of-use assets in “property and equipment” and lease liabilities in “Lease liabilities” in the consolidated statement of financial position.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired.

Warrants

Warrants that have been issued in combination with common shares are accounted for under IAS 32 *Financial Instruments: Presentation*. Liability classification applies to instruments where a variable amount of cash (or liability) denominated in the issuer's functional currency is exchanged for a fixed number of shares otherwise they are classified as equity. In calculating the value of the warrants, the Black Scholes option model was used and incorporate the following key inputs: share price, expected life of the warrant, expected volatility, expected dividend yield and the risk-free interest rate.

Stock options

Estimating fair values for stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

4. Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. Actual results may differ from these estimates. The Company's management reviews these estimates, judgments, and assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised. The following are deemed to be critical accounting policies by management for the period from May 21, 2020 (date of incorporation) to March 31, 2021 as these require a high level of subjectivity and judgement and could have a material impact on PGI's consolidated financial statements.

Acquisitions

Acquisition of MindHealth (Pty) Ltd.

During the acquisition of Mind Health (Pty) Ltd., judgement was initially required to determine if the acquisition represented a business combination or an asset purchase. Management also used judgement to determine that since MindHealth and MindHealth (Pty) Ltd were controlled by the same parties before and after the transaction, the business combination is considered a common control business combination. Thus, acquired net assets were recorded at their predecessor carrying values rather than at fair value.

Acquisition of PTC

During the acquisition of PTC, judgment was initially required to determine if the acquisition represented a business combination or an asset purchase. Management considered the acquisition to be an asset purchase. The assets and liabilities were recorded at fair value and cost of acquisition was recognized as difference between net assets acquired and fair value of consideration paid.

Reverse Take Over ("RTO")

On September 11, 2020, the Company and MindHealth entered into a Definitive Agreement pursuant to which the Parties intended to complete a transaction, in which MindHealth acquired all of the issued and outstanding common shares of Cardinal, by way of the Transaction, involving the Company, MindHealth and 1264216 B.C. Ltd., a wholly owned subsidiary of the Company.

In anticipation of the Transaction, pursuant to articles of amendment dated January 19, 2021, Cardinal completed the consolidation of common shares in the capital of Cardinal on the basis of one (1) post-consolidation Cardinal share for every 19.24 pre-consolidation Cardinal shares, resulting in approximately 3,822,379 common shares. Cardinal changed its name to "Psyence Group Inc." and the

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

newly amalgamated wholly-owned subsidiary was named "Psyence Biomed Corp". Cardinal issued 1.0649 Cardinal common shares (on a post-Consolidation basis) for each MindHealth common share. All outstanding warrants and options of MindHealth issued prior to the Transaction were cancelled and the Company issued 1.0649 warrants and options in the capital of the Resulting Issuer, as applicable, for each MindHealth warrant or option on the same terms and conditions as the respectively cancelled warrants and options granted by MindHealth. The transaction was completed on January 19, 2021 (refer to note 5). As a result, the Company issued a total of 81,706,552 common shares to former MindHealth shareholders which represented 96% of the total issued and outstanding shares on closing. The Transaction does not constitute a business combination as Cardinal does not meet the definition of a business under IFRS 3 *Business Combinations*. Immediately after the Transaction, shareholders of MindHealth owned majority of the voting rights of the Company. As a result, the Transaction has been accounted for as a capital transaction with MindHealth being identified as the accounting acquirer and the equity consideration being measured at fair value, using the acquisition method of accounting. The Transaction has been accounted for in the consolidated financial statements as a continuation of the consolidated financial statements of MindHealth.

Term and incremental borrowing rate of lease

The calculation of lease liabilities and associated interest expense is dependent on estimates of how many lease renewal options will be exercised, as well as the determination of the Company's incremental borrowing rate. These are determined through the exercise of judgment and are dependent upon estimates that take into account factors such as economic and market conditions, operational plans and anticipated changes in laws.

Deferred tax assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Going concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Management routinely plans future activities including forecasting future cash flows and forming judgements collectively with directors of the Company.

Share-based compensation

The Company measures equity settled share-based payments based on their fair value at the grant date and recognize compensation expense over the vesting period based on management's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

For share-based payments granted to non-employees, the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if cash was paid instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital. The Company's plan does not feature any options for cash settlement.

5. Acquisition of Cardinal Capital Partners Inc.

On September 11, 2020, the Company and MindHealth entered into a Definitive Agreement pursuant to which the Parties intended to complete a business combination transaction, in which MindHealth acquired all of the issued and outstanding common shares of the Cardinal, in the Transaction, involving the Company, MindHealth and 1264216 B.C. Ltd., a wholly owned subsidiary of the Company.

In anticipation of the Transaction, pursuant to articles of amendment dated January 19, 2021, Cardinal completed the consolidation of common shares in the capital of Cardinal on the basis of one (1) post-consolidation Cardinal share for every 19.24 pre-consolidation Cardinal shares, resulting in approximately 3,822,379 common shares. Cardinal changed its name to "Psyence Group Inc." and the newly amalgamated wholly-owned subsidiary was named "Psyence Biomed Corp". Cardinal issued 1.0649 Cardinal common shares (on a post-Consolidation basis) for each MindHealth common share. All outstanding warrants and options of MindHealth issued prior to the Transaction were cancelled and the Company issued 1.0649 warrants and options in the capital of the Resulting Issuer, as applicable, for each MindHealth warrant or option on the same terms and conditions as the respectively cancelled warrants and options granted by MindHealth. The Transaction was completed on January 19, 2021. As a result, the Company issued a total of 81,706,552 common shares to former MindHealth shareholders which represented 96% of the total issued and outstanding shares on closing. The Company commenced trading on the Canadian Securities Exchange ("CSE") on January 27, 2021 under the symbol "PSYG".

The Transaction has been accounted for in accordance with IFRS 2 *Share-based payments*. The Transaction is considered to be an RTO of Cardinal by MindHealth. An RTO transaction involving a non-public operating entity and a non-operating public company is in substance a shared based payment transaction rather than a business combination. The Transaction is equivalent to the issuance of common shares by the non-public operating entity, MindHealth, for the net assets and the listing status of the non-operating public company, Cardinal. The fair value of the common shares issued was determined based on the fair value of the common shares issued by the Resulting Issuer. For financial reporting purposes, the Company is considered a continuation of MindHealth, the legal subsidiary. The Transaction was negotiated and completed at arm's length. The combined results of operations are included from January 19, 2021.

At the date of acquisition on January 19, 2021, the Transaction was recorded as follows:

Purchase price consideration paid	\$
Fair value of common shares issued	1,256,194
Total consideration	1,256,194
Net identifiable liabilities acquired	
Accounts Payable and accrued liabilities	19,199
Cash	(3,499)
Total net identifiable liabilities acquired	15,700
Excess of consideration paid over net assets acquired, representing a listing cost	1,271,894
Fair value of Cardinal shares	
Number of pre-consolidation Cardinal shares	73,546,474
Consolidation basis of Cardinal shares	19.24
Number of post-consolidation Cardinal shares	3,822,379
Share value as determined	\$ 0.33
Value of Cardinal shares that would have been issued to obtain the same ownership percentage`	1,256,194

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

The excess of fair value of net assets assumed over purchase price is considered an expense of acquiring a public listing and as a result, the listing fee expense is \$1,271,894.

6. Asset Acquisition

Acquisition of PTC

On January 15, 2021, MindHealth acquired 100% of the issued and outstanding common shares of PTC. PTC is a research and development company in the Psychedelic industry. The consideration consisted entirely of shares of MindHealth which were measured at the estimated fair value, based on the most recent private placement on the date of acquisition. The fair value of the common shares issued to the former PTC shareholders was determined to be \$6,300,000 based on the fair value of the shares issued (18,000,000 shares at \$0.35 per share). The fair value of the PTC warrants was determined to be \$386,065 using a Black Scholes model based on the following assumptions: stock price volatility - 100%; risk-free interest rate -0.25%; stock price at January 15th, 2021 -\$0.35 and an expected life of 3 years.

PTC acquisition cost	\$
Consideration: 18,000,000 shares	6,300,000
Warrants	386,065
Total consideration	6,686,065
Net identifiable liabilities acquired	
Total net identifiable liabilities acquired	108,566
Cost of acquisition	6,794,631

The acquisition of PTC does not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 *Business Combination*. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire these entities.

PTC was in the early stage of product development, and research and development of compounds that are found in various strains of mushroom and fungi. As such, the remaining unidentifiable asset did not meet the intangible asset criteria for capitalization. Accordingly, the Company expensed \$6,794,631 in the consolidated statement of net loss and comprehensive loss.

7. Cash and cash equivalents

Cash and cash equivalents include the following amounts:

- an amount of \$5,000 held in trust by a brokerage firm as security for foreign currency exchanges.
- an amount of \$6,091,074 unrestricted cash held with chartered banks.

8. Other Receivables

Other receivables include the following amounts

	\$
Other receivables	7,827
Sales tax receivable	173,953
At March 31, 2021	181,780

The Company estimated the expected credit loss on the other receivable to be nominal during the period from May 21, 2020 (date of incorporation) to March 31, 2021.

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

9. Property and equipment

	Computer equipment	Buildings	Right-of-use assets	Production equipment	Furniture	Bulk infrastructure	Total
	\$	\$	\$	\$	\$	\$	\$
Additions	7,677	257,900	58,708	10,023	21,797	60,544	416,649
At March 31, 2021	7,677	257,900	58,708	10,023	21,797	60,544	416,649
Depreciation:							
Charge for the period	(1,228)	(9,202)	(2,553)	(1,210)	(6,097)	(3,748)	(24,038)
At March 31, 2021	(1,228)	(9,202)	(2,553)	(1,210)	(6,097)	(3,748)	(24,038)
Foreign exchange differences	(5)	(148)	0	(6)	(12)	(35)	(206)
Carrying amount:							
At March 31, 2021	6,444	248,550	56,155	8,807	15,688	56,761	392,405

10. Intangible assets

On November 18, 2020, the Company acquired a domain name for a cost of \$18,324 which is recognized under intangible assets at cost and it is carried at the amortized value on March 31, 2021.

Intangible assets	\$
Additions	18,324
At March 31, 2021	18,324
Amortization:	
Charge for the period	(458)
At March 31, 2021	(458)
Carrying amount:	
At March 31, 2021	17,866

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts:

	March 31, 2021
	\$
Trade payables	55,918
Accrued liabilities	171,659
Total	227,577

12. Share capital

Authorized share capital

Unlimited number of voting common shares without par value.

Issued and outstanding

Common shares		
	Number	Amount (\$)
Issuance of shares on incorporation (May 21, 2020)	1	-
Issuance of shares on purchase of Mind Health (Pty) Ltd.	24,000,000	390
Issuance of shares in private placements	34,720,517	9,302,882
Acquisition of PTC	18,000,000	6,300,000
Impact of share exchange due to RTO	4,986,034	-
RTO of Cardinal	3,822,379	1,256,194
Share issuance costs		(835,901)
Balance as at March 31, 2021	85,528,931	16,023,565

Common shares

On May 21, 2020, the Company issued 1 common share on incorporation for \$0.01.

On May 22, 2020, the Company issued 24,000,000 common shares in connection with the share exchange agreement with Mind Health (Pty) Ltd. (Note 13).

Private placements

On June 30, 2020, the Company issued 6,340,000 common shares with a subscription price of \$0.25 per share for gross proceeds of \$1,585,000.

On August 31, 2020, the Company issued 12,826,884 common shares with a subscription price of \$0.25 per share for gross proceeds of \$3,206,721.

