PsyBio Therapeutics Corp.
(formerly, Leo Acquisitions Corp.)

Management’s Discussion and Analysis of Financial Condition and Operating Performance

For the three and six months ended December 31, 2020

Date: March 1, 2021
PSYBIO THERAPEUTICS CORP.  
(formerly, Leo Acquisitions Corp.)

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“MD&A”) has been prepared by management of PsyBio Therapeutics Corp. (the “Company”) is supplementary to, and should be read in conjunction with, the unaudited interim condensed financial statements of the Company for the three and six months ended December 31, 2020 (the “Financial Statements”). The Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All monetary amounts are expressed in Canadian dollars unless otherwise specified. The Financial Statements may be viewed under the SEDAR profile of the Company at www.sedar.com.

This MD&A contains disclosure related to the Company occurring up to and including March 1, 2021, unless otherwise stated.

Forward-Looking Statements

Certain statements contained in this MD&A constitute “forward-looking information” and “forward-looking statements”. All statements other than statements of historical fact contained in this MD&A. Such statements can, in some cases, be identified by the use of forward-looking terminology such as “expect,” “likely”, “may,” “will,” “should,” “intend,” or “anticipate,” “potential,” “proposed,” “estimate” and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions “may” or “will” happen, or by discussions of strategy. The forward-looking statements included in this MD&A are made only as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by applicable securities laws.

Forward-looking statements in this MD&A are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes.

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

Business and industry risks

- novel coronavirus “COVID-19”
- limited operating history
- regulatory risks and uncertainties
- early stage of the industry
- early stage of product development
- limited products
- limited marketing and sales capabilities
- no assurance of commercial success
- no profits or significant revenues
- reliance on third parties for clinical development activities
- risks related to third party relationships
- reliance on contract manufacturers
• commercial scale product manufacturing
• safety and efficacy of products
• clinical testing and commercializing product candidates
• reliance on third-party clinical investigators and academic collaborators
• clinical trial publications
• later stage clinical trials failure
• completion of clinical trials
• lack of commercialization experience
• nature of regulatory approvals
• continued regulatory review and obligations
• achieving publicly announced milestones
• market access and acceptance
• reliance on third-party therapy sites
• reliance on third party suppliers and manufacturers
• changes in methods of manufacturing
• receiving regulatory designations may not be productive
• failure to enter into profitable relationships
• unfavourable publicity or consumer perception
• social media
• biotechnology and pharmaceutical market competition
• reliance on key executives and scientists
• employee misconduct
• business expansion and growth
• product side effects
• product liability
• enforcing contracts
• product recalls
• distribution and supply chain interruption
• difficulty to forecast
• promoting the brand
• success of quality control systems
• reliance on key inputs
• operating risk and insurance coverage
• costs of operating as public company
• management of growth
• foreign regulatory requirements
• conflicts of interest
• cybersecurity and privacy risk
• U.S. operations
• forward-looking statements may prove to be inaccurate
• failure to achieve research and development milestones

**Risks related to regulatory compliance**

• change in substance laws or breach in compliance of substance laws
• anti-corruption laws
• loss of foreign private issuer status
• U.S. federal and state forfeiture laws
• changes in global tax systems
• disagreement with tax authorities
• U.S. tax classification of the Company
enacted and future healthcare legislation
healthcare fraud laws, false claims, and health information privacy and security laws
compliance with data protection laws
deficiencies in regulatory agencies
availability of government healthcare reimbursements
environmental laws liability
difficulty enforcing contracts judicially
litigation

Risks related to intellectual property
- trade secrets
- trade names
- patent litigation and intellectual property
- invalid patents
- intellectual property litigation costs
- protection of intellectual property
- third-party licenses
- failure to comply with intellectual property or license agreements
- failure to extend term of patents
- intellectual property rights may fail to protect competitive advantage
- employee patent claim liability
- patent law reforms
- difficulties securing jurisdictional intellectual property rights

