PsyBio Therapeutics Corp.
(formerly Leo Acquisitions Corp.)

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and the period from incorporation on January 21, 2020 to March 31, 2020

(Stated in Canadian Dollars)
(Unaudited)

PsyBio Therapeutics Corp. (formerly Leo Acquisitions Corp.)

Condensed Consolidated Interim Statements of Financial Position
As at March 31, 2021 and December 31, 2020
(Expressed in Canadian dollars ($), unless otherwise noted)

	Notes	March 31, 2021 ($)	December 31, 2020 ($)
Assets			
Current assets			
Cash and cash equivalents		**12,969,890**	340,182
Prepaid expenses		**258,826**	24,840
		13,228,716	365,022
Non-current assets			
Prepaid expenses		**18,465**	-
Total assets		**13,247,181**	365,022
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	**861,769**	666,871
Licensing payable	4	**629,550**	637,046
Total liabilities		**1,491,319**	1,303,917
Shareholders' Equity (Deficit)			
Share capital	5	**22,055,553**	6,782,063
Reserves	5	**1,033,583**	312,470
Accumulated other comprehensive loss		**(145,720)**	(109,877)
Deficit		**(11,187,554)**	(7,923,551)
Total Equity (Deficit)		**11,755,862**	(938,895)
Total liabilities and shareholders' equity		**13,247,181**	365,022

Commitments (Note 9)
Subsequent events (Note 10)

Approved on Behalf of the Board

(signed) *“Evan Levine”*
Director, CEO

(signed) *“Noah Davis”*
Director, CFO

PsyBio Therapeutics Corp. (formerly Leo Acquisitions Corp.)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three months ended March 31, 2021 and the period from incorporation on January 21, 2020 to March 31, 2020

(Expressed in Canadian dollars ($), unless otherwise noted)

	Notes	2021 ($)	2020 ($)
Expenses:			
Office	8	**107,230**	204
Management fees	8	**122,865**	-
Royalty fees		**15,828**	-
Professional fees		**166,167**	-
Insurance		**40,033**	-
Share-based compensation	8	**354,209**	-
Travel		**16,306**	-
Consulting fees		**776,620**	-
Listing expense	3	**1,544,859**	-
Investor relations		**125,611**	-
Research and development		**42,373**	-
Total expenses		**3,312,101**	204
Other income			
Other Income		**1,157**	-
Foreign exchange gain		**46,941**	-
Net loss		**(3,264,003)**	(204)
Foreign currency translation to reporting currency		**(35,843)**	-
Net loss and comprehensive loss		**(3,299,846)**	(204)
Loss per share - basic and diluted	5	**(0.04)**	(0.00)
Weighted average number of shares - basic and diluted	5	**87,729,583**	2,723,443

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

PsyBio Therapeutics Corp. (formerly Leo Acquisitions Corp.)

Condensed Consolidated Interim Statements of Changes in Equity
For the three months ended March 31, 2021 and the period from incorporation on January 21, 2020 to March 31, 2020
(Expressed in Canadian dollars ($), unless otherwise noted)

		Number of shares						
	Note	Subordinate Voting Shares	Multiple Voting Shares	Share capital ($)	Reserves ($)	Accumulated other comprehensive loss ($)	Deficit ($)	Total shareholders' equity (deficit) ($)
Balance, January 21, 2020		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued	5	-	3,597	5	-	-	-	5
Net loss for the period		-	-	-	-	-	(204)	(204)
Balance, March 31, 2020		**-**	**3,597**	**5**	**-**	**-**	**(204)**	**(199)**
Balance, January 1, 2021	5	**-**	**60,429**	**6,782,063**	**312,470**	**(109,877)**	**(7,923,551)**	**(938,895)**
Warrants exercised	5	-	6,714	1,038,299	(312,470)	-	-	725,829
Shares issued upon Transaction	3	2,647,350	-	926,573	30,922	-	-	957,495
Finders' shares upon Transaction	3	1,748,100	-	611,835	-	-	-	611,835
Shares issued for cash	5	41,409,698	-	14,493,394	-	-	-	14,493,394
Share issuance cost	5	-	-	(1,148,159)	-	-	-	(1,148,159)
Warrant issued as finders' fees	5	-	-	(648,452)	648,452	-	-	-
MVS to SVS conversion	5	13,873,869	(13,874)	-	-	-	-	-
Share based compensation	5	-	-	-	354,209	-	-	354,209
Foreign currency translation adjustment		-	-	-	-	(35,843)	-	(35,843)
Net loss for the period		-	-	-	-	-	(3,264,003)	(3,264,003)
Balance, March 31, 2021		**59,679,017**	**53,269**	**22,055,553**	**1,033,583**	**(145,720)**	**(11,187,554)**	**11,755,862**