On December 4, 2020, the Company issued 6,756,113 common shares with a subscription price of \$0.25 per share for gross proceeds of \$1,689,029.

On December 31, 2020, the Company issued 2,570,000 common shares with a subscription price of \$0.25 per share for gross proceeds of \$642,500.

On January 14, 2021, the Company issued 5,427,520 common shares with a subscription price of \$0.35 per share for gross proceeds of \$1,899,632.

On January 18, 2021, the Company issued 800,000 common shares with a subscription price of \$0.35 per share for gross proceeds of \$280,000.

In relation to the private placements aforementioned, the Company incurred share issuance costs of \$835,901 for the period ended March 31, 2021. The share issuance costs were comprised of \$627,649 of cash settled issuance costs and \$208,252 of non-cash costs being the fair value of warrants issued.

Acquisition of PTC

On January 15, 2021, the Company issued 18,000,000 common shares in exchange of PTC shares for total value of \$6,300,000 (Note 6). Together with this acquisition, the Company also issued 1,744,493 warrants and 1,788,344 options to the shareholders of PTC. The transaction was measured based on the most recent financing price for shares issued, being \$0.35 per share.

Impact of share exchange due to RTO

On January 19, 2021, the Company exchanged its existing shares issued at the rate of 1.0649 new shares in exchange of 1 existing share and issued 4,986,034 additional shares for that effect.

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

Reverse takeover

On January 19, 2021, the Company issued 3,822,379 common shares to the former shareholders of Cardinals (now PGI). The transaction was measured based on the most recent financing price for shares issued, revised by the share exchange ratio of 1 to 1.0649, at the fair value of \$0.33 per share and total value of \$1,256,194. (Note 5)

Stock Options

The changes in stock options outstanding during the period ended March 31, 2021 are as follows:

	Period ended March 31, 2021	
	Number of options	Weighted average exercise price (\$)
Options granted	6,978,525	0.32
Additional options issued due to share exchange (Note 5)	453,530	(0.02)
Options outstanding, ending	7,432,055	0.30
Options exercisable, ending	233,333	0.30

During the period ended March 31, 2021, the Company granted 6,978,525 stock options pursuant to its stock option plan. In relation to the RTO Transaction (Note 5), on January 19, 2021, the existing options were exchanged at the rate of 1.0649 new option for every 1 existing option and an additional 453,530 options were issued for that effect. As a result of this re-issuance, the exercise price has been adjusted accordingly. There was no incremental fair value. The assumptions used in Black Scholes pricing model reflected the changes of the revised number of options and revised exercise price.

From the total of 7,432,055 stock options issued, 6,732,055 stock options vest over a period of 30 months and 700,000 stock options vest over 18 months. The fair value was estimated to be \$1,383,328 at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

	Options granted on December 31	Options granted on January 15
Number issued	5,527,488	1,904,567
Share price	0.23	0.33
Expected dividend yield	Nil	Nil
Exercise price	0.30	0.30
Risk-free interest rate	0.39%	0.42%
Expected life	5.00	4.96
Expected volatility	100%	100%
Expiry date	December 31, 2025	December 31, 2025

\$358,723 was expensed and recorded as share based payments under professional fees and consulting expenses in the consolidated statement of net loss and comprehensive loss based on the vesting terms of the options at March 31, 2021.

The weighted average remaining life for the options outstanding as at March 31, 2021 is 4.75 years.

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

Warrants

The changes in warrants outstanding during the period ended March 31, 2021 are as follows:

	Period ended March 31, 2021	
	Number of warrants	Weighted average exercise price (\$)
Warrants granted	8,366,799	0.32
Additional warrants issued due to share exchange (Note 5)	543,754	(0.02)
Warrants outstanding, ending	8,910,553	0.30
Warrants exercisable, ending	8,910,553	0.30

On December 31, 2020, the Company granted 6,511,549 warrants for share issuance costs and consulting expenses, which vest immediately upon issuance. In relation to the RTO Transaction (Note 5), on January 19, 2021, the existing warrants were exchanged at the rate of 1.0649 new warrants for every 1 existing warrant and an additional 423,182 warrants were issued for that effect. As a result of this re-issuance, the exercise price has been adjusted accordingly. There was no incremental fair value.

On January 15, 2021, the Company granted 110,757 broker warrants in relation to the private placements. In relation to the RTO Transaction (Note 5), on January 19, 2021, the Company exchanged its existing warrants issued at the rate of 1.0649 new warrants in exchange of 1 existing warrant and issued 7,198 additional warrants for that effect. As a result of this re-issuance, the exercise price has been adjusted accordingly. There was no incremental fair value identified in relation to the modification of such warrants.

On January 15, 2021, in relation to the acquisition of PTC (Note 6), the Company issued 1,744,493 warrants. In relation to the RTO Transaction (Note 5), on January 19, 2021, the Company exchanged its existing warrants issued at the rate of 1.0649 new warrants in exchange of 1 existing warrant and issued 113,374 additional warrants for that effect. As a result of this re-issuance, the exercise price has been adjusted accordingly. There was no incremental fair value identified in relation to the modification of such warrants.

The assumptions used in Black Scholes pricing model reflected the changes of the revised number of warrants and revised exercise price. The fair value was estimated to be \$1,329,640 at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

	Warrants granted on December 31, 2020	Broker warrants granted on January 15, 2021	Warrants granted on January 15, 2021
Number issued	6,934,731	117,955	1,857,867
Share price	0.23	0.33	0.33
Expected dividend yield	Nil	Nil	Nil
Exercise price	0.30	0.33	0.30
Risk-free interest rate	0.25%	0.15%	0.20%
Expected life	3.00	2.00	2.96
Expected volatility	100%	100%	100%
Expiry date	December 31, 2023	January 15, 2023	December 31, 2023

\$735,323 was expensed and recorded as share based payments under professional fees and consulting fees in the consolidated statement of net loss and comprehensive loss and \$208,252 in relation to share issuance costs were recorded as a reduction to share capital in the consolidated statement of changes in equity. \$386,065 in relation to the acquisition of PTC was recorded under cost of acquisition in the consolidated statement of net loss and comprehensive loss.

The weighted average life remaining for the warrants outstanding as at March 31, 2021 is 2.75 years.

Escrow Securities

In connection with the Company's listing on the CSE, 12,181,767 common shares and 1,635,431 warrants beneficially owned by certain directors and officers of the Company were placed in escrow with an escrow agent pursuant to an escrow agreement dated January 19, 2021. In connection with the acquisition of PTC on January 15, 2021 an additional 6,795,496 common shares were placed in escrow based on the same terms. These shares and warrants shall be released from escrow as follows:

- 1/10 of escrowed securities to be released on January 27, 2021, the date of listing;
- 1/6 of remaining escrow securities to be released 6 months after the listing date;
- 1/5 of remaining escrow securities to be released 12 months after the listing date;
- 1/4 of remaining escrow securities to be released 18 months after the listing date;
- 1/3 of remaining escrow securities to be released 24 months after the listing date;
- 1/2 of remaining escrow securities to be released 30 months after the listing date; and
- Remaining escrow securities to be released 36 months after the listing date.

As of March 31, 2021, 17,079,537 common shares and 1,471,887 warrants are held in escrow.

13. Common control transaction

Acquisition of Mind Health (Pty) Ltd.

On May 22, 2020, MindHealth entered into a share exchange agreement to issue 24,000,000 common shares to acquire all the issued and outstanding shares of Mind Health (Pty) Ltd. from its previous shareholders. The acquisition was considered to be a business combination between entities under common control. As a result, assets acquired were recorded at their predecessor carrying values rather than at fair value. The issuance of 24,000,000 shares has been measured based on the net assets acquired through Mind Health (Pty) Ltd. being \$390 (5,000 LSL).

14. Segmented information

For the period from May 21, 2020 (date of incorporation) to March 31, 2021, management determined that the Company operated only in one segment: development of psilocybin medical and nutraceutical products.

The following is an analysis of non-current assets by geographical location:

Asset location (\$)	March 31, 2021
Canada	17,866
Lesotho	392,405
Non-current segment assets	410,271

15. Leases

The Company has a lease for land that was entered into with a related party. The lease is reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability. The land has been used to erect manufacturing and processing facilities. The initial term of the lease is nine years beginning June 1, 2020 and ending May 21, 2029. Thereafter, the Company has the option to renew the lease for a further ten-year period for a maximum of five times total. The incremental borrowing rate and term length used in the calculation of the right-of-use asset and discounted lease liability amounts are 2.5% and 19 years, respectively.

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

Lease liability

The continuity of lease liability is as follows:

Lease liability	(\$)
Opening Balance, May 21, 2020	-
Additions	58,708
Accretion expense	1,193
Lease payments	(3,135)
Foreign exchange	10
Closing Balance, March 31, 2021	56,776
Less: current portion	2,155
Non-current portion of lease liability	54,621

The following table presents the future undiscounted payments associated with the sole lease liability as of March 31, 2021 for the next five years and thereafter:

Future undiscounted payments	(\$)
2021	3,549
2022	3,549
2023	3,549
2024	3,591
2025	3,643
Thereafter for 14 years	54,280
Total	72,161

16. Transactions with related parties

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Directors.

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

The Company incurred the following transactions with related parties during the period from May 21, 2020 (date of incorporation) to March 31, 2021:

Transaction type	Related party transactions (\$)	Balance payable as at March 31, 2021 (\$)
Consulting fees - key management personnel	166,612	-
Management fees	459,386	-
Working capital advances	-	7,581
Share-based compensation	483,230	-
Total	1,109,228	7,581

17. Financial instruments and financial risk management

In the normal course of business, the Company is exposed to a variety of financial risks: credit risk, liquidity risk, foreign exchange risk and interest rate risk. These financial risks are subject to normal credit standards, financial controls, risk management as well as monitoring. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Credit risk

Credit risk arises from cash held with banks and other receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions. The Company also assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

As at March 31, 2021, the Company's financial liabilities consist of account payable, accrued liabilities and amounts due to related parties which all have contractual maturity dates within one year.

The Company manages liquidity risk through an ongoing review of future commitments and cash balances available. Historically, the Company's main source of funding has been the issuance of shares for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity or debt funding.

Based on the Company's working capital position at March 31, 2021, management regards liquidity risk to be low.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company operates internationally and is exposed to foreign exchange risk from the LSL. Foreign exchange risk arises from transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

As at March 31, 2021, the Company is exposed to currency risk through the following financial assets and liabilities denominated in LSL and USD:

Foreign exchange risk	March 31, 2021	
	LSL	USD
Cash	1,015,531	7,810
Other receivables & prepaids	87,576	-
Accounts payable and accrued liabilities	256,315	-
Due to related parties	89,317	-

A 10% change in exchange rate would have resulted in a loss of \$7,412 as at March 31, 2021.

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 has no significant interest-bearing assets or liabilities and therefore its income and operating cash flows are substantially independent of changes in market interest rates.

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

18. Loss per share

The calculation of basic and diluted loss per common share for the period from May 21, 2020 (date of incorporation) to March 31, 2021 was based on the net loss of \$(11,283,798) and a weighted average number of common shares outstanding of 49,273,786 calculated as follows:

Earnings per share (\$)	For the period from May 21, 2020 (date of incorporation) to March 31, 2021
Basic and diluted loss per share:	
Net loss	(11,283,798)
Average number of common shares outstanding	51,205,555
Loss per share - basic and diluted	(0.22)

The diluted weighted average number of common shares does not take into account the effects of stock options and warrants as they would be anti-dilutive for the period from May 21, 2020 (date of incorporation) to March 31, 2021.

19. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

Net Income/(Loss) before recovery of income taxes	(11,283,798)
Expected income tax (recovery)/expense	(2,990,180)
Difference in foreign tax rates	36,204
Tax rate changes and other adjustments	-
Acquisition costs	1,812,502
Non-deductible consulting fees	220,952
Listing expense	337,052
Other permanent expenses	105,453
Share issuance cost booked through equity	(222,039)
Change in tax benefits not recognized	700,056
Income tax (recovery)/expense	-

Deferred tax

The following table summarizes the components of deferred tax:

Deferred tax	\$
Deferred tax assets	
Lease liability	5,615
Deferred tax liabilities	
ROU asset	(5,615)
Net deferred tax asset	-

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Consolidated Financial Statements
Period from May 21, 2020 (Date of incorporation) to March 31, 2021

Unrecognized deferred tax asset

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amounts of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Unrecognized deferred tax	\$
Property, plant and equipment	21,668
Intangible assets	458
Share issuance costs - 20(1)(e)	678,231
Non-capital losses carried forward-Canada	1,843,055
Non-capital losses carried forward-Lesotho	197,321
Non-capital losses carried forward-PTC	37,179
Lease liability	621
	<u>2,778,533</u>

The Canadian non-capital loss carries forward will expire as noted in the table below.

Share issuance and financing costs will be fully amortized in 2025.

The Company's Canadian non-capital income tax losses expire as follows:

Expiry	Amount \$
2040	1,843,055
Total	<u>1,843,055</u>

The Company's Lesotho non-capital income tax losses show as follows and can be carried forward indefinitely.

Expiry	Amount \$
No expiry	197,321
Total	<u>197,321</u>

The Company's PTC non-capital income tax losses show as follows and can be carried forward indefinitely.

Expiry	Amount \$
No expiry	37,179
Total	<u>37,179</u>

20. Commitments

For the period from May 21, 2020 (date of incorporation) to March 31, 2021, the Company was committed to a consultancy agreement, whereby the Company is required to pay the service provider a 3.8% royalty of net sales of all new products allocated to the service provider and developed and commercialised under the Service Provider Duties and 2.5% royalty of net sales of all existing products developed up to the date of agreement allocated to the Service Provider and developed and commercialised under the Service Provider's duties. During the period from May 21, 2020 (date of incorporation) to March 31, 2021, there were no revenues and no royalties paid. All Royalty payments are calculated on a quarterly basis and shall remain full and owing to the service provider, only expiring at (i) the Royalty Products end of life or (ii) 5 years after the termination date, whichever date is earlier.

21. Capital management

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of natural health business, to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk level.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and short-term investments on hand.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

Management considers its approach to capital management to be appropriate given the relative size of the Company. There were no changes in the Company's approach to capital management during the year.

22. Subsequent Events

On April 12, 2021, Psyence South Africa was incorporated in South Africa as a subsidiary of PBC.

On May 5, 2021, a South African-based special purpose vehicle ("**SPV**") called Good Psyence (Pty) Ltd ("**Good Psyence**") was incorporated. The SPV is a 50/50 joint venture between the Company, via its subsidiary PBC, and Southern Sun Pharma Inc's wholly owned subsidiary, The Goodleaf Company (Pty) Ltd, a private company incorporated in South Africa. The Company will launch its functional mushroom brand, "GoodMind", through the SPV and it will be responsible for the production, commercialization and sale of the products.

On May 11, 2021, Psyence Jamaica Limited ("**Psyence Jamaica**") was incorporated in Jamaica as a subsidiary of PBC. Psyence Jamaica will develop standardized nutraceutical and pharmaceutical psychedelic products in Jamaica for the treatment of psychological traumas.

Psyence™

Psyence Group Inc.
(Formerly Cardinal Capital Partners Inc.)

Annual MD&A for period ended
March 31, 2021

Date of the MD&A:
June 30, 2021

Table of Contents:

Forward-Looking Information	2
Overview	4
Overall Performance	7
Operations	10
Liquidity and Capital Resources	10
Off Balance Sheet Arrangements	12
Transactions between Related Parties	12
Fourth Quarter	12
Subsequent Events	13
Financial Instruments and Other Instruments	13
Risk Factors	14
Additional Information	28

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)

Management Discussion & Analysis

Dated: June 30, 2021

The following information should be read in conjunction with the audited consolidated financial statements for the period ended March 31, 2021 of Psyence Group Inc. (formerly Cardinal Capital Partners Inc.) (the "**Company**" or "**Psyence**"), which are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All figures are expressed in Canadian dollars unless otherwise indicated.

Forward-Looking Information

This Management Discussion & Analysis ("**MD&A**") contains forward-looking statements and forward-looking information as such terms are defined under applicable Canadian securities laws. These forward-looking statements and forward-looking information include, but are not limited to, statements with respect to management's expectations regarding the future growth, results of operations, performance and business prospects of the Company, and relate to, without limitation:

- the Company's research and development plans, business model, strategic objectives and growth strategy;
- the Company's future growth plans;
- anticipated trends and challenges in the Company's business and the markets in which it operates;
- the future demand for psilocybin and psilocybin mushroom products from time to time produced, supplied, or distributed by the Company;
- the impact of the coronavirus ("**COVID-19**") pandemic on the Company's operations;
- the Company's expectations regarding regulatory requirements and developments in the jurisdictions in which it operates;
- the approval of regulatory bodies of psychedelic substances including psilocybin for the treatment of various health conditions;
- controlled substances laws;
- the Company's ability to obtain the issue and/or renewal of licenses and regulatory authorizations for its business operations;
- the Company's estimate of the size of the potential markets for its products;
- the Company may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues;
- risks relating to an evolving regulatory regime related to psilocybin and psychedelic products;
- risks relating to operations based in its Jamaican subsidiary;
- the continuation of the Company as a going concern;
- the Company's intellectual property;
- the growth of competition from other companies in the industry;
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Management's Discussion and Analysis

- the Company's exposure to fluctuations in foreign currencies; and
- the Company's expectations regarding the sufficiency of its cash for funding non-development related expenditures and future cash balances.

These forward-looking statements and forward-looking information may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. Without limitation, the words "may", "will", "would", "should", "could", "expect", "plan", "intend", "trend", "indicate", "assume", "anticipate", "believe", "estimate", "predict", "likely" or "potential", or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Forward-looking statements and forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

With respect to forward-looking statements and forward-looking information contained in this MD&A, assumptions have been made regarding, among other things: future research and development plans for the Company proceeding substantially as currently envisioned, future expenditures to be incurred by the Company, research and development and operating costs, additional sources of funding, the impact of competition on the Company and the Company being able to obtain financing on acceptable terms.

Although management believes the expectations reflected in such forward-looking statements and forward-looking information are reasonable, forward-looking statements and forward-looking information are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements and forward-looking information.

These risks, uncertainties and factors include, but are not limited to: risks, uncertainties and the results of the growth and cultivation of psilocybin or the development of the Company's future products and the timing thereof; the Company may not have sufficient capital to achieve its growth strategy; risks that its growth strategy may not be successful; regulatory policies concerning psilocybin products; the ability to obtain the issuance of and/or renewal of and/or approvals for licences and authorizations; the Company's plan to conduct research for psilocybin products in Canada and obtaining Canadian regulatory approval thereto; the Company's expansion of its Lesotho-based production and processing facility; competition from other companies; the Company's ability to establish research and development in its Jamaica-based subsidiary; clinical trial results; limitations on insurance coverage; the timing and amount of estimated capital expenditure in respect of the business of the Company; operating expenditures; success of marketing activities; estimated budgets; currency fluctuations; requirements for additional capital; the timing and possible outcome of litigation in future periods; the effects of COVID-19 pandemic; goals; strategies; future growth; planned business activities and planned future acquisitions; the adequacy of financial resources; and other events or conditions that may occur in the future.

In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in, or incorporated by reference into, this MD&A. Accordingly, readers are cautioned not to place undue reliance on such statements.

All of the forward-looking statements and forward-looking information in this MD&A are qualified by these cautionary statements. Statements containing forward-looking statements and/or forward-looking information contained herein are made only as of the date hereof. The Company expressly disclaims any obligation to update, revise or alter statements containing any forward-looking statements or forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law. New factors emerge from time to time, and it is not possible for the Company to predict which factors may arise. In addition, the Company cannot assess the impact of each factor on the Company's business or the extent to which any factor,

or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements or forward-looking information.

Overview

Psyence is a life science biotechnology company pioneering the use of natural psychedelics in the treatment of psychological trauma and mental health disorders. The Company is also developing nutraceutical products for depression, acute anxiety and sleep disorders. Informed by nature and guided by science, Psyence is leading the way in the use of natural psilocybin to heal psychological trauma and the diagnosable disorders that can result, including anxiety, depression, PTSD, stress, grief and bereavement. We have a particular focus on these conditions in the context of palliative care. The Company is also developing nutraceutical products for depression, acute anxiety and sleep disorders.

Description of the business

The four key divisions of Psyence are described below:

1. Psyence Therapeutics

Psyence works to set the global standard for excellence and consistency in nature-based psilocybin products. We are working towards providing standardized natural psilocybin products to clinicians, research centres, and universities undertaking research and clinical trials in the use of natural psilocybin for the treatment of a range of mental health disorders and other medical conditions. Research and development (“R&D”) is performed with licensed partners and there is no recreational sale of psilocybin containing products.

Psyence uses its own natural psilocybin products for research and pharmaceutical drug development. Our R&D priorities are on developing therapeutic, sub-hallucinogenic dosing to help heal psychological trauma and the diagnosable disorders that can result, including anxiety, depression, PTSD, grief and bereavement, especially in the context of palliative care. Our focus includes therapeutic protocols for clinical immersions and experiences at retreats for medical and scientific research and observational studies.

2. Psyence Function

Psyence Function is developing over-the-counter mushroom- based nutraceuticals. Our team is experienced in building category-disruptive brands and in establishing a vibrant and vital channel mix for global wellness products. GoodMind is a functional mushroom product that does not contain psilocybin and will be available on the shelf by mid-2021. Proprietary Psyence Function products now in development include solutions with a focus on depression, chronic stress, low mood, anxiety and sleep.

3. Psyence Production

Psyence has built and operates one of the first federally licensed commercial psilocybin cultivation and production facilities in the world. We are focused on the production of certified, pharmaceutical-quality psilocybin/psilocin- yielding mushrooms and truffles. The facility, which is situated in Southern Africa, has been designed and constructed to The British Standards Institute (“BSI”) and Good Manufacturing Practice (“GMP”) standards. It is equipped with best-in-class technology and specialized equipment to ensure optimum growing conditions and efficient harvesting and packaging.

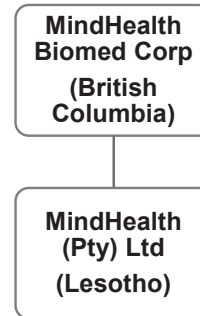
4. Psyence Experience

Psyence is committed to supporting the creation of experiences and spaces for those seeking what the United States Food and Drug Administration has termed “breakthrough” solutions for mental wellness. We will partner with experienced providers of destinations, retreats, wellness centers, spas and clinics to provide a nature-first approach to guided psychedelic immersions for medical and scientific research and to conduct observational studies. We are developing psilocybin-containing products for safe and effective use for medical and scientific purposes in regulatory compliant jurisdictions.

