

**LUCY SCIENTIFIC DISCOVERY INC.**  
**RELATED PARTY TRANSACTION POLICY**

*Effective 02/09/2022*

**I. Introduction**

The Board of Directors (the “Board”) of Lucy Scientific Discovery Inc. (the “Company”) has created and adopted this Related Party Transaction Policy (this “Policy”) to assist the Board in reviewing, approving and ratifying Related Party Transactions (as defined below) and assist the Company in preparing the disclosure to be included in the Company’s applicable filings as required by the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and their respective related rules.

This Policy is intended to supplement, and not to supersede, the Company’s other policies that may be applicable to or involve Transactions (as defined below) with Related Parties (as defined below), such as the Company’s policies for determining director independence and Code of Business Conduct and Ethics.

**II. Transactions Covered By This Policy**

Transactions covered by this Policy include any Transaction (as defined below) which is or may be a Related Party Transaction, as defined herein. For purposes of this Policy, the following definitions apply:

“Immediate Family Member” means a child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, or any person sharing the household (other than a tenant or employee).

“Related Party” means any (a) person who is or was (since the beginning of the last fiscal year for which the Company has filed a Form 10-K and proxy statement, even if they do not presently serve in that role) an executive officer, director or nominee for election as a director of the Company, (b) greater than 5% beneficial owner of the Company’s outstanding common stock, or (c) Immediate Family Member of any of the foregoing.

“Related Party Transaction” means any Transaction (as defined below) involving the Company in which a Related Party has or will have a direct or indirect material interest, as determined by the Audit Committee.

“Transaction” means any financial transaction, arrangement or relationship or any series of similar transactions, arrangements or relationships. The term also includes indebtedness and guarantees of indebtedness and transactions involving employment and similar relationships.

**III. Person Responsible For Applying This Policy**

Any Related Party Transaction must be reviewed and approved or ratified by the Audit Committee (the “Committee”).

#### **IV. Reporting and Review**

Each director, director nominee and executive officer shall promptly notify the Chief Financial Officer, or such other officer as may be designated by the Committee from time to time, of any plan or proposal to engage in a Transaction involving the Company and a Related Party. The notice shall include a complete description of the Transaction including:

- the name of the Related Party and the basis on which the person is a Related Party;
- the Related Party's interest in the Transaction with the Company, including the Related Party's position(s) or relationship(s) with, or ownership in, a firm, corporation, or other entity that is a party to, or has an interest in, the Transaction;
- the approximate dollar value of the amount involved in the Transaction including, in the case of indebtedness, the rate or amount of interest payable on such indebtedness;
- the approximate dollar value of the amount of the Related Party's interest in the Transaction, which shall be computed without regard to the amount of profit or loss; and
- any other information regarding the Transaction or the Related Party in the context of the Transaction that could be material to investors in light of the circumstances of the particular Transaction.

The Chief Financial Officer will present any new Related Party Transactions, and proposed Transactions involving Related Parties, to the Committee for consideration at its next occurring regular meeting. The Committee shall review Transactions to determine whether the Related Party involved has a direct or indirect material interest in the Transaction. If the Committee determines that a Transaction is a Related Party Transaction, it shall proceed with its review as described below. The Committee may conclude, upon review of all relevant information, that the Transaction does not constitute a Related Party Transaction, and thus that no further review is required under this Policy. On an annual basis, the Committee shall review previously approved Related Party Transactions, under the standard described below, to determine whether such Transactions should continue.

In the event the Chief Financial Officer determines it is impractical or undesirable to wait until a Committee meeting, the chairperson of the Committee (the "Chairperson") may review and approve a Related Party Transaction in accordance with the procedures set forth in this Policy. Any such approval, including the rationale for such approval, must be reported to the Committee at its next occurring meeting.

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, such Related Party Transaction shall be reviewed at the Committee's next occurring meeting in accordance with the procedures set forth in this Policy. If the Committee determines not to approve a Related Party Transaction that has been commenced without proper approval, the Committee may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for approval under this Policy.

In reviewing the Transaction or proposed Transaction, the Committee shall consider all relevant facts and circumstances, including without limitation, the commercial reasonableness of the terms, the benefit and perceived benefit, or lack thereof, to the Company, opportunity costs of alternate transactions, whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances, the materiality and character of the Related Party's direct or indirect interest, and the actual or apparent conflict of interest of the Related Party. The Committee will not approve or ratify a Related Party Transaction unless it shall have determined that, upon consideration of all relevant information, the Transaction is in, or not inconsistent with, the best interests of the Company and its stockholders. No director shall participate in any discussion or approval of a Transaction for which he or she is a Related Party, except that the director shall provide all material information concerning the Transaction to the Committee.

If after the review described above, the Committee determines not to approve or ratify a Related Party Transaction (whether such Transaction is being reviewed for the first time or has previously been approved and is being re-reviewed), the Transaction will not be entered into or continued, as the Committee shall direct.

#### **V. Exceptions**

Notwithstanding the foregoing, the following types of Transactions are deemed not to create or involve a material interest on the part of the Related Party, nor will they require approval or ratification, under this Policy:

- Transactions involving the purchase or sale of products or services in the ordinary course of business, not exceeding \$120,000 or, if the Company is a "smaller reporting company" as defined under the Securities Act, if less, one percent of the average of the Company's total assets as of December 31<sup>st</sup> for the last two completed fiscal years.
- Transactions in which the Related Party's interest derives solely from his or her service as a director of another corporation or organization that is a party to the Transaction.
- Transactions in which the Related Party's interest derives solely from his or her ownership of less than 10% of the equity interest in another person (other than a general partnership interest) which is a party to the Transaction.
- Transactions in which the Related Party's interest derives solely from his or her ownership of a class of equity securities of the Company and all holders of that class of equity securities received the same benefit on a pro rata basis (e.g., dividends).
- Transactions in which the Related Party's interest derives solely from his or her service as a director, trustee or officer (or similar position) of a not-for-profit organization or charity that receives donations from the Company, which donations are made pursuant to the Company's matching program, as a result of contributions by employees, that is available on the same terms to all employees of the Company.

- Compensation arrangements of any executive officer, other than an individual who is an Immediate Family Member of a Related Party, if such arrangements have been approved or recommended to the Board for approval by the Compensation Committee.
- Director compensation arrangements, if such arrangements have been approved by the Board or the Compensation Committee of the Board.
- Transactions with a Related Party in which the rates or charges involved in the Transaction are determined by competitive bids, or the Transaction involves the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.
- Indemnity payments made to directors and executive officers in accordance with the Company's then existing certificate of incorporation, bylaws and applicable laws.
- Transactions with a Related Party involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services.

**VI. Annual Review**

The Committee shall annually review this Policy and make changes as appropriate.

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