Financial and accounting risks
- negative cash flow from operating activities
- additional capital requirements
- lack of product revenue
- estimates or judgments relating to critical accounting policies
- exchange rate fluctuations

Risks related to Resulting Issuer Shares
- volatile market price for shares of the Company
- substantial number of authorized but unissued shares of the Company
- dilution
- restriction on the conversion of multiple voting shares of the Company
- market for shares of the Company
- significant sales of shares of the Company
- tax issues
- discretion over the use of proceeds
- no dividends

Although the forward-looking statements contained in this MD&A and in the Filing Statement are based upon what management currently believes to be reasonable assumptions, the Company cannot provide any assurance that actual results, performance or achievements will be consistent with these forward-looking statements. In particular, management of the Company have made assumptions regarding, among other things:
• substantial fluctuation of losses from quarter to quarter and year to year due to numerous external risk factors, and anticipation that the Company will continue to incur significant losses in the future;
• uncertainty as to the Company’s ability to raise additional funding to support operations;
• the Company’s ability to access additional funding;
• the fluctuation of foreign exchange rates;
• the duration of COVID-19 and the extent of its economic and social impact;
• the risks associated with the development of the Company’s product candidates which are at early stages of development;
• reliance upon industry publications as primary sources for third-party industry data and forecasts;
• reliance on third parties to plan, conduct and monitor preclinical studies and clinical trials;
• reliance on third party contract manufacturers to deliver quality clinical and preclinical materials;
• product candidates may fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or may not otherwise produce positive results;
• risks related to filing investigational new drug applications to commence clinical trials and to continue clinical trials if approved;
• the risks of delays and inability to complete clinical trials due to difficulties enrolling patients;
• competition from other biotechnology and pharmaceutical companies;
• the Company’s reliance on the capabilities and experience of the Company’s key executives and scientists and the resulting loss of any of these individuals;
• the Company’s ability to adequately protect intellectual property and trade secrets;
• the risk of patent-related or other litigation; and
• the risk of unforeseen changes to the laws or regulations in the United States and Canada and other jurisdictions in which the Company operates.

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

The above risks, uncertainties, assumptions and other factors could cause PsyBio’s actual results, performance, achievements and experience to differ materially from the Company’s expectations, future results, performances or achievements expressed or implied by the forward-looking statements.

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

Background

The Company was incorporated under the Business Corporations Act (Ontario) (the “OBCA”) on October 28, 2009. On February 2, 2011, the Company completed its initial public offering (“IPO”) of 3,444,230 common shares (“Common Shares”) at a price of $0.1667 per share for total gross proceeds of $574,050 and filed for listing as a Capital Pool Company (“CPC”), as defined in Policy 2.4 of the TSX Venture Exchange (the “TSXV”). Union Securities Ltd. acted as lead agent on the IPO. The Common Shares commenced trading on the TSXV on February 8, 2011 under the trading symbol “LEQ”.

The Company was unable to complete a Qualifying Transaction within the time limits prescribed by the TSXV. As a result, on May 16, 2013, the Common Shares were transferred to the NEX board of the TSXV and were listed under the symbol “LEQ.H”.

On October 18, 2016, the Company completed a share consolidation of its issued and outstanding Common Shares on the basis of one post-consolidation Common Share for 3.3 pre-consolidation Common Shares. The consolidation was previously approved by the shareholders of the Company at an annual and special meeting of the shareholders of the Company held on October 6, 2016.

On October 21, 2016, the Company completed a non-brokered private placement share offering raising gross proceeds of $36,000. The Company issued 436,355 Common Shares (post-consolidation) at a subscription price of $0.0825 per share.

On July 11, 2017, the Company completed a non-brokered private placement offering of 784,784 Common Shares at a subscription price of $0.0917 per share for gross proceeds of $71,940. The Company incurred legal fees of $11,300 in connection with this private placement.