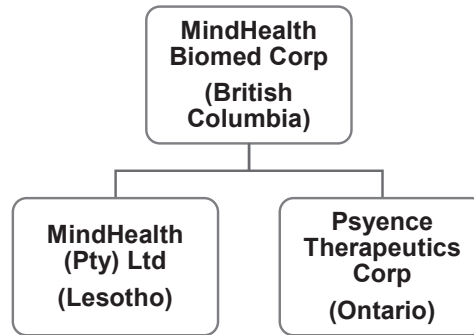
Corporate Structure

The below diagrams show the progression of the corporate structure from incorporation of MindHealth Biomed Corp. (which amalgamated with Cardinal Capital Partners Inc.) on May 21, 2020 to the period end March 31, 2021.

May 21, 2020 – January 15, 2021

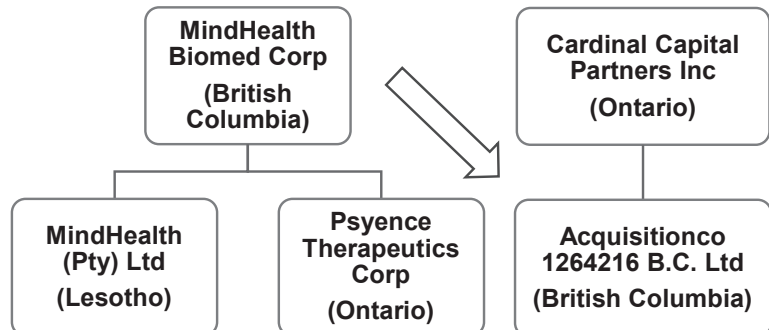


January 15, 2021 - Post acquisition of Psyence Therapeutics

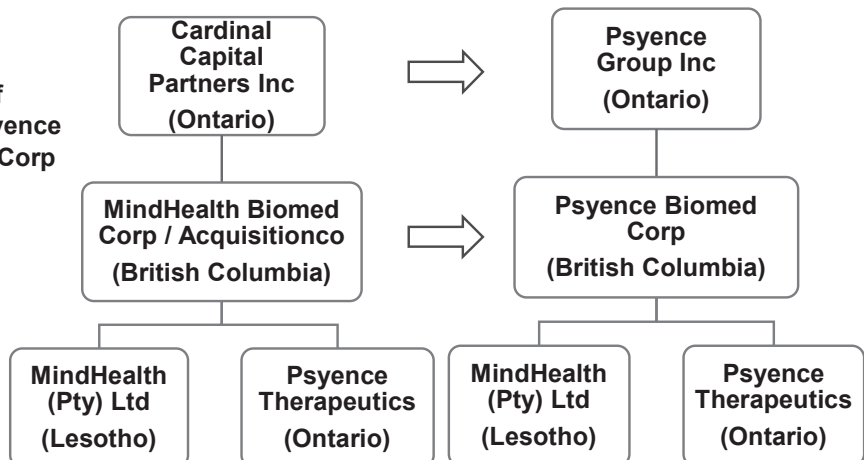


January 19, 2021 – Business combination with Cardinal Capital Partners Inc.

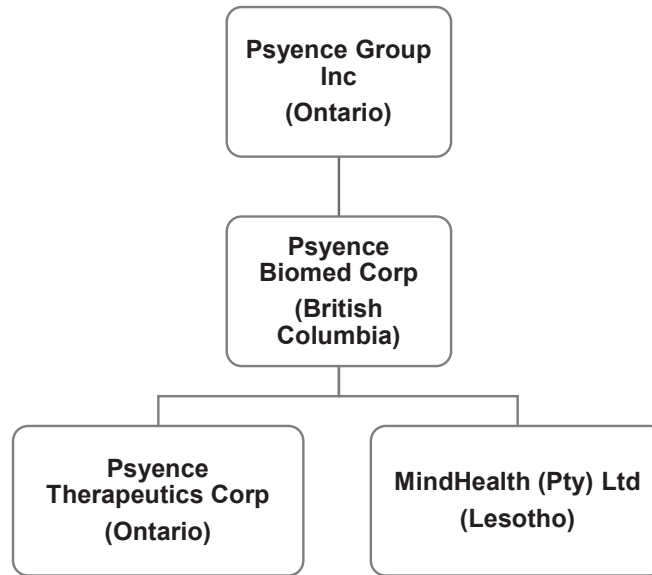
Cardinal Capital Partners was the acquiree and MindHealth Biomed the acquirer in the reverse take-over transaction.



January 19, 2021 – Renaming of Cardinal Capital Partners to Psyence Group and MindHealth Biomed Corp to Psyence Biomed Corp



March 31, 2021 - Corporate structure at year-end (Listed on Canadian Securities Exchange on January 27, 2021)



Development of the business

Cardinal Capital Partners

Cardinal Capital Partners Inc. (“**Cardinal**”) was a merchant bank that assumed the role of participating lender in the acquisition, development, sales and management of real estate properties that met a predetermined set of guidelines within North American markets. The Company did not carry-on active business operations during the periods that are the subject of this MD&A prior to the Transaction (as defined herein).

MindHealth Biomed Corp.

MindHealth Biomed Corp. (“**MindHealth**”) is a private corporation incorporated under the laws of British Columbia on May 21, 2020.

MindHealth (Pty) Ltd (“**MindHealth Lesotho**”) is a private entity incorporated under the laws of the Kingdom of Lesotho on March 13, 2020. In May 2020, MindHealth Lesotho was granted permission by the Government of Lesotho to import, cultivate, produce, manufacture and export psilocybin mushrooms. The Psyence Production federally licensed commercial psilocybin cultivation and production facilities are situated in the Kingdom of Lesotho. On May 22, 2020, MindHealth Lesotho became a subsidiary of MindHealth. MindHealth issued 24 million common shares for all the outstanding common shares of MindHealth Lesotho.

Psyence Therapeutics Corp. (“**Psyence Therapeutics**”) is a private corporation incorporated on April 29, 2020 under the laws of the Province of Ontario.

On January 15, 2021, MindHealth acquired Psyence Therapeutics by issuing 18,000,000 MindHealth Shares, warrants to purchase 1,744,493 MindHealth Shares, and stock options to purchase 1,800,000 MindHealth Shares in exchange for all of the outstanding shares, warrants and options of Psyence Therapeutics. As a consequence of this transaction, Psyence Therapeutics became a wholly-owned subsidiary of MindHealth.

Business Combination between Cardinal and MindHealth

On September 11, 2020, the Company and MindHealth (the “**Parties**”) entered into a definitive agreement (the “**Definitive Agreement**”) pursuant to which the Parties intended to complete a business combination transaction, in which MindHealth acquired all of the issued and outstanding common

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Management's Discussion and Analysis

shares of Cardinal, in a three-cornered amalgamation (the "**Transaction**"), involving the Company, MindHealth and 1264216 B.C. Ltd., a wholly owned subsidiary of the Company. The combined public company resulting from the Transaction (the "**Resulting Issuer**" or "Psyence Group Inc.") would carry on the business of MindHealth.

In anticipation of the Transaction, pursuant to articles of amendment dated January 19, 2021, Cardinal completed the consolidation of common shares in the capital of Cardinal on the basis of one (1) post-consolidation Cardinal share for every 19.24 pre-consolidation Cardinal shares (the "**Consolidation**"), resulting in approximately 3,822,379 common shares. Cardinal changed its name to "Psyence Group Inc." and the newly amalgamated wholly-owned subsidiary was named "Psyence Biomed Corp". Cardinal issued 1.0649 Cardinal common shares (on a post-Consolidation basis) for each MindHealth common share. All outstanding warrants and options of MindHealth issued prior to the transaction were cancelled and the Company issued 1.0649 warrants and options in the capital of the Resulting Issuer, as applicable, for each MindHealth warrant or option on the same terms and conditions as the respectively cancelled warrants and options granted by MindHealth. The transaction was completed on January 19, 2021. Upon the conclusion of the Transaction, the business of Cardinal became the business of MindHealth. The Transaction was an arm's length transaction.

Outstanding Share Data

Security	As of March 31, 2021	At date of this MD&A
Common Shares	85,528,931	85,528,931
Options	7,432,055	7,432,055
Warrants	8,910,553	8,910,553
Company Shares on a fully diluted basis	101,871,539	101,871,539

Listing on CSE

The Company listed on the Canadian Securities Exchange on January 27, 2021.

Upon completion of the Transaction, the board of directors and management of the Company was reconstituted such that the directors were comprised of Jody Aufrichtig (Chairman), Gavin Basserabie, Amza Ali, Marvin Singer and Ryan Roebuck. On March 4, 2021 Ryan Roebuck resigned and Alan Friedman was appointed.

Reverse Take Over Transaction – Financial Statements basis of preparation

The MD&A and Annual Financial Statements dated March 31, 2021 are presented on a consolidated basis. The Transaction does not constitute a business combination as the Company does not meet the definition of a business under IFRS 3 *Business Combinations*. Immediately after the Transaction, shareholders of MindHealth owned 100% of the voting rights of the Company. As a result, the Transaction has been accounted for as a capital transaction with MindHealth being identified as the accounting acquirer and the equity consideration being measured at fair value, using the acquisition method of accounting. The Transaction has been accounted for in the consolidated financial statements as a continuation of the financial statements of MindHealth.

This MD&A presents the operations of MindHealth for the period May 21, 2020 – January 19, 2021 and thereafter the operations under the amended name of PBC until period end March 31, 2021. These operations are presented as the consolidated financial statements of Psyence Group Inc.

Overall Performance

Annual Information

MindHealth was incorporated on May 21, 2020. This is the first financial period for the Company, consequently there are no comparatives.

Overview for the period ended March 31, 2021

Since inception, the Company has incurred losses while advancing the development of products and processes and invested \$328,467 in its federally licensed commercial psilocybin cultivation and production facilities in Lesotho.

Net loss for the period ended March 31, 2021 was \$11,283,798. The loss was primarily as result of the consideration paid in excess of net assets acquired from an acquisition of \$6,794,631, professional and consulting fees of \$2,925,403 and listing expenses of \$1,271,894.

During the period ended March 31, 2021, the Company focused on investing in the resources it requires to implement and execute on its strategy. This included hiring personnel, the acquisition of Psyence Therapeutics, the RTO of Cardinal and the building of the production facility in Lesotho.

Results of operations for the period May 21, 2020 (date of incorporation of MindHealth) to March 31, 2021

The Company reported no revenues during the period from the date of incorporation on May 21, 2020 to March 31, 2021, while the net loss for the period was \$11,283,798.

Sales and marketing costs of \$109,994 were incurred for content, promotional materials and website design costs.

The Company incurred research and development costs in Lesotho of \$21,906 for the purposes of growing natural psilocybin products in compliance with the licence granted by the Lesotho government.

General and administrative costs of \$105,304 were incurred which consisted of bank fees, filing fees, general office expenditure, facility maintenance and operational costs.

Professional and consulting fees totalling \$2,925,403 were incurred in the period. This consisted of \$1,680,136 (\$586,090 paid in cash and \$1,094,046 paid with stock options and warrants) paid to consultants for product development, finance, business strategies and administration and \$459,386 in relation to a management service agreement with a related party. Legal fees of \$546,194 was paid to legal practitioners for various corporate matters whilst \$75,926 and \$164,391 paid for accounting services and audit fees, respectively.

The depreciation and amortization charge for the period was \$24,496 in total. Of this amount, \$2,553 was charged for right-of-use assets and \$21,485 was depreciated on computer equipment, buildings, production equipment, furniture and bulk infrastructure. The amortization of intangible assets was \$458 for the period.