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

PsyBio Therapeutics Corp. (formerly Leo Acquisitions Corp.)

Condensed Consolidated Interim Statements of Cash Flows
For the three months ended March 31, 2021 and the period from incorporation on January 21, 2020 to March 31, 2020
(Expressed in Canadian dollars ($), unless otherwise noted)

	Notes	Three months ended March 31, 2021 ($)	Period from incorporation on January 21, 2020 to March 31, 2020 ($)
Operating Activities			
Net loss for the period		**(3,264,003)**	(204)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share-based compensation	5	**354,209**	-
Listing expense	3	**1,499,733**	-
Changes in working capital items:			
Accounts receivable	3	**17,477**	-
Prepaid expenses	3	**(232,574)**	-
Long-term prepaid expenses		**(18,465)**	-
Accounts payable and accrued liabilities	3	**749,123**	204
Cash used in operating activities		**(894,500)**	-
Investing activities			
Cash acquired from PsyBio Therapeutics Corp. (formerly Leo Acquisition Corp.)	3	**222,312**	-
Cash provided by investing activities		**222,312**	-
Financing activities			
Shares issued pursuant to private placements	5	**14,493,394**	-
Share issuance cost	5	**(1,148,159)**	-
Cash provided by financing activities		**13,345,235**	-
Effect of foreign exchange		**(43,339)**	-
Change in cash and cash equivalents		**12,629,708**	
Cash and cash equivalents, beginning of period		**340,182**	-
Cash and cash equivalents, end of period		**12,969,890**	-
Supplemental cashflow information			
Shares issued for settlement of debt	5	**725,829**	-
Warrants issued as finders fees	5	**648,452**	-
Interest paid		**-**	-

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

1. NATURE OF OPERATIONS

PsyBio Therapeutics Corp. (formerly Leo Acquisitions Corp.) (the "Company") was incorporated on October 28, 2009 pursuant to the provisions of the *Business Corporations Act* (Ontario) (the "OBCA"). The Company was a Capital Pool Corporation, as defined in policy 2.4 of the TSX Venture Exchange (the "TSXV") prior to completing the Transaction (as defined herein).

On February 19, 2021, the Company completed a transaction that resulted in a reverse takeover of the Company by the shareholders of PsyBio Therapeutics, Inc. ("PsyBio US") and constituted its Qualifying Transaction pursuant to the policies of the TSXV (the "Transaction"). In connection with the Transaction, the Company continued out of the jurisdiction of the OBCA into the jurisdiction of the *Business Corporations Act* (British Columbia) ("BCBCA") and amended its articles to: (i) reclassify its common shares as subordinate voting shares ("Subordinate Voting Shares") and amend the terms of such shares, (ii) create a new class of multiple voting shares ("Multiple Voting Shares"); (iii) change its name to "PsyBio Therapeutics Corp.", and (iv) effect 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 Company's registered office is located at 25th Floor, 700 W Georgia Street, Vancouver, BC, V7Y 1B3 and its head office is located at 4400 Sample Road, Suite 138, Coconut Creek, Florida 33073, United States. The Company's Subordinate Voting Shares are listed for trading on the TSXV and Frankfurt Stock Exchange under the symbol "PSYB".