Included in the issued and outstanding shares are 181,812 seed shares which were issued at a price of $0.275 per Common Share which are subject to a CPC Escrow Agreement pursuant to the policies of the TSXV. Under the terms of the CPC Escrow Agreement, 10% of the escrowed Common Shares were released from escrow upon receiving notice from the TSXV that the Company has completed a Qualifying Transaction (the “Initial Release”) and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months, and 36 months following the Initial Release.

On December 2, 2020, the Company entered into a definitive business combination agreement (the “Definitive Agreement”) among 1276949 B.C. Ltd., Eluss, Inc., PsyBio Therapeutics, Inc. (“PsyBio”) and PsyBio Therapeutics Financing Inc. (“Finco”), which outlined the terms and conditions pursuant to which the Company agreed to complete a Qualifying Transaction (as defined in TSXV Policy 2.4) (the “Transaction”). The Definitive Agreement was negotiated at arm’s length. The Transaction was completed on February 19, 2021.

Pursuant to the Definitive Agreement, the Company acquired all of the issued and outstanding shares of PsyBio by way of a “three-cornered” merger under the laws of the State of Delaware and acquired all of the issued and outstanding shares of Finco by way of a “three-cornered” amalgamation pursuant to the provisions of the Business Corporations Act (British Columbia) (“BCBCA”).

Immediately prior to closing of the Transaction, the Company: (i) continued from the OBCA to the BCBCA; (ii) reclassified its Common Shares as subordinate voting shares (the “Subordinate Voting Shares”) and to amended the terms of such shares, (iii) created a class of multiple voting shares (“Multiple Voting Shares”), (iv) changed its name to “PsyBio Therapeutics Corp.”, and (v) effected a
consolidation of the Subordinate Voting Shares on the basis of 1.6667 old Subordinate Voting Shares into one new Subordinate Voting Share (the “Consolidation”). The Subordinate Voting Shares commenced trading on the TSXV on February 25, 2021 under the symbol “PSYB”. See “Qualifying Transaction”.

Following completion of the Transaction, and as of the date of this MD&A, the Company carries on the business of PsyBio. PsyBio is a US-based biotechnology company developing a new class of drugs intended for the treatment of mental health challenges and other disorders. Please refer to the Company’s filing statement dated February 17, 2021 (the “Filing Statement”) for a full description of the business and risk factors. A copy of the Filing Statement may be viewed under the Company’s SEDAR profile at www.sedar.com.

Prior to December 31, 2020, the Company had not conducted active business operations and was focused on the identification and evaluation of businesses or assets to acquire. Except as described in the Company’s prospectus dated November 4, 2010 in connection with its IPO, funds raised pursuant to the issuance of shares were to be utilized only for the identification and evaluation of potential Qualifying Transactions and, to the extent permitted by TSXV Policy 2.4, for general and administrative expenses.

The Company’s financial statements have been prepared in accordance with IFRS applicable to a going concern, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of December 31, 2020, the Company has no source of operating revenues and its ability to operate as a going concern in the near-term was dependent on its ability to successfully raise additional financing and to commence profitable operations in the future. The Company’s financial statements do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue and therefore, be required to realize its assets and discharge its liabilities in a manner other than in the ordinary course of business. The completion of the Transaction on February 19, 2021 resulted in adequate liquidity for the Company to discharge its liabilities in the normal course of operations for the next 12 months.

As of December 31, 2020, the Company had two employees, Gerry Goldberg, President and Warren Goldberg, Chief Financial Officer and Secretary. Neither officer was compensated by the Company.