MindHealth Lesotho entered into a sub-lease agreement with Highlands Pure Lesotho, a related party, for a portion of land situated at a cultivation site in Kolojane in the Berea District of Lesotho. The Company developed a laboratory, production and processing facility on this portion of land at a cost of \$328,467. In addition to the leased portion of land, MindHealth Lesotho shall be entitled to use the essential infrastructure and related services available at the cultivation site. The monthly rental, sewerage and drainage is LSL3,485 per month. The initial term of the lease is approximately nine years commencing 1 June, 2020 and ending May 21, 2029. Thereafter, the Company has the option to renew the lease for a further ten-year period for a maximum of five times total. The lease is reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability of \$56,155 and \$56,776, respectively.

Computer equipment and other fittings were purchased for \$29,474. The Company has also purchased domain names for \$18,324. The depreciation and amortization on capital assets for the period was \$24,496.

On September 11, 2020, the Company and MindHealth entered into a Definitive Agreement pursuant to which the Parties intended to complete a business combination transaction, in which MindHealth

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Management's Discussion and Analysis

acquired all of the issued and outstanding common shares of the Cardinal, in the Transaction, involving the Company, MindHealth and 1264216 B.C. Ltd., a wholly owned subsidiary of the Company.

In anticipation of the Transaction, pursuant to articles of amendment dated January 19, 2021, Cardinal completed the consolidation of common shares in the capital of Cardinal on the basis of one (1) post-consolidation Cardinal share for every 19.24 pre-consolidation Cardinal shares, resulting in approximately 3,822,379 common shares. Cardinal changed its name to "Psyence Group Inc." and the newly amalgamated wholly-owned subsidiary was named "Psyence Biomed Corp". Cardinal issued 1.0649 Cardinal common shares (on a post-Consolidation basis) for each MindHealth common share. All outstanding warrants and options of MindHealth issued prior to the Transaction were cancelled and the Company issued 1.0649 warrants and options in the capital of the Resulting Issuer, as applicable, for each MindHealth warrant or option on the same terms and conditions as the respectively cancelled warrants and options granted by MindHealth. The Transaction was completed on January 19, 2021. As a result, the Company issued a total of 81,706,552 common shares to former MindHealth shareholders which represented 96% of the total issued and outstanding shares on closing. The Transaction has been accounted for in accordance with IFRS 2 *Share-based payments*. The Transaction is considered to be an RTO of Cardinal by MindHealth. An RTO transaction involving a non-public operating entity and a non-operating public company is in substance a shared based payment transaction rather than a business combination. The Transaction is equivalent to the issuance of common shares by the non-public operating entity, MindHealth, for the net assets and the listing status of the non-operating public company, Cardinal. The fair value of the common shares issued was determined based on the fair value of the common shares issued by the Resulting Issuer. For financial reporting purposes, the Company is considered a continuation of MindHealth, the legal subsidiary. The Transaction was negotiated and completed at arm's length and 73,546,474 issued and outstanding Cardinal shares were consolidated into approximately 3,822,379 common shares. The combined results of operations are included from January 19, 2021. .

The Transaction is equivalent to the issuance of common shares by the non-public operating entity, MindHealth, for the net assets or net liabilities and the listing status of the non-operating public company, Cardinal. The fair value of the common shares issued was determined based on the fair value of the common shares issued by Cardinal of \$1,256,194. The net identifiable liabilities acquired was \$15,700. The excess of fair value of net assets assumed over purchase price is considered an expense of acquiring a public listing and as a result, a listing fee expense of \$1,271,894 has been recorded for the period.

On January 15, 2021, MindHealth purchased Psyence Therapeutics. MindHealth issued 18,000,000 common shares (19,169,813 shares on a post-consolidation basis 18,000,000 multiplied by 1.0649) and warrants with a fair value of \$386,065 in exchange for all the outstanding common shares of Psyence Therapeutics. The purchase did not constitute a business combination as Psyence Therapeutics does not meet the definition of a business combination under IFRS 3 *Business Combinations* and is therefore treated under the scope of IFRS 2 *Share Based Payments*. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired, and liabilities assumed were recorded at their estimated fair value at the acquisition date. The fair value of the common shares issued to the former Psyence Therapeutics shareholders was determined to be \$ 6,300,000 based on the fair value of the shares issued (18,000,000 shares at \$0.35 per share). The consideration consisted entirely of equity of MindHealth measured at the estimated fair value of \$0.35 per share on the date of acquisition and was expensed at a cost of \$6,794,631. The detailed breakdown of the expense is show below:

	\$
Consideration: Shares	6,300,000
Consideration: Warrants	386,065
Total Consideration	<u>6,686,065</u>
Net Liabilities Acquired	108,566
Acquisition Cost	<u>6,794,631</u>

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Management's Discussion and Analysis

Total assets at period end March 31, 2021

Total asset for the period were \$6,730,852 and the majority was comprised of cash and cash equivalents of \$6,096,074. The Company has bank accounts denominated in Canadian Dollars, US dollars and Lesotho Loti. At period end the company had the following currency exposures on these accounts:

- Canada bank accounts: CAD \$6,000,050
 CAD \$9,832 (USD \$7,810 – denominated in US dollars)
- Lesotho bank accounts: CAD \$67,071 (USD \$53,269 – denominated in US dollars)
 CAD \$19,121 (LSL225,285 – denominated in Lesotho Loti)

Selected annual information for the period ended March 31, 2021

	CAD \$
Total Revenue	-
Total Comprehensive Loss	(11,273,010)
Loss per share – basic and diluted	(0.22)
Total Assets	6,730,852
Total non-current financial liabilities	54,621
Distributions declared per share	-
Weighted average number of shares for the year – basis and diluted	51,205,555

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), and the interpretations of the IFRS Interpretations Committee "IFRIC", effective for the Company's reporting for the period ended March 31, 2021.

MindHealth Lesotho a subsidiary of the Company has a functional currency (Lesotho Loti) that differs to the Company's presentation currency (Canadian Dollars).

Operations

Quarterly Results of Operations

	Quarter End March 31, 2021 \$	Quarter End December 31, 2020 \$	Quarter End September 30, 2020 \$	Period End May 21 – June 30, 2020 \$
Total Revenue	-	-	-	-
Total Comprehensive Loss	(9,535,567)	(1,348,358)	(333,075)	(56,010)
Loss per-share	(0.12)	(0.03)	(0.01)	(0.00)
Diluted per-share basis	(0.12)	(0.03)	(0.01)	(0.00)
Weighted Average Shares	80,032,162	45,251,028	34,662,103	23,569,269

Liquidity and Capital Resources

As at March 31, 2021, the Company had cash balances of \$6,096,074 and working capital of \$6,083,268. Working capital represents the excess of current assets over current liabilities. Accounts payable and accrued liabilities have contractual maturity dates within one year, lease liabilities which have contractual maturity dates spanning 9 years and amounts due to related parties have a contractual maturity date within one year.

There are no provisions in debt, lease or other arrangements that could trigger an additional funding requirement or early payment nor are there circumstances that could impair the Company's ability to undertake transactions considered essential to operations.

Since incorporation, the operations have been solely financed from the issuance of equity. The Company's primary capital requirements are for the funding of scientific research, clinical studies,

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Management's Discussion and Analysis

product development, manufacturing, consultant and staffing costs. Construction of phase 2 of the fully integrated cultivation, processing and product manufacturing facility in Lesotho is only planned to commence when market demands dictating the supply of product require it.

The Company has experienced operating losses and cash outflows from operations since incorporation. Although the Company has sufficient surplus working capital, it will require ongoing financing in order to continue long term research and development activities. The Company's success is dependent upon the ability to finance future cash requirements through the issuance of additional equity securities, through loan financing, or other means. The Company has not earned any revenue or reached successful commercialization of the planned products. There can be no assurance that the Company will be successful in continuing to finance the operations.

During the period from the date of incorporation on May 21, 2020 to March 31, 2021, the Company completed the following equity financings that raised \$9,303,272 in aggregate:

- (i) On May 21, 2020, the Company issued 1 common share on incorporation for \$0.01.
- (ii) On May 22, 2020, the Company entered into a share exchange agreement to issue 24,000,000 common shares to acquire all the issued and outstanding shares of MindHealth Lesotho from its previous shareholders. The acquisition was considered to be a business combination between entities under common control. As a result, assets acquired were recorded at their predecessor carrying values rather than at fair value. The issuance of 24,000,000 shares has been measured based on the net assets acquired through MindHealth Lesotho being \$390 (LSL5,000).
- (iii) On June 30, 2020, the Company issued 6,340,000 common shares with a subscription price of \$0.25 per share for gross proceeds of \$1,585,000.
- (iv) On August 31, 2020, the Company issued 12,826,884 common shares with a subscription price of \$0.25 per share for gross proceeds of \$3,206,721.
- (v) On December 4, 2020, the Company issued 6,756,113 common shares with a subscription price of \$0.25 per share for gross proceeds of \$1,689,029.
- (vi) On December 31, 2020, the Company issued 2,570,000 common shares with a subscription price of \$0.25 per share for gross proceeds of \$642,500.
- (vii) On January 14, 2021, the Company issued 5,427,520 common shares with a subscription price of \$0.35 per share for gross proceeds of \$1,899,632.
- (viii) On January 18, 2021, the Company issued 800,000 common shares with a subscription price of \$0.35 per share for gross proceeds of \$280,000.

In relation to the issuances of shares above, the Company incurred cash settled share issuance costs of \$627,649. Non-cash settled share issuance cost of \$208,252 in form of warrants was also incurred during the period. The proceeds raised from the issue of equity net of share issuance costs was \$8,675,623.

Below is the summary of cash utilized for the period.

CAD \$	Period May 21, 2020 – March 31, 2021
Cash used in operating activities	(2,203,258)
Cash used in investing activities	(372,766)
Cash raised from financing activities	8,672,098
Total Cash Movement	6,096,074

The Company manages liquidity risk through an ongoing review of future commitments and cash balances available. Revenue is expected to be generated in the near future through the Psyence Function division and it has sufficient surplus working capital. For the current period, the Company's main source of funding has been the issuance of shares for cash, primarily through private placements.

The Company's access to future financing is always uncertain and there can be no assurance of continued access to significant equity or debt funding. Based on the Company's working capital position as at March 31, 2021, management regards liquidity risk to be low.

Off Balance Sheet Arrangements

The Company has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

Transactions between Related Parties

On June 1, 2020, MindHealth Lesotho entered into a sub-lease agreement with Highlands Pure Lesotho (Pty) Ltd, a related party that is jointly controlled by a person that is a member of the key management personnel of the Company, for 5,700m² of land situated at a cultivation site in Kolojane in the Berea District of Lesotho. The land has been used to erect manufacturing and processing facilities. The initial term of the lease is approximately nine years commencing 1 June, 2020 and ending May 21, 2029. Thereafter, MindHealth Lesotho has the option to renew the lease for a further ten-year period for a maximum of five consecutive such periods. In addition to the leased portion of land, MindHealth Lesotho has the right to use the infrastructure and related services available at the cultivation site, including security, access to borehole water and access roads, at a monthly cost of LSL3,485 per month (approximately C\$308 based on the Canadian Dollar to Lesotho Loti exchange rate of 1:0.088 LSL: CAD dated June 06, 2021).

The lease is reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability. The incremental borrowing rate and term length used in the calculation of the right-of-use asset and discounted lease liability amounts are 2.5% and 19 years, respectively.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members. Consulting fees of \$166,612 were paid to the various key management personnel during the period.

Management fees of \$459,386 relate to a management service agreement with a related party, Highlands Ventures (Pty) Ltd. Jody Aufrichtig, a director and the CEO of the Company, is a director of Highlands Ventures (Pty) Ltd. In terms of the management service agreement, Highlands Ventures (Pty) Ltd manages the design, construction, erection, commissioning, operation and maintenance of the psilocybin cultivation facility as well as the sale of psilocybin mushrooms. Highlands Ventures (Pty) Ltd further provides administrative services such financial administration and control, compliance management and business development and strategy.