Qualifying Transaction

The Transaction was completed pursuant to the terms of a business combination agreement dated December 2, 2020 (as amended, the "Definitive Agreement"), among the Company, PsyBio US, PsyBio Therapeutics Financing Inc. ("Finco"), 1276949 B.C. Ltd. ("Leo BC Sub") and Eluss, Inc. ("Leo Delaware Sub").

Pursuant to the Definitive Agreement, immediately prior to closing of the Transaction, PsyBio US filed a certificate of amendment under the laws of the State of Delaware to effect a stock split on the basis of approximately 1.1529 old shares of PsyBio US common stock ("PsyBio US Shares") for every one new PsyBio US Share, subject to adjustment in accordance with the terms of the Definitive Agreement (the "PsyBio Stock Split").

At closing of the Transaction, the Company, Finco and Leo BC Sub, a wholly-owned subsidiary of the Company, completed a three-cornered amalgamation under the laws of the Province of British Columbia, pursuant to which Finco shareholders received one Subordinate Voting Share in exchange for each share of Finco (each, a "Finco Share") held, and Finco and Leo BC Sub amalgamated (the "Amalgamation"). Following closing, the resulting amalgamated entity ("Amalco") was wound-up and dissolved, pursuant to which all of the assets of Amalco were distributed to the Company. The Amalgamation also provided that all outstanding warrants to purchase Finco Shares remained outstanding and thereafter entitle the holders thereof to acquire Subordinate Voting Shares in lieu of Finco Shares on the same terms and conditions.

Concurrently with completion of the Amalgamation at closing of the Transaction, the Company, PsyBio US and Leo Delaware Sub, a wholly-owned subsidiary of the Company, completed a three-cornered merger (the "Merger") under the laws of the State of Delaware pursuant to which PsyBio US and Leo Delaware Sub merged with PsyBio US to continue as the surviving corporation and a wholly-owned subsidiary of the Company. As a result of the Merger, the Company acquired all of the issued and outstanding PsyBio US Shares (on a post-PsyBio Stock Split Basis) in exchange for Multiple Voting Shares on the basis of one PsyBio US Share for every 1/1000th of a Multiple Voting Share. All historical references to PsyBio US Shares are presented on a post PsyBio Stock Split basis and have been converted to Multiple Voting Shares for comparability, unless otherwise noted. On February 25, 2021, the Company announced that it had received all final approvals for the Transaction, including that of the TSXV.

As a result of the Transaction, the former shareholders of PsyBio US acquired control of the Company. PsyBio US is deemed as the acquirer for accounting purposes, and therefore its assets, liabilities and operations are included in the condensed consolidated interim financial statements at their historical carrying value. The Company's operations are considered to be a continuance of the business and operations of PsyBio US. The Company's results of operations are those of PsyBio US, with the Company's operations being included from February 19, 2021, the closing date of the Transaction, onwards. Refer to Note 3 for more details.

PsyBio US was incorporated on January 21, 2020 under the laws of the State of Delaware. The Company is a US-based biotechnology company and is developing a new class of drugs intended for the treatment of mental health challenges and other disorders.

1. NATURE OF OPERATIONS (CONTINUED)

COVID-19

On January 30, 2020, the World Health Organization ("WHO") declared the ongoing novel coronavirus "COVID-19" outbreak a global health emergency and on March 11, 2020, the WHO expanded its classification of the outbreak to a worldwide pandemic. Federal, state, provincial and municipal governments in North America enacted measures to combat the spread of COVID-19. The COVID-19 outbreak continues to rapidly evolve, and is causing business disruptions across the entire global economy and society. The pandemic has had far-reaching impacts on businesses and individuals globally. The Company is closely monitoring the evolution of COVID-19. As of the date hereof, the Company's operations have not been significantly impacted. Going forward, the extent of the impact of COVID-19 on the Company's operational and financial performance will depend on various developments, including the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada, the United States and in other countries to contain and treat the disease, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of the condensed consolidated interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on May 31, 2021.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. These condensed consolidated interim financial statements do not include all disclosures as required for annual financial statements and should be read in conjunction with the annual financial statements of PsyBio US for the period from January 21, 2020 (date of incorporation) to December 31, 2020. Except as described in this Note 2, significant accounting policies have been consistently applied in the presentation of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise noted.