SELECTED INTERIM INFORMATION

Summarized selected financial information with respect to the Company for the unaudited three and six-month periods ended December 31, 2020 and 2019 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended December 31, 2020</th>
<th>Three months ended December 31, 2019</th>
<th>Six months ended December 31, 2020</th>
<th>Six months ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenses</td>
<td>$ (105,748)</td>
<td>$ (13,788)</td>
<td>$ (110,228)</td>
<td>$ (18,268)</td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (105,748)</td>
<td>$ (13,788)</td>
<td>$ (110,228)</td>
<td>$ (18,268)</td>
</tr>
<tr>
<td>Loss per share</td>
<td>$ (0.045)</td>
<td>$ (0.006)</td>
<td>$ (0.047)</td>
<td>$ (0.008)</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 182,133</td>
<td>$ 224,028</td>
<td>$ 182,133</td>
<td>$ 224,028</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$ 118,036</td>
<td>$ 45,963</td>
<td>$ 118,036</td>
<td>$ 45,963</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>$ 182,133</td>
<td>$ 178,065</td>
<td>$ 182,133</td>
<td>$ 178,065</td>
</tr>
</tbody>
</table>
RESULTS OF OPERATIONS

Unaudited Three-months ended December 31, 2020 compared to 2019

The Company recorded a net loss of $105,748 during the three-months ended December 31, 2020, as compared to net loss of $13,788 during the comparative three-month period in the prior year. The primary reason for the increase is owing to expenses incurred for $97,203 to identify qualifying transaction during the current period as compared to $nil in the comparative prior period. Legal fees account for more than 95% of these costs.

Legal (professional) fees of $7,133 expensed during the current three-month period related to general corporate and securities matters as compared to legal fees of $11,367 expensed for the prior period ended December 31, 2019.

During the three-month period ended December 31, 2020, the Company incurred filing fees of $1,412 representing TSX Venture Exchange fees in respect of the Company’s quarterly continuous disclosure obligations. During the prior three-month period ended December 31, 2019, the Company also incurred filing fees of $1,412 representing TSX Venture Exchange listing fees in respect of the Company’s quarterly continuous disclosure obligations.

General and administrative fees totalled $1,009 during the three-month period ended December 31, 2019 and consisted of printing and mailing costs associated with disseminating press releases and other shareholder information relating to the Company’s annual general meeting. No such expenses were incurred during the three-month period ended December 31, 2020.

Loss per share during the three-month period ended December 31, 2020 was $(0.045) compared to a loss per share of $(0.006) during the comparative three-month period ended December 31, 2019.

Unaudited Six-months ended December 31, 2020 compared to 2019

The Company recorded a net loss of $110,228 during the six-month period ended December 31, 2020 compared to a net loss of $18,268 during the comparative six-month period in the prior year. The primary reason for the increase is owing to expenses incurred for $97,203 to identify qualifying transaction during the current period as compared to $nil in the comparative prior period. Legal fees account for more than 95% of these costs.

Legal (professional) fees of $7,133 expensed during the current six-month period related to general corporate and securities matters as compared to legal fees of $11,367 expensed for the prior period ended December 31, 2019.

During the six-month period ended December 31, 2020, the Company incurred filing fees of $5,892 representing TSX Venture Exchange fees in respect of the Company’s quarterly continuous disclosure obligations. During the prior six-month period ended December 31, 2019, the Company also incurred filing fees of $5,892 representing TSX Venture Exchange listing fees in respect of the Company’s quarterly continuous disclosure obligations.

General and administrative fees totalled $1,009 during the six-month period ended December 31, 2019 and consisted of printing and mailing costs associated with disseminating press releases and other shareholder information relating to the Company’s annual general meeting. No such expenses were incurred during the six-month period ended December 31, 2020.
Loss per share during the six-month period December 31, 2020 was $(0.047)$ compared to a loss per share of $(0.008)$ during the comparative six-month period ended December 31, 2019.

Non-Revenue Generating Projects

The Company currently has two significant projects, which have not yet generated revenue:

a. Novel Drug Discovery in Psychoactive Compounds

PsyBio is a biotechnology company developing novel formulations of psychoactive medications using genetically modified bacteria for the treatment of mental health and other disorders. The team has experience in drug discovery based on synthetic biology and clinical and regulatory experience moving drugs through human studies and regulatory protocols. Research and development are currently ongoing for natural occurring tryptamines in different varieties of magic mushrooms, dimethyltryptamine and its derivatives, and mescaline and combinations thereof. The Company is also researching and developing new molecule structures that do not occur in nature which may have unique therapeutics properties.