An amount of \$7,581 was due to Highlands Pure Lesotho (Pty) Ltd as at March 31, 2021. This amount is non-interest bearing, unsecured and was repaid in April 2021 (maturity date).

Related parties were paid share-based compensation amounting to \$483,230 in form of options and warrants during the period.

Fourth Quarter

The significant events that occurred in the fourth quarter are described above in the MD&A and include the following:

- (i) On January 14, 2021, the Company issued 5,427,520 common shares with a subscription price of \$0.35 per share for gross proceeds of \$1,899,632.

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.) Management's Discussion and Analysis

- (ii) On January 18, 2021, the Company issued 800,000 common shares with a subscription price of \$0.35 per share for gross proceeds of \$280,000.
- (iii) On January 15, 2021, MindHealth purchased Psyence Therapeutics by the issuance of equity that was measured at the estimated fair value of \$0.35 per share on the date of acquisition and was expensed at a cost of \$6,794,631.
- (iv) On January 19, 2021 MindHealth completed the RTO of Cardinal. The Transaction has been accounted for in accordance with IFRS 2 *Share-based Payment* and recorded as a listing fee expense of \$1,271,894.
- (v) The Company listed on the Canadian Securities Exchange on January 27, 2021.

Subsequent Events

On April 12, 2021, Psyence South Africa was incorporated in South Africa as a subsidiary of PBC.

On May 5, 2021, a South African-based special purpose vehicle ("**SPV**") called Good Psyence (Pty) Ltd ("**Good Psyence**") was incorporated. The SPV is a 50/50 joint venture between the Company, via its subsidiary PBC, and Southern Sun Pharma Inc's wholly owned subsidiary, The Goodleaf Company (Pty) Ltd, a private company incorporated in South Africa. The Company will launch its functional mushroom brand, "GoodMind", through the SPV and it will be responsible for the production, commercialization and sale of the products.

On May 11, 2021, Psyence Jamaica Limited ("**Psyence Jamaica**") was incorporated in Jamaica as a subsidiary of PBC. Psyence Jamaica was established as a result of the many initiatives pursued by the Company in Jamaica, including the development of standardized nutraceutical and pharmaceutical psychedelic products for the treatment of psychological traumas.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, other receivables, prepaids, accounts payable and accrued liabilities and amounts due to related parties. These financial instruments arise in the normal course of business and are classified and measured at amortized cost.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Company does not partake in hedging activities.

The fair values of these financial instruments approximate their carrying values. As required by IFRS 9 *Financial Instruments*, the Company applies a forward-looking expected credit loss ("ECL") model, at each balance sheet date, to financial assets measured at amortized cost to determine whether the asset is impaired. As at March 31, 2021, no such impairment was required.

In the normal course of business, the Company is exposed to a variety of financial risks: credit risk, liquidity risk, foreign exchange risk and interest rate risk. These financial risks are subject to normal credit standards, financial controls, risk management as well as monitoring. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Credit risk

Credit risk arises from cash held with banks and other receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions. The Company also assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

Cash consists of bank balances and an amount held in trust by a brokerage firm as security for foreign currency exchanges. Other receivables mainly consist of federal sales tax credits.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

As at March 31, 2021, the Company's financial liabilities consist of accounts payable, accrued liabilities and amounts due to related parties which all have contractual maturity dates within one year.

The Company manages liquidity risk through an ongoing review of future commitments and cash balances available. Historically, the Company's main source of funding has been the issuance of shares for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity or debt funding.

Based on the Company's working capital position at March 31, 2021, management regards liquidity risk to be low.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company operates internationally and is exposed to foreign exchange risk from the Lesotho Loti. Foreign exchange risk arises from transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

A 10% adverse change in exchange rate would have resulted in a loss of \$7,412 as at March 31, 2021.

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 has no significant interest-bearing assets or liabilities and therefore its income and operating cash flows are substantially independent of changes in market interest rates. Management therefore regards liquidity risk to be low.

Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. The Company considers its shareholders' equity balance as capital.

Risk Factors

Regulatory Compliance Risks

The Company operates in the Kingdom of Lesotho pursuant to licenses and authorizations granted by Lesotho governmental authorities. To a lesser extent, the Company also has nascent operations in Jamaica focused on research and development. Consequently, certain activities conducted by the Company are permissible under the respective Lesotho or Jamaica regulatory regimes but are not permissible under the Canadian regulatory regime.

In the past, Canadian courts and regulatory authorities have taken the view that it is not contrary to Canadian federal or provincial law for a person to be engaged in, or for an entity to hold interests in

affiliates that are engaged in certain regulated activities where such activities may be regulated differently than in the home jurisdictions and have enforced extra-territorial laws even where such laws (or regulatory regimes applicable to certain activities or industries) differ from those in the Canadian jurisdiction. There still remains a risk that Canadian courts or applicable Canadian or other governmental authorities may take a contrary view with respect to the business of the Company and view the Company as having violated their local laws, despite the Company having obtained all applicable Lesotho licenses or authorizations (and to a lesser extent, applicable Jamaica licenses or authorizations) and despite the fact that the Company does not carry-on business in Canada. Therefore, there is a risk that civil and criminal proceedings, including class actions, could be initiated against the Company. Such potential proceedings could involve substantial litigation expense, penalties, fines, seizure of assets, injunctions or other restrictions being imposed upon the Company or its business partners, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as an impact upon the Company's reputation.

There is no assurance that the Company will become profitable or pay dividends

There is no assurance as to whether the Company will become profitable or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

The ongoing COVID-19 Pandemic

The current global uncertainty with respect to the spread of COVID-19 and its effect on the Canadian economy and the larger global economy, may have negative effects on the Company. While the precise impact of COVID-19 on the Company's ability to develop its business and its products remains unknown, the rapid spread of COVID-19 around the world and the declaration of a global pandemic by the World Health Organization may result in future workforce shortages and additional sanitary measures, further international border closures that restrict or materially slow the ability of the Company or its competitors to purchase psilocybin mushrooms or packaging, starting material, supplies, materials, equipment and other products required to conduct the Company's business, procure maintenance, auditing and other services required to conduct the Company's business, restrictions on shipping, both within Canada and internationally, restrictions on the ability of the Company to gain financing through the financial markets, and any changes to the Company's regulatory framework may increase competition for the mushrooms and packaging used by the Company or affect the Company's ability to deliver its products to customers – each which could materially affect the business and financial condition of the Company.

Commercialization and Marketing of Products

The Company is reliant on employees and third-party consultants to assist in investigating the process of developing and commercializing its psilocybin mushroom products. No assurance can be given that the results of these investigations will determine that manufacturing and distribution of its products will be feasible or commercially viable. A failure to obtain satisfactory results on these investigations could have a material adverse effect on the Company's business and may adversely affect the Company's ability to begin earning revenue.

Additional Risks related to doing Business Internationally

International markets will be a focus for expansion and revenue growth for the Company. Several factors, including legal and regulatory compliance and weakened economic conditions in any of the international jurisdictions in which the Company expects to do business or have projects, could

adversely affect such expansion and growth. Additionally, the Company's entry into new international jurisdictions requires management attention and financial resources that would otherwise be spent on other parts of the business. Some of the countries in which the Company expects to sell products are to some degree subject to political, economic, and/or social instability. International business operations expose the Company to risks and expenses inherent in operating or selling products in foreign jurisdictions, and developing and emerging markets in particular, where these risks may be heightened. In addition to the risks mentioned elsewhere, these risks and expenses could have a material adverse effect on the Company's business, results of operations or financial condition and include without limitation:

- adverse currency rate fluctuations;
- risks associated with complying with laws and regulations in the countries in which the Company expects to sell products, and requirements to apply for and obtain licenses, permits or other approvals and the delays associated with obtaining such licenses, permits or other approvals;
- multiple, changing and often inconsistent enforcement of laws, rules and regulations;
- risks associated with reliance on international agents and representatives, including the possible failure of such agents and representatives to appropriately understand, represent and effectively market the Company's products;
- the imposition of additional foreign governmental controls or regulations, new or enhanced trade restrictions or non-tariff barriers to trade, or restrictions on the activities of foreign agents, representatives and distributors;
- increases in taxes, tariffs, customs and duties, or costs associated with compliance with import and export licensing and other compliance requirements;
- the imposition of restrictions on trade, currency conversion or the transfer of funds or limitations;
- the imposition of Canadian and/or other international sanctions against a country, company, person or entity with whom the Company does business that would restrict or prohibit the Company's ability to carry out its operations in Lesotho and, to a lesser extent, Jamaica;
- the Company's continued business with the sanctioned country, company, person or entity;
- downward pricing pressure on the Company's products in the international markets, due to competitive factors or otherwise;
- laws and business practices favouring local companies;
- political, social or economic unrest or instability, including without limitation military conflicts and acts of terrorism, military repression, war or civil war, social and labour unrest, organized crime, hostage-taking and violent crime;
- expropriation and nationalization and/or renegotiation or nullification of necessary licenses, approvals, permits and contracts;
- greater risk on credit terms, longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- difficulties in enforcing or defending intellectual property rights; and
- the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on doing

business, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of concessions, licenses, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Furthermore, some of the Company's operations are conducted in parts of the world that experience illegal sales practices or corruption or are operated under legal systems susceptible to undue influences to some degree. Although the Company has policies and procedures in place that are designed to promote legal and regulatory compliance, the employees, business partners and consultants of the Company could take actions that violate applicable anticorruption laws or regulations. Violations of these laws, or allegations of such violations, could result in loss, reduction or expropriation and/or have a material adverse effect on the Company's business, results of operations or financial condition. The Company's international efforts may not produce desired levels of sales. If and when the Company enters into new markets in the future, it may experience different competitive conditions and/or different customer requirements. As a result, the Company may be less successful than expected in expanding sales in its future targeted international markets. Sales into new international markets may take longer to ramp up and reach expected sales and profit levels, or may never do so, thereby affecting the Company's overall growth and profitability. To build brand awareness in these new markets, the Company may need to make greater investments in legal compliance, advertising and promotional activity than originally planned, which could negatively impact the expected profitability of sales in those markets. These or one or more of the other factors listed above may harm the Company's business, results of operations or financial condition.

The Company will continue to monitor developments and policies in the emerging markets in which it will operate and assess the impact thereof to its operations, however such developments cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Reliance on Licenses and Authorizations

The Company's ability to grow, process, store, export and sell psilocybin mushroom and psilocybin mushroom products in the Kingdom of Lesotho is dependent on the Company's ability to sustain or obtain the necessary licenses and authorizations by certain government authorities in the Kingdom of Lesotho, including, but not limited to, its current licence. The licenses and authorizations are subject to ongoing compliance and reporting requirements, and the ability of the Company to obtain, sustain or renew any such licenses and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions.

To a lesser extent, the Company's nascent research and development operations in its Jamaican subsidiary may also require licenses and authorizations by certain government authorities in Jamaica. Failure to comply with the requirements of the licenses or authorizations or any failure to maintain the licenses or authorizations in Lesotho (and to a lesser extent, Jamaica) would have a material adverse impact on the business, financial condition and operating results of the Company. Although the Company believes that it will meet the requirements to obtain, sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue or renew these licenses or authorizations (as the case may be). Should the authorities fail to issue or renew the necessary licenses or authorizations, the Company may be curtailed or prohibited from the production or distribution of psilocybin mushrooms or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of the Company may be materially adversely affected.