Basis of consolidation

The condensed consolidated interim financial statements include the amounts of the Company and its wholly-owned subsidiary, PsyBio Therapeutics, Inc., collectively referred to as the Company. Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements include the financial statements of the Company and entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The condensed consolidated interim financial statements of the Company's subsidiary are included in these condensed consolidated interim financial statements. All intercompany balances and transactions, income and expenses have been eliminated upon consolidation.

Cash and cash equivalents

The Company considers only those investments which are highly liquid, readily convertible to cash and that mature within three months from the date of purchase to be cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

The reporting currency is the Canadian dollar ("CAD"), which is the functional currency of the Company. The functional currency of PsyBio US is the United States dollar ("USD"). Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction, except amortization, which is translated at the rates of exchange applicable to the related assets. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date.

Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the initial transaction. Non-monetary items that are measured at fair values are reported at the exchange rate on the date when fair values are determined. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of foreign entities to reporting currency on consolidation, which are recognized in other comprehensive income.

On consolidation, the assets and liabilities of entities are translated into the reporting currency at the rate of exchange at the reporting date and the condensed consolidated interim statement of loss and comprehensive loss are translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation purposes are recognized in other comprehensive income.

Use of estimates and judgements

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both the current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the condensed consolidated interim statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from judgments made, relate to, but are not limited to, the following:

Business combinations

At the time of acquisition, the Company considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Company accounts for an acquisition as a business combination where an integrated set of activities and assets, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired.

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

Control

At the time of acquisition, the Company assesses whether it has control over the acquiree. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Where control exists, the Company consolidates the results of the acquired entity.

In the acquisition of PsyBio US, it was determined that control resides with PsyBio US as the former shareholders of PsyBio US became the majority shareholders of the Company. As a result, the Transaction was accounted for as a reverse takeover.

(Expressed in Canadian dollars ($), unless otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of consideration in reverse take-over transaction

The fair value of consideration to acquire the Company in the Transaction comprised of Subordinate Voting Shares and Multiple Voting Shares. Subordinate Voting Shares and Multiple Voting Shares were fair valued on the date of issuance. The Company applied IFRS 2 Share-based Payment in accounting for the Transaction.

3. REVERSE TAKEOVER

On February 19, 2021, the Company completed the Transaction with PsyBio US , pursuant to which PsyBio US became a wholly-owned subsidiary of the Company (Note 1). As a result of the Transaction, the former shareholders of PsyBio US acquired control of the Company, thereby constituting a reverse takeover of the Company. The Transaction is considered a purchase of the Company's net assets by the shareholders of PsyBio US.

The Transaction is accounted for in accordance with guidance provided in IFRS 2 Share-Based Payment and IFRS 3 Business Combinations ("IFRS 3").

As the Company did not qualify as a business according to the definition in IFRS 3, the Transaction does not constitute a business combination; rather, it is treated as an issuance of PsyBio US Shares for the net assets of the Company and the Company's listing status with PsyBio US as the continuing entity. The resulting condensed consolidated interim financial statements are presented as a continuation of PsyBio US and comparative figures presented in the condensed consolidated interim financial statements are those of PsyBio US.

In connection with the Transaction, a finder's fee was paid through the issuance of 1,748,100 Subordinate Voting Shares for an aggregate fair value of $611,835. In accordance with IFRS 2, the fair value of the share issuance was determined to be $0.35 per share, based on the estimated fair value at the acquisition date. The fair value of the 112,115 options assumed was determined to be $0.25 per share, using the Black-Scholes option pricing model with the following assumptions: estimated volatility of 152%, risk free interest rate of 0.22%, expected life of 2 years, exercise price of $0.55 and share price of $0.35.

