

LUCY SCIENTIFIC DISCOVERY INC
CORPORATE GOVERNANCE GUIDELINES

Effective 02/09/2022

The Board of Directors (the “Board”) of Lucy Scientific Discovery Inc. (the “Company”) has adopted the following Corporate Governance Guidelines (the “Guidelines”), to promote the effective functioning of the Board and its committees, to promote the interests of stockholders and to ensure a common set of expectations as to how the Board, its various committees, individual directors and management should perform their functions. These Guidelines should be applied in a manner consistent with all applicable laws and stock exchange rules and the Company’s charter and bylaws, each as amended and in effect from time to time. These Guidelines are intended to serve as a flexible framework within which the Board may conduct its business, not as a set of binding legal obligations. The Board may from time to time, pursuant to the recommendations of the Nominating and Corporate Governance Committee (the “Nominating Committee”), modify these Guidelines.

I. Director Responsibilities

The Board acts as the ultimate decision-making body of the Company and advises and oversees management, who are responsible for the day-to-day operations and management of the Company. In fulfilling this role, each director must act in what he or she reasonably believes to be in the best interests of the Company and must exercise his or her business judgment.

Participation at and Preparation for Board Meetings

The Company expects directors to be active and engaged in discharging their duties and to keep themselves informed about the business and operations of the Company. The Board’s policy is to hold at least four regularly scheduled meetings of the Board each year. At least one regularly scheduled meeting of the Board shall be held each quarter, plus special meetings as required by the needs of the Company. Directors are expected to attend all Board meetings and the meetings of the committees on which they serve and to prepare themselves for these meetings. Directors are also encouraged to attend the Company’s annual meeting of stockholders.

Any written materials that assist directors in preparing for a Board or committee meeting shall be distributed to the directors in advance of the meeting, to the extent possible, and directors are expected to review such materials prior to the meeting.

II. Size and Composition of the Board and Board Membership Criteria; Director Qualifications

The Nominating Committee shall recommend to the Board criteria for Board membership, which shall include the criteria set forth in these Guidelines, and shall recommend individuals for membership on the Board. In making its recommendations, the Nominating Committee shall:

- review and conduct appropriate or necessary inquiries into candidates' qualifications for membership on the Board (including making recommendations to the Board as to the independence of the candidate) based on, among other things, integrity, experience in life sciences and biotechnology fields, financial and other expertise, knowledge about the Company's business or industry, willingness and ability to devote adequate time and effort to Board responsibilities and any other criteria approved by the Board, as well as the enhanced independence, financial literacy and financial expertise standards that may be required under law or the listing requirements of the Nasdaq Stock Market LLC ("Nasdaq") for Audit Committee and Compensation Committee membership purposes;
- evaluate current directors for re-nomination to the Board; and
- periodically review the composition of the Board in light of the current challenges and needs of the Board and the Company, and determine whether it may be appropriate to add or remove individuals after considering issues of judgment, diversity, age, skills, background and experience.

The Nominating Committee considers not only an individual's qualities, performance and professional responsibilities, but also the then composition of the Board and the challenges and needs of the Board at that time. The Nominating Committee also considers the impact of any change in the principal occupation of existing directors. The Nominating Committee reports to the full Board its conclusions and recommendations for nominations to the Board.

Fiduciary Duties

The members of the Board are elected by the stockholders of the Company to oversee, and provide strategic guidance to, senior management of the Company. As a director, each Board member stands in a fiduciary relationship to the Company and its stockholders. As such, each director is required to perform his or her duties in good faith, in a manner he or she reasonably believes to be in the best interests of the Company and its stockholders and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances.

Board Size

The Board, upon recommendation of the Nominating Committee, reserves the right to increase or decrease the size of the Board, subject to any relevant provisions in the Company's bylaws, depending on an assessment of the Board's needs and other relevant circumstances at any given time.

Independence

A majority of the Board shall be comprised of directors meeting the independence requirements of the Nasdaq listing requirements at a minimum. The Board shall make an affirmative determination at least annually as to the independence of each director.

Term Limits

It is the policy of the Board to avoid term limits, which have the disadvantage of discontinuing the availability and contributions of directors who have developed experience with, and insight into, the Company and its needs over a period of time.

Retirement Age

It is the policy of the Board to avoid a mandatory retirement age for directors, which would have the disadvantage of discontinuing the availability and contributions of directors who are otherwise capable and valuable members of the Board.