Negative Results from Clinical Trials

From time to time, studies or clinical trials on medical-grade psilocybin mushroom products may be conducted by academics, research institutions or others, including government agencies. The publication of negative results of studies or clinical trials related to the Company's proposed products

or the therapeutic areas in which the Company's proposed products will compete could have a material adverse effect on the Company's sales.

Health Canada Regulations

If the Company decides to conduct any future research in Canada into products that involve ingredients that are controlled under the *Canadian Controlled Drugs and Substances Act* ("CDSA") (including certain psychedelics such as psilocybin) it will require a research license or Section 56 Exemption from Health Canada with similar controlled substance authorizations required from a federal, competent authority in other jurisdictions. There is no assurance that such exemption would be granted, and if it were not to be granted, it might prevent the Company from handling and researching such products in Canada without collaborating with a licensed partner.

The Expansion of the Use of Psychedelics in the Medical Industry may require New Clinical Research

Research in Canada and internationally regarding the medical benefits, viability, safety, efficacy, addictiveness, dosing and social acceptance of psychedelic and psychoactive products derived from psilocybin remains in early stages. There have been relatively few clinical trials on the benefits of such products. Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of psychedelic and psychoactive products derived from psilocybin, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, psychedelic and psychoactive products derived from psilocybin. Given these risks, uncertainties and assumptions, readers should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this MD&A or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to psychedelic and psychoactive products derived from psilocybin, which could have a material adverse effect on the demand for the Company's products/compounds with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.

Competition from Other Companies

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and be able to develop higher quality equipment or products at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

Unfavourable Publicity or Consumer Perception

The Company believes the naturally derived medicinal-grade psilocybin mushroom industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of psilocybin mushroom distributed to such consumers. Consumer perception of the Company's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of naturally derived, medicinal-grade psilocybin mushroom products. 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 naturally derived medicinal-grade psilocybin mushroom market 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 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 products, and the Company's business, results of operations, financial condition and cash flows. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of naturally derived medicinal-grade psilocybin mushroom in general, or the Company's products specifically, or associating the consumption of naturally derived medicinal-grade psilocybin mushroom's 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 consume such products appropriately or as directed.

Development of the Business of the Company

The development of the business of the Company and its ability to execute on its expansion opportunities described herein will depend, in part, upon the amount of additional financing available. Failure to obtain sufficient financing may result in delaying, scaling back, eliminating or indefinitely postponing expansion opportunities and the business of the Company's current or future operations. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be acceptable to the Company. In addition, there can be no assurance that future financing can be obtained without substantial dilution to existing shareholders.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations

The Company expects to incur significant ongoing costs and obligations related to its investment in developing its business and the products, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than the Company expected, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, including the other risks described in this MD&A, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Company Shares may significantly decrease.

Inability to Innovate

In the area of innovation, the Company must be able to develop new products that appeal to customers. This depends, in part, on the technological and creative skills of its personnel and on its ability to register and protect its intellectual property rights.

Personnel

The Company has a small management team and the loss of any key individual could affect the Company's business. Additionally, the Company will be required to secure additional personnel to facilitate its marketing and product development initiatives. Any inability to secure and/or retain appropriate personnel may have a materially adverse impact on the business and operations of the Company.

The Continued Development of the Company and its Business will require Additional Financing

The failure to raise additional capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional

capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Company Shares

The Company's articles permit the issuance of an unlimited number of Company Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Company Shares will be issued by the Company on the exercise of options under the Company option plan and upon the exercise of the Company's outstanding warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Change in Laws, Regulations and Guidelines

The cultivation, processing, manufacturing, packaging, labeling, advertising and distribution of the Company's planned products is subject to regulation by one or more governmental authorities, and various agencies of the federal, provincial, state and localities in which the Company's products are sold. These government authorities may attempt to regulate any of its products that fall within their jurisdiction. Such governmental authorities may not accept the evidence of safety for any ingredients that the Company may want to market, may determine that a particular product or product ingredient presents an unacceptable health risk and may determine that a particular statement of nutritional support that the Company wants to use is an unacceptable claim. Such a determination would prevent the Company from marketing particular products or using certain statements of nutritional support on its products. The Company also may be unable to disseminate third-party literature that supports its products if the third-party literature fails to satisfy certain requirements. In addition, government authorities could require the Company to remove a particular product from the market. Any recall or removal would result in additional costs to the Company, including lost revenues from any products that it is required to remove from the market, any of which could be material. Any such product recalls or removals could lead to liability, substantial costs and reduced growth prospects, all of which could be material.

Regulatory Authority - Lesotho and Jamaica

Lesotho's government and regulatory bodies wield broad powers and authority to issue, alter, or revoke licenses and permits which are vital to the Company's business operations in the country. There is also a corresponding lack of well-established and independent processes to appeal regulatory or government actions that are unfavourable to the Company's business operations. Therefore, the Company's operations are subject to risks associated with obtaining and maintaining licenses and permits from appropriate governmental authorities. The Ministry of Health has established a Narcotics Bureau which could support and assist in the issuance of licences and permits. There is no assurance that such licenses and permits can be obtained, renewed or re-registered, as applicable, or that delays will not occur in obtaining all necessary licenses and permits or renewals of such licenses and permits. Any failure to obtain or maintain the necessary licenses and permits will have a material adverse impact on the Company and its business, assets, financial condition, results of operations and prospects.

To a lesser extent, such risks are applicable for the Company's operations in Jamaica and its plans to conduct research and development in that regulatory jurisdiction. However, such risk is minimal given the nascent state of the Company's Jamaican subsidiary and its very early-stage research and development.

Crime and Business Corruption Risk

The Company conducts business in Lesotho which has experienced high levels of business corruption. Transparency International ranks Lesotho 83rd out of 198 countries in the 2020 Corruption Perceptions Index. To a lesser extent, the Company also has early-stage research and development operations in its wholly-owned subsidiary in Jamaica. Transparency International ranks Jamaica 69th out of 198 countries in the 2020 Corruption Perceptions Index.

The Company and its personnel are required to comply with applicable anti-bribery laws, including the *Canadian Corruption of Foreign Public Officials Act*, as well as local laws in all areas in which the Company does business. These, among other things, include laws in respect of the monitoring of financial transactions and provide a framework for the prevention and prosecution of corruption offences, including various restrictions and safeguards. However, there can be no guarantee that these laws will be effective in identifying and preventing money laundering and corruption. The failure of some of the governments where the Company does business to fight corruption or the perceived risk of corruption could have adverse effects on the local economies. Any allegations of corruption or evidence of money laundering in those countries could adversely affect the ability of those countries to attract foreign investment and thus have adverse effects on its economy which in turn could have adverse effects on the Company's business, results of operations, financial condition and prospects. Moreover, findings against the Company, the directors, the officers or the employees of the Company, could result in criminal or civil penalties, including substantial monetary fines, against the Company, the directors, the officers or the employees of the Company. Any government investigations or other allegations against the Company, the directors, the officers or the employees of the Company, or finding of involvement in corruption or other illegal activity by such persons, could significantly damage the Company's reputation and its ability to do business.

Enforceability of Foreign Judgements

A foreign judgment is not directly enforceable in Lesotho, however foreign judgments may be placed before a court in Lesotho for it to be recognised domestically and thereafter enforced in Lesotho as a judgement of the High Court of Lesotho.

Foreign judgments can be enforced domestically by making use of the common law or in terms of the Reciprocal Enforcement of Judgments Proclamation No. 2 of 1922. In terms of this Act, judgments obtained in the High Courts of England, Ireland, or Scotland can be enforced by use of the Proclamation. The Proclamation has been extended to include Botswana, Swaziland, Zimbabwe, Zambia, Tanzania, Malawi, Kenya New Zealand, Australia, and Uganda.

Foreign awards are dealt with in terms of the New York Convention. The High Court of Lesotho has competent jurisdiction in respect of foreign awards. Furthermore, an application for recognition and enforcement would require a court order to declare such an award enforceable. The Company cannot guarantee that a judgement in Canada will be enforced in Lesotho.

In the event of a dispute arising in connection with the Company's early-stage research and development operations in its Jamaican subsidiary, the Company may be subject to the exclusive jurisdiction of Jamaican courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgements in Jamaica.

Limited Market for Securities

The Company Shares are listed on the CSE, however, there can be no assurance that a continued active and liquid market for the Company Shares will be maintained.

No Operating History

The Company is an early-stage enterprise and subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel,

financial, and other resources and lack of revenues. The Company has no history in the psilocybin mushroom cultivation industry before May 2020 and no history of operations or earnings.

The Company is therefore subject to many of the risks common to entering a new area of investment, including under-capitalization, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on its investment and the likelihood of success must be considered in light of the Company's lack of experience in this industry.

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

These risks may include:

- risks that it may not have sufficient capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

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

Consequences of Violations of Laws and Regulations

In Canada, certain active ingredients such as psilocybin are classified as controlled substances and are listed on Schedule III of the CDSA. As such, possession and use of these substances is prohibited unless approved. The governmental authorities in Canada may allow for exemptions to parties to allow possession of controlled substances for scientific purposes or on compassionate grounds in the case of end-of-life treatment. Further, a dealer's license can be obtained under the Food and Drugs Regulations allowing for the transport, manufacturing, processing and sale of products containing a controlled substance like psilocybin in certain circumstances. Programs relating to controlled substances are strict and penalties for contravention of these laws 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 may in the future operate, or private citizens or criminal charges. The Company's current plans with respect to psilocybin are limited to conducting scientific research and development in compliance with applicable laws in the jurisdictions in which the Company is conducting business. Currently, the Company has no plans to sell psilocybin mushroom products in Canada, however, it is exploring the potential to conduct research with respect to psilocybin in Canada with a duly licenced partner, subject to approvals by all applicable regulatory agencies. There is no guarantee that the Company would be able to obtain an exemption under the CDSA or a dealer's licence under the Food and Drugs Regulation, which would prevent the Company from being able to handle or research those substances in Canada without collaborating with a licensed partner. The Company will apply for an exemption under the CDSA or a dealer's licence under the Food and Drugs Regulation if the Company decides to offer its psilocybin products or conduct research in Canada. The Company does not intend to apply for the aforementioned within the next 12 months. During this process, the Company will seek advice from experts in Canadian food and drugs regulation.

Production and Processing Facility

The Company may incur expenditures toward the improvement and maintenance of its production and processing facility in Lesotho. Adverse changes to the Company's leased premises in Lesotho

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Management's Discussion and Analysis

including, but not limited to, amendments to the lease, environmental and climate change, and restrictions to expansion could have a materially adverse effect on the operations of the Company.

Uncertainty about the Company's ability to continue as a going concern

The Company's ability to continue as a going concern will be dependent upon its ability in the future to generate revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management

The Company's actual financial position and results of operations may differ materially from management's expectations. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's internally projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgement in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

The Company may become subject to litigation

The Company's participation in the medical-grade psilocybin mushroom industry may lead to litigation, formal or informal complaints, enforcement actions and inquiries by third parties, other companies or various governmental authorities against the Company. Litigation, complaints and enforcement actions involving the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third-parties against the Company relating to intellectual property rights

The Company may be forced to litigate to enforce or defend future intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns medical-grade psilocybin mushroom and other activities that are not legal in some state jurisdictions or under federal law, the Company may face additional difficulties in defending its intellectual property rights.