A breakdown of the listing expense is as follows:

Consideration	**$**
Fair value of shares retained by former Leo Acquisitions Corp. shareholders	926,573
Fair value of shares issued to finders (1,748,100 shares at $0.35)	611,835
Fair value of options assumed	30,922
Total consideration	1,569,330
Fair value of net assets assumed	
Cash	222,312
Receivables	17,477
Prepaid expenses	1,412
Accounts payable and accrued liabilities	(171,604)
Total net assets	69,596
Excess attributed to the cost of listing	1,499,733
Transaction costs related to the Transaction	45,126
Listing expense	**1,544,859**

4. LICENSING

On May 14, 2020, PsyBio US entered into a definitive license agreement (the "License Agreement") and master sponsored agreement (the "Master Sponsored Agreement" and, together with the License Agreement, collectively, the "Sponsored Research Agreements") with Miami University for the development of enhanced psilocybin production strategies via metabolic engineering. Under the terms of the Sponsored Research Agreements, PsyBio US issued 3,626,000 PsyBio US Shares (on a pre-PsyBio Stock Split basis) with a value of USD$362,600 (CAD$504,159) and recorded under licensing expenses, to Miami University in consideration for the initial licensing fees. PsyBio US also agreed to fund specific projects with the initial project funding commitment of USD$1,000,000 (CAD$1,390,400). PsyBio US made initial payments of USD$250,000 in each of June (CAD$334,750) and November (CAD$324,125) 2020 and the following payments of USD$250,000 (CAD$335,375) are due every 6 months thereafter. As of March 31, 2021, there is a current licensing payable balance of USD$500,000 (CAD$629,550).

An additional USD$1,000,000 (CAD$1,257,500) may be payable to Miami University if they are able to reasonably demonstrate a need for the funds. In addition, contingent upon the Company's ability to successfully raise up to USD$5,000,000 (CAD$6,287,500) within three years of the execution of the agreement, both parties shall work cooperatively to come to an agreement to fund additional work. The agreement was amended on April 26, 2021 to extend and expand the research efforts of the laboratory (Note 10).

Pursuant to the Sponsored Research Agreements, the Company must pay Miami University royalties of 4% of the net sale value of all licensed products. For so long as the cumulative net sales value of all licensed products is zero, the Company must pay Miami University a minimum royalty payment of USD$50,000 (CAD$62,875) per year. In addition, on a quarterly basis, starting with the first calendar quarter during which any licensed products are sold, the Company shall pay Miami University a minimum quarterly royalty amount of USD$75,000 (CAD$94,313).

5. SHARE CAPITAL AND RESERVES

Authorized share capital

The Company is authorized to issue an unlimited number of Subordinate Voting Shares and an unlimited number of Multiple Voting Shares. Subject to certain restrictions set out in the Company's articles, each Multiple Voting Share is convertible into 1,000 Subordinate Voting Shares and entitles the holder thereof to 1,000 votes per Multiple Voting Share.

Stock Split

In connection with the Transaction, PsyBio US filed a certificate of amendment under the laws of the State of Delaware to effect the PsyBio Stock Split on the basis of 1.1529 old PsyBio US Shares for every one new PsyBio Share, subject to adjustment in accordance with the terms of the Definitive Agreement (Note 1). All references to PsyBio US Shares and per share amounts of PsyBio US Shares have been retrospectively restated to reflect the PsyBio Stock Split, unless otherwise indicated.

Consolidation

In connection with the Transaction, the Company completed the Consolidation of the Subordinate Voting Shares on the basis of 1.6667 old Subordinate Voting Shares for every one new Subordinate Voting Share (Note 1). All references to Subordinate Voting Shares and per share amounts of Subordinate Voting Shares have been retrospectively restated to reflect the Consolidation, unless otherwise indicated.

Issued and outstanding capital

As at March 31, 2021, there were 59,679,017 Subordinate Voting Shares and 53,269.743 Multiple Voting Shares issued and outstanding.

Loss per Share

The calculation of basic and diluted loss per share of $0.04 (2020 - $0.00) for the three months ended March 31, 2021 was based on the net loss of $3,264,003 (2020 - $204) attributable to the weighted average number of Subordinate Voting Shares of 20,586,583 (2020 – nil) and the weighted average number of Multiple Voting Shares converted into Subordinate Voting Shares of 67,143,000 (2020 – 2,723,443), equal to the total weighted average number of shares outstanding of 87,729,583 (2020 – 2,723,443).