Building superior products to mono therapy psilocybin by combining psilocybin with its intermediates that are produced naturally in a magic mushroom are critical for the commencement of clinical testing. Using its expertise in metabolic engineering, formulation development and strain optimization, the Company is creating recombinant host cells to produce the target enzymes at its laboratories at Miami University Oxford, Ohio. The Company has successfully produced multiple target tryptamines and run animal model testing for ratio optimization. Genetic optimization will remain an ongoing process. The Company expects to have multiple psychoactive formulations with different properties and characteristics.

Pharmaceutical grade psilocybin is being produced for clinical trials and research using a chemical synthesis process. This method uses starting materials such as toxic catalysts, solvents and reagents, creates multiple unstable reaction intermediates and undergoes numerous purification steps. This long reaction scheme takes 5 to 15 days. The published literature on this process also states that the active pharmaceutical ingredient costs approximately $2,000 per gram and attempting to purchase research grade psilocybin garners prices between $7,000 and $20,000 per gram. PsyBio has developed a biosynthetic process using readily available materials, which undergoes a 2 to 4 day, 1 pot autocatalytic process allowing the manufacturer to set and forget. The result is a product with high stability at room temperature and the pre-purified material costs approximately $10 per gram to produce.

The Company is conducting all of its research in drug discovery in the Jones laboratory at Miami University under the Sponsored Research Agreement. The Company has spent $1,362,600 pursuant to the terms of the Sponsored Research Agreement, with funds being directed to Miami University and Dr. Andrew Jones.

b. Drug Development for Psilocybin and its Intermediates

The Company has initiated process development and scaled manufacturing of two tryptamines, psilocybin and norbaeocystin, and will be adding additional targets. The Company has contracted with various manufacturers to produce norbaeocystin and to produce psilocybin. The objectives are to produce non-GMP small scaled purified products. The Company will initiate process development and additional tryptamines upon completion of this phase. The Company is concurrently working on non-GLP
pharmacodynamics and pharmacokinetics to characterize the absorption, distribution, metabolism and excretion properties and characteristics. The Company also plans mutagenicity and animal toxicology studies and will conduct clinical batch manufacturing.

There are currently multiple global studies of psilocybin ongoing for different therapeutic benefits. The Company is planning to file an IND application for cancer-related depression by Q1 2022, and is currently building its IND Application and Chemistry, Manufacturing and Controls section. The studies are anticipated to be very similar to currently conducted protocols and the Company is in the process of studying all the published research to optimize its therapeutics outcome.

The Company has not spent any money to date on these endeavors.

UPDATE ON USE OF PROCEEDS DISCLOSURE

As at the date of this MD&A, there were no changes to the Company's milestones and use of proceeds disclosed in the Filing Statement.

SUMMARY OF QUARTERLY RESULTS

As at December 31, 2020, the Company’s fiscal year end was June 30. Fiscal 2020 and 2019 are comprised of the periods ending June 30, 2020 and 2019, respectively.

The following table presents selected financial data of the Company for its last eight quarters as reported in the particular period:

<table>
<thead>
<tr>
<th>Quarter Fiscal Year</th>
<th>Q2 2021</th>
<th>Q1 2021</th>
<th>Q4 2020</th>
<th>Q3 2020</th>
<th>Q2 2020</th>
<th>Q1 2020</th>
<th>Q4 2019</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss)</td>
<td>(105,748)</td>
<td>(4,480)</td>
<td>(2,328)</td>
<td>(1,412)</td>
<td>(13,788)</td>
<td>(4,480)</td>
<td>(14,680)</td>
<td>(6,689)</td>
</tr>
<tr>
<td>Earnings (loss) per share</td>
<td>(0.045)</td>
<td>(0.002)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.006)</td>
<td>(0.002)</td>
<td>(0.006)</td>
<td>(0.003)</td>
</tr>
</tbody>
</table>

LIQUIDITY

At December 31, 2020, the Company had $180,721 in cash. On June 30, 2019, the Company had cash balances of $252,918.