Insurance Coverage

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, product liability and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability. Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Management's Discussion and Analysis

such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Ability to establish and maintain bank accounts

While the Company does not anticipate dealing with banking restrictions, there is a risk that banking institutions in countries where the Company operates will not accept payments related to the psilocybin mushroom industry. Such risks could increase costs for the Company. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Product Liability

The Company intends to produce products designed to be ingested by humans and will therefore face a risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused bodily harm or injury. In addition, the sale of consumable products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of medical-grade psilocybin mushroom products alone or in combination with other medications or substances could occur. The Company could therefore be subject to various product liability claims, including, among others, that its products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company and could have a material adverse effect on its results of operations and financial conditions.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively

The Company will depend upon its ability to attract and retain key management, including the Company's directors, officers and technical experts. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company or results of operations of the business and could limit the Company's ability to develop and market its medical-grade psilocybin mushroom products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute the Company's business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of the Company's employees.

The size of the Company's target market is difficult to quantify

As the psilocybin mushroom industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. There can be no assurance that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly follows market research.

Reliance on Limited Jurisdictions

To date, the Company's active activities and resources have been primarily focused in Lesotho and to a lesser extent, Jamaica (for research and development). The Company expects to continue the focus on expansion opportunities into other jurisdictions. Adverse changes or developments within Lesotho could have a material and adverse effect on the Company's ability to continue its business, financial condition and prospects. Additionally, any material or adverse change in jurisdictions in which the Company will do business may affect the Company's ability to continue producing medical-grade psilocybin mushroom products, its business, financial condition and prospects.

No guarantee on the use of available funds by the Company

The Company cannot specify with certainty the particular uses of its available funds. Management has broad discretion in the application of its available funds. Accordingly, shareholders of the Company Shares will have to rely upon the judgment of management with respect to the use of available funds, with only limited information concerning management's specific intentions. The Company's management may spend a portion or all of the available funds in ways that the Company's shareholders might not desire, that might not yield a favourable return and that might not increase the value of a shareholder's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest available funds in a manner that does not produce income or that loses value.

Currency Fluctuations

Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the Canadian dollar, the Lesotho Loti, the South African Rand, and the Jamaican Dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Environmental, Health and Safety Laws

The Company is subject to environmental, health and safety laws and regulations in each jurisdiction in which the Company operates. Such regulations govern, among other things, emissions of pollutants into the air, wastewater discharges, waste disposal, the investigation and remediation of soil and groundwater contamination, and the health and safety of the Company's employees. The Company may be required to obtain environmental permits from governmental authorities for certain of its current or proposed operations. The Company may not have been, nor may it be able to be at all times, in full compliance with such laws, regulations and permits. If the Company violates or fails to comply with these laws, regulations or permits, the Company could be fined or otherwise sanctioned by regulators. As with other companies engaged in similar activities or that own or operate real property, the Company faces inherent risks of environmental liability at its current and historical operational sites. Certain environmental laws impose strict and, in certain circumstances, joint and several liability on current or previous owners or operators of real property for the cost of the investigation, removal or remediation of hazardous substances as well as liability for related damages to natural resources. In addition, the Company may discover new facts or conditions that may change its expectations or be faced with changes in environmental laws or their enforcement that would increase its liabilities. Furthermore, its costs of complying with current and future environmental and health and safety laws, or the Company's liabilities arising from past or future releases of, or exposure to, regulated materials, may have a material adverse effect on its business, financial condition and results of operations.

Management of Growth

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

Inability to protect Intellectual Property

The Company expects to rely upon intangible and intellectual property such as copyrights, trade secrets, unpatented proprietary know-how and continuing innovation to protect the development of its business. There can be no assurances that the steps taken by the Company to protect its intangible property and intellectual property will be adequate. To the extent that this property is infringed on, revenue could be negatively affected, and the Company may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

Language – Lesotho and Jamaica

The primary language of business in Lesotho is English, with Sesotho as a secondary language, and occasionally Afrikaans. The primary language of business in Jamaica is English. All employees and consultants of the Company and its subsidiaries speak English fluently. The Company has personnel available to communicate in Sesotho and Afrikaans. All business records and documents will be prepared in English or translated from Sesotho or Afrikaans into English, as applicable.

Exchange Controls, Currency Fluctuations and Credit Risks - Lesotho and Jamaica

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company may be adversely affected by the fluctuations in currency exchange rates and high inflation to the extent that the Company conducts business transactions involving South African Rand or Lesotho Loti. To a lesser extent, the Company may also be adversely affected by fluctuations in currency exchange rates in business transactions involving the Jamaican Dollar.

The currency risks associated with the local currency include the possibility of the government imposing exchange controls or limits to the availability of hard currency and other such banking restrictions. Similarly, to the extent that the Company will become involved in financial transactions with local counterparties, the Company may be exposed to credit risk on cash and cash equivalents denominated in South African Rand, Lesotho Loti, or Jamaican Dollars. Any such instability in currency or creditworthiness of local counterparties may have a material adverse impact on the Company. The Company will mitigate the currency risk by keeping excess funds in US Dollars.

Lesotho has adopted exchange controls governed by the Exchange Control Order No.175 of 1987, subject to Exchange Control Regulations of 1989. Authorised Dealers in Lesotho are the commercial banks mandated to enforce exchange controls. Lesotho companies may approach Authorised Dealers to obtain approval to avail of inward foreign loans and foreign trade finance facilities from any non-resident. Similarly, Lesotho companies may access trade finance, long-term loans and working capital loans in foreign currency by approaching an Authorised Dealer in this regard. Lesotho is part of the Common Monetary Area ("CMA"), together with Namibia, South Africa and Swaziland (eSwatini). There are no foreign exchange restrictions between banks of the CMA member countries in respect of cross-border transactions amongst themselves.

Foreign Exchange Risk and Liquidity - Lesotho and Jamaica

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will always have sufficient liquidity to meet its liabilities when due, under both normal and distressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's revenue streams are dependent on the overall macro-economic environment. Current and future conditions in the domestic and global economies remain uncertain. Accordingly, adverse developments in the macroeconomic environment could substantially reduce the funds spent on the products and services offered by the Company.

Taxation Risks – Lesotho and Jamaica

Lesotho's and Jamaica's tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and changes. Such interpretations of or changes in tax law may not be aligned with the Company's business interests. It is possible that the Company's ongoing operations in Lesotho and, to a lesser extent, its Jamaican subsidiary, may be subject to review by Lesotho's or Jamaica's respective tax authorities or be affected by changes in tax legislation or interpretation. If a party has any objection to a tax assessment granted by the Lesotho Revenue Authority ("LRA"), that party may appeal the tax assessment to the Commissioner General's Appeal's Committee and the Revenue Appeals Tribunal. In the context of the Company's Jamaican subsidiary, a party may also object to the Revenue Appeals Division of the Jamaican Ministry of Finance.

Licensing Regime - Lesotho and Jamaica

Licensing in respect of psilocybin is governed by the Lesotho Drugs of Abuse Act, No 5 of 2008. Under this Act, power is delegated to the Minister of Health to exercise his discretion in promulgating regulations governing, controlling, limiting, authorizing the import into Lesotho, export from Lesotho, production, packaging, sending, transportation, delivery, sale, provision, administration, possession or obtaining of or other dealing in psilocybin. This concentration of power in one office and one Ministry is inherently risky as any deterioration in relations with the Minister of Health or the Ministry may have a material adverse impact on the Company and its business. As stated above, the Ministry of Health has established a Narcotics Bureau which could support and assist in the issuance of licences and permits.

To a lesser extent, similar licensing matters may apply to the Company's Jamaican subsidiary. As the subsidiary is at a very early-stage and focused on research and development, the officers and directors of the Company will rely, to a great extent, on the Company's local legal counsel in order to ensure compliance with material legal, regulatory and governmental developments as they pertain to and affect the Company's operations, particularly with respect to research and development of psilocybin or related operations as such operations begin to develop.

Access to an Independent Judiciary – Lesotho and Jamaica

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. Lesotho's legal system is based on UK common law and Roman-Dutch law. The Constitution provides for an independent judicial system and protects civil liberties such as freedom of speech, freedom of association, freedom of the press, freedom of assembly and freedom of religion. That being said, the Lesotho judicial system is not impervious to external social, economic, and political forces which create difficulty in predicting outcomes regarding legal matters. Judicial decisions may therefore be subject to popular or government influence which creates difficulty in predicting outcomes regarding legal matters and may result in the Company being disadvantaged in the context of dispute resolution whether in litigation proceedings or regulatory proceedings involving tax, contractual, environmental, land rights, personal injuries, or such other disputes.

To mitigate exposure to or dependence on the domestic legal system, contracting parties usually consent by agreement to mediation, arbitration or other alternative dispute resolution mechanisms and

PSYENCE GROUP INC. (formerly Cardinal Capital Partners Inc.)
Management's Discussion and Analysis

are contractually free to elect the governing law, location and composition of the mediators and arbitrators. Arbitration in Lesotho is regulated by the Arbitration Act of 1980; however, Lesotho has also acceded to the New York Convention, without any reservations. To further mitigate commercial risks, Lesotho established a Commercial Court to improve capacity in resolving commercial cases in 2010 and as a signatory of the International Centre for Settlement of Investment Disputes, Lesotho also accepts ad hoc arbitration.

The Company's Jamaican subsidiary is at a very early stage in establishing its research and development operations. To the extent the subsidiary or the Company becomes involved in a legal proceeding in Jamaica, it may avail itself of Jamaica's legal system which is also based on UK's common law system. Parties may appeal judgements from Jamaica's courts up to the UK Judicial Committee of the Privy Council and judges from the UK and the English-speaking Commonwealth occasionally also serve as judges in Jamaican courts.

Differences between the Canadian Law and Applicable Provisions of the Local Laws in Lesotho and Jamaica

The rights and responsibilities of the shareholders of the Company are governed by Canadian law by virtue of its incorporation under the laws of the Province of Ontario. To the extent that there may be exposure to the legal jurisdiction of Lesotho or Jamaica, the rights of shareholders are generally respected in these jurisdictions. A significant number of directors and officers of the Company may be based in non-Canadian jurisdictions and most of the Company's operational assets will be located in Lesotho. Therefore, a judgement obtained in a foreign court against the Company for civil penalties may not be enforceable in Canada. Depending on the nature of the dispute, it may be possible that a Canadian court may order the enforcement of a foreign judgement in Canada; or, alternately, a court in Lesotho or Jamaica may recognize a Canadian court judgement in their local jurisdiction. Refer to the paragraph titled "Enforceability of Foreign Judgements" above which expands upon this matter.

Geographic Location - Lesotho and Jamaica

Lesotho is a landlocked country within the border of South Africa and is therefore reliant on South Africa for the shipment of goods in and out of the country. Lesotho is party to the Protocol on Trade in the South African Development Community Region and United Nations Conference on Transit Trade of Land-Locked Countries. The underlying principles of these international agreements of economic co-operation mitigate such trade risk as South Africa has pledged its commitment to helping Lesotho facilitate trade in the SADC region and internationally. South Africa has committed, in order to promote fully the economic development of land-locked countries such as Lesotho, free and unrestricted transit, in such a manner that Lesotho shall have free access to regional and international trade in all circumstances and for every type of good.

In the case of MindHealth Lesotho and its operations, the import, export and general trade regarding psilocybin is regulated by the Ministry of Health under clear and enabling legislation and in accordance with a well-established import/export practice, which has been successfully implemented within the cannabis industry.

One of the Company's subsidiary is based in Jamaica; the country is an island nation in the English-speaking Caribbean and a member of the Commonwealth and Caribbean Community. As the Jamaican subsidiary is at a very early stage of establishing research and development operations, it is not currently subject to the same level of import, export or trade regulation as applicable to MindHealth Lesotho.

Additional Information

All additional information relating to the Company is available on SEDAR at www.sedar.com