5. SHARE CAPITAL AND RESERVES (CONTINUED)

During the three months ended March 31, 2021

On December 4, 2020, Finco completed a brokered private placement (the "Financing") of an aggregate of 41,409,698 subscription receipts of Finco ("Subscription Receipts") at a subscription price of $0.35 per Subscription Receipt for aggregate gross proceeds of approximately $14,493,394 (net $13,345,235 after share issuance costs).

The Financing was completed pursuant to the terms of an agency agreement dated December 4, 2020 (the "Agency Agreement") among the Company, PsyBio US, Finco and Eight Capital, as lead agent, and Canaccord Genuity Corp. (collectively, the "Agents"). Immediately prior to closing the Transaction, each Subscription Receipt was converted into one Finco Share. On February 19, 2021, upon completion of the Transaction, an aggregate of 41,409,698 Subordinate Voting Shares were issued at a deemed price of $0.35 per share to holders of Finco Shares (issued upon the conversion of the Subscription Receipts).

On January 1, 2021, PsyBio US issued an aggregate of 6,714,361 PsyBio US Shares, converted into 6,714.361 Multiple Voting Shares, pursuant to the exercise of warrants with a weighted average exercise price of USD$0.10 (CAD$0.13) per share, for proceeds of $725,829 which were offset against amounts owed by the Company. In connection with the exercise, an amount of $312,470 was reclassified from reserves to share capital. Following the issuance, an aggregate of 6,714.361 PsyBio US Shares, converted into Multiple Voting Shares, were issued and outstanding.

On February 19, 2021, upon completion of the Transaction, an aggregate of 67,143.612 Multiple Voting Shares (convertible into an aggregate of 67,143,612 Subordinate Voting Shares) were issued to existing holders of PsyBio Shares.

During the three months ended March 31, 2021, an aggregate of 13,873.869 Multiple Voting Shares were converted into an aggregate of 13,873,869 Subordinate Voting Shares in accordance with their terms.

During the period ended March 31, 2020

On February 7, 2020, PsyBio US issued 3,597,048 PsyBio US Shares to its founders at a nominal value. On closing of the Transaction, the PsyBio US Shares were exchanged for an aggregate of 3,597.048 Multiple Voting Shares.

a) Options

On closing of the Transaction, the Company has adopted a new stock option plan (the "Plan") which provides that the Board may grant stock options to directors, officers and employees of, and consultants to, the Company and its subsidiaries.

All options granted pursuant to the Plan are subject to the terms and conditions of the Plan. The aggregate number of Subordinate Voting Shares allocated and made available for issuance pursuant to options granted under the Plan shall not exceed 10% of the issued and outstanding Subordinate Voting Shares as at the date of the grant (on a non-diluted basis, but on an as-converted basis as it relates to the Multiple Voting Shares). Any issuance of Subordinate Voting Shares from treasury pursuant to the exercise of options shall automatically replenish the number of Subordinate Voting Shares available for option grants under the Plan. Subordinate Voting Shares in respect of which options are cancelled or not exercised prior to expiry, for any reason, shall be available for subsequent option grants under the Plan. The maximum number of Subordinate Voting Shares reserved for issuance in any 12-month period to any one optionee other than a consultant may not exceed 5% of the issued and outstanding Subordinate Voting Shares at the date of the grant (assuming conversion of all Multiple Voting Shares to Subordinate Voting Shares). The maximum number of Subordinate Voting Shares reserved for issuance in any 12-month period to any consultant may not exceed 2% of the issued and outstanding Subordinate Voting Shares at the date of the grant (assuming conversion of all Multiple Voting Shares to Subordinate Voting Shares). In the event of termination for cause, all Options held by such terminated optionee will be cancelled immediately.