Total liabilities were $118,036 as at December 31, 2020, an increase of $72,313 from total liabilities of $45,723 as at June 30, 2020. The increase is attributable to the accrued expense to identify qualifying transactions fees incurred during current three months ended December 31, 2020.

Shareholders’ equity decreased from $174,325 on June 30, 2020 to $64,097 on December 31, 2020. The decrease is attributable to the loss of $110,228 incurred during the six-month period ended December 31, 2020.

At December 31, 2019, the Company had $224,028 in cash. On June 30, 2019, the Company had cash balances of $252,918.

Total liabilities were $45,963 as at December 31, 2019, a decrease of $10,622 from total liabilities of $56,585 as at June 30, 2019. The decrease is attributable to the payment of accrued accounting and audit fees incurred during fiscal 2019.
Shareholders’ equity decreased from $196,333 on June 30, 2019 to $178,065 on December 31, 2019. The decrease is attributable to the loss of $18,268 incurred during the six-month period ended December 31, 2019.

**CAPITAL RESOURCES**

The Company financed its operations during the six-month period ended December 31, 2020 from the remaining net cash proceeds received from the Company’s IPO and from the proceeds raised from the non-brokered private share offering completed on October 21, 2016 and on July 11, 2017.

Cash raised by the Company from the Offering is to be used by the Company to fund its activities relating to the identification and evaluation of a potential Qualifying Transaction and, to the extent permitted by Policy 2.4, for general and administrative expenses. Until such time as the Company identifies a Qualifying Transaction, it is contemplated that the working capital requirements of the Company will relate generally to expenses associated with the Company’s continuous disclosure obligations under applicable securities legislation, annual audit fees, legal fees for general corporate matters and costs incurred in identifying, evaluating and executing a potential qualifying transaction. The only material ongoing contractual obligations of the Company relate to the payment of transfer agency fees and legal and audit fees.

Subsequent to the quarter, on February 19, 2021, the Company closed a qualifying transaction, and these capital restrictions are no longer applicable.

**SHARE CAPITAL**

As at December 31, 2020, the Company had 4,229,363 Common Shares issued and outstanding (pre-Consolidation). In addition, 422,935 Common Shares were reserved for issuance under stock options granted to certain directors, officers and consultants (pre-Consolidation).

As at the date of this MD&A, the Company has 55,689,984 Subordinate Voting Shares issued and outstanding and 57,258,776 Multiple Voting Shares issued and outstanding. In addition: (i) 8,288,256 Subordinate Voting Shares were reserved for issuance under stock options granted to certain directors, officers and consultants; (ii) 1,506,368 Subordinate Voting Shares were reserved for issuance under the Compensation Warrants issued to the Agents; and (iii) 1,069,000 Subordinate Voting Shares were reserved for issuance under the Advisor Warrants issued to the Agents.

**RELATED-PARTY TRANSACTIONS**

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The Company had no related party transactions during the three and six-month period ended December 31, 2020. On February 19, 2021, the Company granted an aggregate of 8,166,141 options to purchase Subordinate Voting Shares to certain officers, directors and advisors.

**SEGMENTED INFORMATION**

The Company operates in one reportable segment, being psilocybin research and development focused activities. Geographically, all of the Company’s assets and operations are conducted in the United States.
COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact they will have on the Company's financial position.

OFF-BALANCE-SHEET ARRANGEMENTS


INVESTOR RELATIONS

During the three-month period ended December 31, 2020, the Company’s directors handled the Company’s investor relations activities.