Simultaneous Service on Other Public Company Boards

Carrying out the duties and fulfilling the responsibilities of a director requires a significant commitment of an individual's time and attention. The Board does not believe, however, that explicit limits on the number of other boards of directors on which the directors may serve, or on other activities the directors may pursue, are appropriate. The Board, however, recognizes that excessive time commitments can interfere with an individual's ability to perform his or her duties effectively. In connection with its assessment of director candidates for nomination, the Nominating Committee and the Board will assess whether the performance of any director has been or is likely to be adversely impacted by excessive time commitments, including service on other boards of directors. Directors must notify the Chairperson of the Board in connection with accepting a seat on the board of directors of another business entity so that the potential for conflicts or other factors compromising the director's ability to perform his or her duties may be fully assessed. Each director is expected to ensure that other existing and planned future commitments do not materially interfere with the director's service on the Board. Service on other boards and/or committees should be consistent with the Company's Code of Business Conduct and Ethics.

Changes in Primary Employment

If a director significantly changes his or her primary employment during his or her tenure, that director must notify the Nominating Committee. The Nominating Committee shall evaluate the continued appropriateness of Board membership under the new circumstances and make a recommendation to the Board as to any action to be taken. If, as a result of a director's change in primary employment, it is determined by the Board, upon the recommendation of the Nominating Committee, that (i) a conflict of interest exists that would materially impact a director's ability to fulfill his or her duties as director and the conflict cannot be adequately addressed in another manner or (ii) such change in primary employment could cause potential embarrassment to the Company or could result in a possible inconsistency with the Company's policies or values, this will be communicated to such director who will, if requested, resign from the Board.

Conflicts of Interest

If an actual or potential conflict of interest develops because of a change in the business of the Company, or in a director's circumstances (for example, significant and ongoing

competition between the Company and a business with which the director is affiliated), the director should report the matter immediately to the Chairperson of the Nominating Committee for evaluation and appropriate resolution.

If a director has a personal interest in a matter before the Board, the director shall disclose the interest to the full Board, shall recuse himself or herself from participation in the discussion and shall not vote on the matter.

III. Annual Board Agenda

The Chairperson and Chief Executive Officer (“CEO”) establish on an annual basis an agenda of topics for consideration and review by the Board to be addressed during the following year. This annual schedule of topics is then provided to the full Board for review and comment and is adjusted, as appropriate, during the year. The Chairperson and CEO shall determine the frequency and length of Board meetings.

IV. Separation of Offices of Chairperson of the Board and CEO

The Board does not require the separation of the offices of the Chairperson of the Board and the CEO. The Board believes it is important to retain its flexibility to allocate the responsibilities of the offices of the Chairperson and CEO in any way that is in the best interests of the Company at a given point in time. In the event that the Chairperson is not independent, the Board may, but is not required to, appoint a lead independent director, who shall be selected by a majority of the independent directors and who shall preside over executive sessions of the Board.

V. Meetings of Non-Management Directors

The Company’s non-management directors shall regularly schedule executive sessions in which management does not participate. If this group includes directors who are not considered independent, the independent directors must also meet in executive session at least once a year. The Company’s independent auditors, finance staff, other employees and outside legal counsel may be invited to attend these meetings.

If the roles of Chief Executive Officer and Chairperson are combined, an independent director shall be appointed to preside at each such executive session. The Company’s annual proxy statement will identify any designated independent director and the method for interested parties to communicate directly with the Company’s designated independent director or, in the absence of a designated independent director, the non-management directors as a group.

VI. Board Committees

The Board shall have at all times an Audit Committee, a Compensation Committee and a Nominating Committee. The Board may, from time to time, form new committees, re-allocate responsibilities of one committee to another committee or disband a current committee. In addition, the Board may form ad hoc committees from time to time, and determine the composition and areas of competence of such committees. Subject to any changes that the Board may make from time to time:

- the Audit Committee shall generally be responsible for overseeing the integrity of the Company's financial statements, its independent auditor, its internal audit function and compliance by the Company with legal and regulatory requirements;
- the Compensation Committee shall generally be responsible for overseeing the Company's executive compensation and benefits policies, evaluating executive officer performance and compensation and overseeing director compensation; and
- the Nominating Committee shall generally be responsible for identifying qualified Board candidates, recommending director nominees and appointments to Board committees, evaluating Board performance, overseeing these Guidelines and reviewing the Company's executive officer succession planning process.

Each of the Audit Committee, Compensation Committee and Nominating Committee shall operate pursuant to its own written charter. These charters shall, among other things, set forth the purpose, goals and responsibilities of the particular committee, the procedures for committee member appointment and removal and committee structure and operations, as well as reporting to the Board. The charters shall also provide for an annual evaluation of each committee's performance.