During the three months ended March 31, 2021, the Company granted options to purchase up to an aggregate of 8,166,141 Subordinate Voting Shares to certain directors, officers, and consultants. The options are exercisable at a price of $0.35 per share at any time prior to expiry on February 19, 2026 and vest in equal 1/3 installments every six months starting on August 19, 2021. The options were determined to have a fair value of $0.32 per option using the Black-Scholes option pricing model determined using the following assumptions: estimated volatility of 152%, risk free interest rate of 0.51%, expected life of 5 years, exercise price of $0.35 and a share price of $0.35. Company estimates volatility based on historical share price of comparable companies, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility. Stock-based compensation in the amount of $354,209 (2020 - $Nil) was recognized during the three months ended March 31, 2021.

(Expressed in Canadian dollars ($), unless otherwise noted)

5. SHARE CAPITAL AND RESERVES (CONTINUED)

The continuity of stock options for the three months ended March 31, 2021 is summarized below:

Leo Acquisitions Corp	Number of options	Weighted average exercise price ($)
Outstanding, December 31, 2020	**253,756**	**0.55**
Exercised, February 17, 2021	(109,783)	0.55
Expired, February 17, 2021	(21,858)	0.55
Outstanding, February 19, 2021	**122,115**	**0.55**

PsyBio Therapeutics Corp. (formerly Leo Acquisitions Corp.)	Number of options	Weighted average exercise price ($)
Outstanding, February 19, 2021	**122,115**	**0.55**
Granted, February 19, 2021	8,166,141	0.35
Outstanding, March 31, 2021	**8,288,256**	**0.35**

As at March 31, 2021, the following options were outstanding, entitling the holders thereof the right to purchase one subordinate voting share for each option held as follows:

Number	Exercise price	Expiry date	Number vested
89,999	0.55	May 20, 2021	89,999
32,116	0.55	March 5, 2023	32,116
8,166,141	0.35	February 19, 2026	-

As at March 31, 2021, the weighted average life of options outstanding was 4.82 years.

b) Warrants

In connection with the Financing, a total of 1,506,368 compensation warrants and 1,069,000 advisor warrants were issued, each warrant exercisable to purchase one Finco Share at $0.35 per share for 24 months from the date of closing of the Transaction. On closing of the Transaction, each compensation warrant and each advisor warrant became exercisable to acquire one Subordinate Voting Share. The warrants were valued using the Black Scholes Option Pricing model using the following weighted average assumptions: share price: $0.35, expected life: 2 years, expected volatility: 152%, dividend yield: 0%, risk-free interest rate: 0.27%. Company estimates volatility based on historical share price of comparable companies, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility. On closing of the Transaction, each compensation warrant and each advisor warrant became exercisable to acquire one Subordinate Voting Share. The fair value of the compensation and advisor warrants was determined to be $648,452.

	Number of warrants	Weighted average exercise price ($)
Outstanding, December 31, 2020	6,714	0.13
Granted	2,575,368	0.35
Exercised	(6,714)	(0.13)
Outstanding and exercisable, March 31, 2021	2,575,368	0.35

At March 31, 2021, the Company had 2,575,368 warrants outstanding with an expiry date of February 19, 2023. The weighted average remaining contractual life on outstanding warrants is 1.89 years.

6. FINANCIAL INSTRUMENTS AND RISK FACTORS

Financial Instruments

The Company has classified cash and cash equivalents as fair value through profit and loss and accounts payable and accrued liabilities and licensing payable as other financial liabilities at amortized cost.

The carrying values of accounts payable and accrued liabilities and licensing payable approximate their fair values due to their short periods to maturity.

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 areappropriately mitigated.

The Company is exposed to certain financial risks as listed below. Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, market risk and interest rate risk are provided below.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due and describes the Company's ability to access cash. As at March 31, 2021, the Company has liabilities of $1,491,315 due within twelve months and has cash and cash equivalents of $12,969,890 to meet its current obligations. The Company regularly monitors actual cash flows to budgets and updates projected cash forecasts as needed. The Company will defer discretionary expenditures, as required, in order to manage and conserve its available cash balances for current liabilities and commitments. All of the Company's liabilities are due within the next 12 months.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents. The Company limits its exposure to credit risk with respect to cash by investing available cash with major US banks. Management's assessment of the Company's exposure to credit risk is low.