NEW ACCOUNTING STANDARD ADOPTED

IFRS 16, Leases ("IFRS 16") was issued in January 2016 to improve the accounting for leases, generally by eliminating a lessee’ classification of leases and introducing a single lessee accounting model. The most significant effect of the new standard will be the lessee’s recognition of the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position. Leases with durations of 12 months or less and leases for low value assets are both exempted. The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. However, the new standard will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases. The presentation on the statement of loss and other comprehensive loss required by the new standard will result in most lease expenses being presented as amortization of lease assets and financing costs arising from lease liabilities rather than as being a part of goods and services purchased. The standard is effective for annual periods beginning on or after January 1, 2019 and will supersede IAS 17 Leases. The application of this new IFRS standard has had no impact on the Company's interim condensed financial statements as it had no leases in place.

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRS. These amendments are effective for annual periods beginning on or after January 1, 2019.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 Income Taxes – The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the
paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

IAS 23 Borrowing Costs – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The application of these amended IFRS standards has had no impact on the Company's interim condensed financial statements.

Recent Accounting Pronouncements

New IFRS accounting standards, interpretations, and amendments to existing standards that were not yet effective as at June 30, 2020, are described in note 2 to the annual financial statements. The Company is currently assessing what impact the application of those standards or amendments will have on its financial statements. The Company intends to adopt the standards, when they become effective. There have been no other changes to existing IFRS accounting standards and interpretations since June 30, 2020 that are expected to have a material effect on the Company’s interim condensed financial statements.

SUBSEQUENT EVENTS

On December 2, 2020, the Company entered into the Definitive Agreement outlining the terms and conditions pursuant to which the Company and PsyBio agreed to complete the Transaction, which would constitute the Company’s Qualifying Transaction pursuant to TSXV Policy 2.4. The Definitive Agreement was negotiated at arm’s length.

On December 4, 2020, in connection with the Transaction, PsyBio and Finco completed a financing (the “Financing”) of subscription receipts of Finco (the “Subscription Receipts”) for aggregate gross proceeds of $14,493,394 through the issuance of 41,409,698 Subscription Receipts at a price of $0.35 per Subscription Receipt (the “Issue Price”). The Financing was led by Eight Capital, as lead agent, and Canaccord Genuity Corp. (together, the “Agents”).

In connection with the Financing, the Agents received a cash commission of $527,229 and 1,506,368 compensation warrants (the “Compensation Warrants”). The Agents also received finance fees of $374,000 and 1,069,000 advisor warrants (the “Advisor Warrants”). On closing of the Financing, the Agents received payment of 50% of the agents’ commission, 50% of the finance fee and were issued all of the Compensation Warrants and Advisor Warrants. The remaining 50% of the agents’ commission and 50% of the finance fee were paid to the Agents immediately prior to the closing of the Transaction, upon conversion of the Subscription Receipts in accordance with their terms.

Immediately prior to closing the Transaction, each Subscription Receipt was automatically exchanged for one common share of Finco pursuant to the terms and conditions of the Subscription Receipts and the subscription receipt agreement governing the Subscription Receipts, including that all conditions precedent to the Transaction were satisfied or waived.

Each Compensation Warrant and each Advisor Warrant was exercisable to acquire one Finco Share at the Issue Price for a period of 24 months from closing of the Transaction. Following closing of the Transaction, the Compensation Warrants and Advisor Warrants became exercisable to acquire Subordinate Voting Shares of the Company in accordance with the same terms.

On February 19, 2021, the Company completed the Transaction, which constituted its Qualifying Transaction under TSXV Policy 2.4. Immediately prior to closing of the Transaction, the Company
continued from the OBCA to the BCBCA and amended its articles to: (i) reclassify its Common Shares as Subordinate Voting Shares and to amend the terms of such shares, (ii) create a class of Multiple Voting Shares, (iii) change its name to “PsyBio Therapeutics Corp.”, and (iv) effect the Consolidation.