Only independent directors meeting the independence requirements of the Nasdaq and, for Audit Committee members, Rule 10A-3 of the Securities Exchange Act of 1934 and any related rules promulgated by the Securities and Exchange Commission, may serve on these three committees. Committee members shall be appointed by the Board based upon the recommendation of the Nominating Committee, except for the Nominating Committee, which is directly appointed by the Board. The Board may, from time to time, establish or maintain additional committees as it deems appropriate and in the best interests of the Company.

While the rotation of committee members at certain set intervals should be considered periodically, rotation is not required because the Board believes there are significant benefits attributable to continuity and experience gained in service on a particular committee over time.

VII. Board Member Access to Management and Independent Advisors

Board members shall have access to the management and employees of the Company and to its internal and outside counsel and auditors. Board members are encouraged to speak directly to any member of management or other employee regarding any questions or concerns the board members may have. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer.

Executive officers are expected to be present at Board meetings at the invitation of the Board. The Board encourages executive officers to make presentations and to invite to Board meetings managers and other employees who can provide additional insight into the items being discussed. The Board also encourages executive officers to include in Board meetings individuals that the executive officers believe may become prospective leaders of the Company.

The Board and each of its committees in accordance with its charter is authorized to hire independent legal, financial or other advisors as they may consider necessary, without conferring with or obtaining the approval of management or, in the case of committees, the full Board. The Company shall provide appropriate funding, as determined by each committee, for the payment of reasonable compensation to any such advisors retained by the committees.

VIII. Director Communications with Third Parties

Unless otherwise indicated in these Guidelines or the Company's policies, all requests for communications with individual directors or the Board by stockholders, analysts, or media outlets shall initially be made to the Chief Executive Officer or the Chief Financial Officer. Generally, management speaks for the Company, and the Chairperson speaks on behalf of the Board. Other communications between individual directors and interested parties may be held at the request of the Board or the CEO and Chairperson.

IX. Director Compensation

Non-employee directors are eligible to receive reasonable compensation for their service on the Board and its committees, as well as reimbursement of reasonable expenses incurred in connection with their service. Employee directors are not paid additional compensation for their services as directors. The Compensation Committee shall review and recommend to the Board for approval the compensation (including equity-based compensation) for the Company's directors, which may be based upon, among other things, the Compensation Committee's consideration of each director's responsibilities to the Company, his or her time commitment to the Company, and information regarding the compensation paid by peer companies. The Compensation Committee shall also periodically review the form and amount of director compensation that the Board will pay or award to non-employee directors for service on the Board and its committees. If appropriate, the Compensation Committee will recommend to the Board changes in director compensation.

X. Director and Senior Executive Stock Ownership

The Compensation Committee shall periodically assess the appropriateness of stock ownership guidelines for directors and executive officers and monitor compliance with such guidelines.

XI. Director Orientation and Continuing Education

All new members of the Board are required to participate in the Company's orientation program for directors. The orientation program will include discussions with and presentations by senior management and visits to the Company's facilities, and provide new directors with a review of the Company's financial position, an overview of the industry in which the Company operates and competes and an introduction to the regulatory and legal environment that affects the Company's business, as well as governs directors' fiduciary duties.

All directors will be offered the opportunity, and are encouraged, to participate in continuing education programs with any associated expenses to be reimbursed by the Company.

XII. Management Evaluation and Management Succession

The Compensation Committee shall evaluate the performance of the executive officers of the Company and shall present its findings to the full Board. The Board shall review the Compensation Committee's report in order to ensure that management's performance is satisfactory and that management is providing the best leadership for the Company in the long and short-term.

The Board is responsible for CEO succession planning, and only the Board may appoint a CEO. The CEO shall provide an annual report to the Board recommending and evaluating potential successors, along with a review of any development plans recommended for such individuals. The CEO shall also provide to the Board, on an ongoing basis, his or her recommendation as to a successor in the event of an unexpected emergency.

XIII. Annual Performance Evaluation

The Board, led by the Nominating Committee, shall establish and conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The collective evaluation shall be presented by the Chairperson of the Nominating Committee to the full Board for discussion. This process shall also include annual self-assessments by each Board committee, relying on a review process similar to that used by the Board.

XIV. Amendments

The Nominating Committee will periodically review these Guidelines and recommend any proposed changes to the Board for approval. The Board may amend these Guidelines, or grant waivers in exceptional circumstances, provided that any such modification or waiver may not be a violation of any applicable law, rule or regulation.

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