The Company's cash and cash equivalents are not subject to any external restrictions.

Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. At March 31, 2021, the Company is not exposed to significant market risk.

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's exposure to interest rate risk is minimal.

7. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders. The Company includes equity, comprised of issued sharecapital, warrants reserve and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its activities relating to funding the project with Miami University. 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.

(Expressed in Canadian dollars ($), unless otherwise noted)

8. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

During the three months ended March 31,	2021 ($)	2020 ($)
Management fees	116,069	-
Share-based compensation	261,821	-
	377,890	-

As at March 31, 2021, accounts payable and accrued liabilities consist of $172,670 (December 31, 2020 - $Nil) in management fees and expense reimbursements owed to related parties. These amounts are non-interest bearing, unsecured and due on demand.

Option Grants

On February 19, 2021, the Company granted options to purchase up to an aggregate of 6,036,156 Subordinate Voting Shares to certain directors and officers. The options are exercisable at a price of $0.35 per share at any time prior to February 19, 2026 and vest in equal 1/3 installments every six months starting on August 19, 2021.

Other related party transactions:

During the three months ended March 31, 2021, the Company incurred $9,497 in rent expenses by a company with two common officers. As of March 31, 2021, no amounts were owing to this related party.

During the three months ended March 31, 2021, the Company incurred $57,591 in legal fees paid to a company owned by a director. As of March 31, 2021, $94,570 was owed to this related party.

9. COMMITMENTS

Royalties and Funding Commitments

The Company has certain royalty and funding commitments pursuant its agreement with Miami University (Note 4).

Research Project Commitments

The Company has certain commitments pursuant to a research project agreement entered into during the three months ended March 31, 2021. The agreement runs for 12 months and has an estimated total cost of USD$126,268 ($159,855).

The Company has certain commitments pursuant to its research project agreement entered into during the three months ended March 31, 2021. The agreement runs for approximately 14 to 20 weeks and has an estimated total cost of USD$410,200 ($519,313).

10. SUBSEQUENT EVENTS

On April 5, 2021, the Company announced that it had appointed a Chief Medical Officer. In connection with this appointment, the Company granted options to this individual to purchase up to 2,000,000 Subordinate Voting Shares pursuant to the Plan. The options are exercisable at a price of $0.35 per share at any time prior to April 4, 2024 and vest in equal 1/3 installments every six months starting on October 4, 2021.

On April 9, 2021, the Company announced that it had entered into an investor relations agreement with Kanan Corbin Schupak & Aronow, Inc. d/b/a KCSA Strategic Communications ("KCSA") to provide investor relations services. Pursuant to the agreement, KCSA will be paid a monthly fee of USD$8,500 as consideration for the provision of the services. KCSA will not receive any securities as compensation.

10. SUBSEQUENT EVENTS (CONTINUED)

On April 21, 2021, the Company announced that it had appointed a director, replacing a previous director following that director's resignation. In connection with this appointment, the Company granted options to this individual to purchase up to 500,000 Subordinate Voting Shares pursuant to the Plan. The options are exercisable at a price of $0.35 per share at any time prior to April 20, 2024 and vest in equal 1/3 installments every six months starting on October 20, 2021.

On April 26, 2021, the Company announced that it has amended its master sponsored agreement with Miami University based in Oxford, Ohio (the "Amended Agreement") to extend and expand the research efforts of the laboratory to include additional research efforts of the Department of Psychology and to provide an additional USD$1,500,000 in funding until May 2023 to Miami University to support all such research.

On May 31, 2021, the Board of Directors of the Company approved a normal course issuer bid (the "NCIB") through the facilities of the TSXV. The implementation and commencement of the NCIB is subject to the approval of the TSXV.

On May 31, 2021, the Board of Directors of the Company approved the issuance of Subordinate Voting Shares to settle in full $151,609 (USD$125,441) in accrued liabilities owing for legal services provided to the Company by a non-arm's length party at a deemed issuance price per Subordinate Voting Share equal to the greater of $0.35 and the closing price of the Subordinate Voting Shares on the TSXV as at the end of trading on June 1, 2021.