

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1 Name and Address of Company

Psyence Group Inc. ("the Company")
121 Richmond Street West
Penthouse Suite, 1300,
Toronto ON M5H 2K1, Canada

Item 2 Date of Material Change

August 21, 2023

Item 3 News Release

A news release dated August 21, 2023 was distributed and subsequently filed on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Item 4 Summary of Material Change

On August 21, 2023 the Company announced that it has issued 1,056,441 common shares at a price of CAD\$0.12 per common share for gross proceeds of CAD\$126,773. In connection with this issuance, the Company also issued 17,691 common shares a price of CAD\$0.12 per common share as payment of a finder's fee.

As part of Psyence's previously announced Phase IIb clinical trial in palliative care in Australia, the Company has successfully registered its research and development activities ("R&D") with the Australian Federal Government. Psyence could benefit from the Australian Federal Government's Research & Development tax incentive program, which could provide up to a 43.5% rebate on Psyence's research and development expenses in Australia. With this successful registration, and an independent third-party opinion and review of the R&D activities, Psyence is pleased to announce that it has entered into a loan agreement (the "Loan Agreement") via its Australian subsidiary Psyence Australia (Pty) Ltd (the "Borrower"), to borrow up to AUD\$1,100,000 by way of a secured loan (the "Loan") from RH Capital Finance Co., LLC. The Loan will be secured by way of a General Security Agreement and parent company guarantee against the assets of the Borrower and the Company. The Loan will bear interest at 16% per annum, and be repayable the earlier of (a) 21 business days after the notice of assessment (in respect of R&D refunds) is issued by the Australian Taxation Office to the Borrower for the financial year ended June 30, 2023 (b) an event of default and (c) 30 November 2023.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

See attached press release for details.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Further information relating to this Material Change Report may be obtained from:

Warwick Corden-Lloyd, CFO
Telephone: +1 416-477-1708
Email: info@psyence.com

Item 9 Date of Report

August 21, 2023

PSYENCE GROUP ANNOUNCES CLOSING OF PRIVATE PLACEMENT & CONCLUSION OF LOAN AGREEMENT

Toronto, Canada / August 21, 2023 / Psyence Group Inc. (CSE:PSYG | OTCQB:PSYGF) ("Psyence" or the "Company"), a life science biotechnology company pioneering the use of natural psychedelics in mental health and well-being, announces that it has issued 1,056,441 common shares at a price of CAD\$0.12 per common share for gross proceeds of CAD\$126,773. In connection with this issuance, the Company also issued 17,691 common shares at a price of CAD\$0.12 per common share as payment of a finder's fee. This brings the total amount that the Company has raised pursuant to the previously announced non-brokered private placement ("**Private placement**") to CAD\$4.4 million ("**Aggregate Proceeds**").

Net proceeds from the Private Placement will be used to advance the Company's recently announced Phase IIb clinical trial in Australia using a natural psilocybin drug candidate in a palliative care setting, drug development and for general working capital. The securities in the Private Placement will be subject to a hold period under applicable securities laws of four-months and a day.

As part of Psyence's previously announced Phase IIb clinical trial in palliative care in Australia, the Company has successfully registered its research and development activities ("**R&D**") with the Australian Federal Government. Psyence could benefit from the Australian Federal Government's Research & Development tax incentive program, which could provide up to a 43.5% rebate on Psyence's research and development expenses in Australia. With this successful registration, and an independent third-party opinion and review of the R&D activities, Psyence is pleased to announce that it has entered into a loan agreement (the "**Loan Agreement**") via its Australian subsidiary Psyence Australia (Pty) Ltd (the "**Borrower**"), to borrow up to AUD\$1,100,000 by way of a secured loan (the "**Loan**") from RH Capital Finance Co., LLC. The Loan will be secured by way of a General Security Agreement and parent company guarantee against the assets of the Borrower and the Company. The Loan will bear interest at 16% per annum, and be repayable the earlier of (a) 21 business days after the notice of assessment (in respect of R&D refunds) is issued by the Australian Taxation Office to the Borrower for the financial year ended June 30, 2023 (b) an event of default and (c) 30 November 2023. The Company and the Borrower intend to use the proceeds of the Loan to fund the Borrower's ongoing Phase IIb clinical trial, drug development and for general working capital.

ABOUT PSYENCE GROUP: www.psyence.com

Psyence is a life science biotechnology company listed on the Canadian Securities Exchange (CSE:PSYG) and quoted on the OTCQB (OTCQB: PSYGF), with a focus on natural psychedelics. Psyence works with natural psilocybin products for the healing of psychological trauma and its mental health consequences in the context of palliative care. Our name "Psyence" combines the words psychedelic and science to affirm our commitment to producing psychedelic medicines developed through evidence-based research.

Informed by nature and guided by science, we built and operate one of the world's first federally licensed commercial psilocybin mushroom cultivation and production facilities in Southern Africa. Our team brings international experience in both business and science and includes experts in mycology, neurology, palliative care, and drug development. We work to develop advanced natural psilocybin products for clinical research and development.

Our key divisions, Psyence Production, Psyence Therapeutics and Psyence Function, anchor an international collaboration, with operations in Canada, the United Kingdom, Southern Africa, and Australia, and a presence in the United States.

Contact information

Katherine Murphy, Investor Relations

Email: ir@psyence.com

Media Inquiries: media@psyence.com

General Information: info@psyence.com

FORWARD LOOKING STATEMENTS:

Certain statements in this news release related to Psyence Group Inc and its subsidiaries (collectively the "Company") are forward-looking statements and are prospective in nature. Forward looking statements are not based on historical facts, but rather on current expectations and projections about future events and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. These statements generally can be identified by the use of forward-looking words such as "may", "should", "could", "intend", "estimate", "plan", "anticipate", "expect", "believe" or "continue", or the negative thereof or similar variations. Forward-looking statements in this news release include statements pertaining to the advancement of the Phase IIb clinical trial referred to in the news release and the use of Aggregate Proceeds and the proceeds of the Loan. These forward-looking statements are based on a number of assumptions, including the assumptions that all regulatory and other approvals with respect to the Phase IIb clinical trial will be obtained and the Company will continue to be able to execute on its strategy. There are numerous risks and uncertainties that could cause actual results and the Company's plans and objectives to differ materially from those expressed in the forward-looking information. These risks and uncertainties include demand for the Company's securities being less than anticipated, fluctuations in the price the Company's common shares, and the Company not raising the amount expected, or any funds at all. Actual results and future events could differ materially from those anticipated in such information. These and all subsequent written and oral forward-looking information are based on estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. Except as required by law, the Company does not intend to update these forward-looking statements.

The Company makes no medical, treatment or health benefit claims about the Company's proposed products. The efficacy of psilocybin, psilocybin analogues, or other psychedelic compounds or nutraceutical products remains the subject of ongoing research. There is no assurance that the use of psilocybin, psilocybin analogues, or other psychedelic compounds or nutraceuticals can diagnose, treat, cure or prevent any disease or condition. Vigorous scientific research and clinical trials are needed. The Company has not conducted clinical trials for the use of its proposed products. Any references to quality, consistency, efficacy, and safety of potential products do not imply that the Company verified such in clinical trials or that the Company will complete such trials. If the Company cannot obtain the approvals or research necessary to commercialize its business, it may have a material adverse effect on the Company's performance and operations.