The Company’s shareholders held an annual and special meeting on January 13, 2021, to approve matters related to the Transaction, including the continuance, article amendments and Consolidation. All matters put forth to shareholders at such meeting were passed with the requisite shareholder approval.

At closing of the Transaction, pursuant to the Definitive Agreement, the Company acquired all of the issued and outstanding shares of PsyBio by way of a “three-cornered” merger under the laws of the State of Delaware (the “Merger”) and acquired all of the issued and outstanding shares of Finco by way of a “three-cornered” amalgamation pursuant to the provisions of the BCBCA (the “Amalgamation”). Pursuant to the Merger, 67,143,612 shares of PsyBio were exchanged for 67,143,612 Multiple Voting Shares of the Company at an exchange ratio of 1000:1 (on the basis of one PsyBio share for every one Subordinate Voting Share of the Company underlying the Multiple Voting Shares). Pursuant to the Amalgamation, 41,409,698 shares of Finco were exchanged for Subordinate Voting Shares on a one-for-one basis. All outstanding convertible securities of Finco and PsyBio were exchanged for economically equivalent securities of the Company based on the same exchange ratios.

Upon completion of the Transaction, with the exception of one Leo board member, all directors and officers of Leo resigned and were replaced by nominees of PsyBio.

On February 17, 2021, certain directors and officers of Leo exercised 109,783 (182,975 pre-consolidation) outstanding stock options of Leo for gross proceeds of $60,382 and 109,783 Subordinate Voting Shares were issued on March 1, 2021.

On February 19, 2021, the Company granted an aggregate of 8,166,141 options to purchase Subordinate Voting Shares to certain officers, directors and advisors at an exercise price of $0.35 for a period of five years.

On February 25, 2021, the Company announced that it had received all final approvals for the Transaction, including that of the TSXV. The Company's Subordinate Voting Shares now trade on the TSXV under the ticker symbol "PSYB".

For further details regarding the Transaction, please refer to the Filing Statement which is available on the Company’s profile on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The Company’s financial statements 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 International Financial Reporting Interpretations Committee (“IFRIC”). The critical accounting policies followed by the Company are as follows:

Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and form assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under difference assumptions and conditions.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the recoverability of sales taxes recoverable, the valuation of share-based compensation and recognition of deferred income tax amounts, and the estimated amount of accrued liabilities. Actual results may differ from those estimates.

**FINANCIAL INSTRUMENTS AND RISK FACTORS**

Risk management is carried out by the officers of the Company as discussed with the Board of Directors. The officers of the Company are charged with the responsibility of establishing controls and procedures to ensure that financial risks are appropriately mitigated.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures.

As at December 31, 2020, the Company has liabilities of $118,036 (June 30, 2020 - $45,723) due within twelve months and has cash of $180,721 (June 30, 2020 - $220,048) to meet its current obligations. Subsequent to the quarter, on February 19, 2021, the Company completed a qualifying transaction. After the Qualifying Transaction, the Company has adequate cash to continue for the next 12 months.

**Credit Risk**

The Company’s exposure to credit risk arises from the possibility that its debtors may fail to meet their obligations. Cash is held in trust by the Company’s lawyers. The Company manages the credit exposure related to cash by making sure that the lawyers maintain bank accounts with recognized Schedule I banks in Canada. The carrying amount of cash represents the maximum credit exposure.

**MANAGEMENT OF CAPITAL**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company includes equity, comprised of issued share capital, share option reserves and accumulated deficit, in the definition of capital.

To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional capital through the issuance of equity.

The Company is not subject to any externally imposed capital requirements other than the cash restriction. There has been no change with respect to the overall capital risk management strategy during the period ended December 31, 2020. Subsequent to the quarter, on February 19, 2021, the Company completed a reverse takeover qualifying transaction. The Qualifying Transaction provided adequate liquidity to the Company for the next 12 months.
OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com.