



BRIGHT MINDS BIOSCIENCES INC.

NASDAQ Corporate Governance

Bright Minds Biosciences Inc.'s (the "**Company**") common shares are listed for trading in the United States on the NASDAQ Capital Market ("**NASDAQ**"). The Company is a "Foreign Private Issuer" as defined under Rule 3b-4 promulgated under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

Rule 5615(a)(3) of the NASDAQ Listing Rules provides that a Foreign Private Issuer may follow its home country practice in lieu of the requirements of the Rule 5600 Series, the requirement to disclose third party director and nominee compensation set forth in Rule 5250(b)(3) and the requirement to distribute annual and interim reports set forth in Rule 5250(d), provided, however, that such company shall: comply with the Notification of Noncompliance requirement (Rule 5625), the Voting Rights requirement (Rule 5640), the Diverse Board Representation Rule (Rule 5605(f)), the Board Diversity Disclosure Rule (Rule 5606), have an audit committee that satisfies Rule 5605(c)(3), and ensure that such audit committee's members meet the independence requirement in Rule 5605(c)(2)(A)(ii).

A Foreign Private Issuer that elects to follow home country practice in lieu of a requirement of Rules 5600, 5250(b)(3), or 5250(d) shall submit to NASDAQ a written statement from an independent counsel in such company's home country certifying that the company's practices are not prohibited by the home country's laws. In addition, and in the interests of transparency, the rule requires a Foreign Private Issuer to make appropriate disclosure in the listed company's annual filings with the SEC (typically by way of Form 20-F or 40-F) to disclose each requirement that it does not follow and include a brief statement of the home country practice that the listed company follows in lieu of the NASDAQ corporate governance requirements. Listed companies that must file annual reports on Form 20-F are encouraged to provide these disclosures on their websites, in addition to the required Form 20-F disclosure, to provide maximum transparency about their practices. The Company has elected to follow home country practice in lieu of the NASDAQ corporate governance requirements for the corporate practices described below.

The Company's corporate governance practices differ from those followed by U.S. domestic companies pursuant to the NASDAQ Listing Rules in the following manner:

Shareholder Approval Requirements

NASDAQ Listing Rule 5635 requires shareholder approval for issuances of common shares, or any securities convertible or exercisable into common shares:

- (a) in connection with the acquisition of the stock or assets of another company

- (i) where, due to the present or potential issuance of common shares (including shares issued pursuant to an earn-out or similar type of provision, or securities convertible into or exercisable for common shares) other than a public offering for cash:
 - (A) the common shares constitute or will upon issuance constitute at least 20% of the voting power outstanding before the issuance of the common shares (or, if applicable before the issuance of the securities convertible into or exercisable for common shares); or
 - (B) the common shares constitute or will upon issuance constitute at least 20% of the number of common shares outstanding before the issuance; or
- (ii) if any director, officer or Substantial Shareholder (as defined by Rule 5635(e)(3) of the NASDAQ Listing Rules) of the listed company has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the target company or assets to be acquired, or in the consideration to be paid in the transaction or series of related transactions, and the present or potential issuance of common shares, or securities convertible into or exercisable for common shares, could result in an increase of 5% or more in the outstanding common shares or voting power of the listed company; and
- (b) where the issuance or potential issuance will result in a change of control of the listed company.

The Company intends to follow the British Columbia corporate and securities laws, which do not require shareholder approval for dilutive events unless the Company were to dispose of all or substantially all of its undertaking. In addition, the Company intends to follow the Canadian Securities Exchange policies which require shareholder approval on the occurrence of a “fundamental change”, defined by the policies of the Canadian Securities Exchange to be an asset purchase (whether for cash or securities), take-over (either a formal or exempt bid), amalgamation, arrangement or other form of merger, the result of which is that for the next 12-month period at least 50% of the issuer’s:

- (a) assets or resources are expected to be comprised of,
- (b) anticipated revenues are expected to be derived from, or
- (c) expenditures and management time and effort will be devoted to the assets, properties businesses or other interests that are the subject of such transaction,

in combination with a change of control. The determination of a change of control in such context would include the distribution of 100% of the number of equity securities of the issuer outstanding prior to the transaction, a distribution resulting in new shareholders holding greater than 50% of the voting securities of the issuer, or otherwise may be determined through a change in voting control of the issuer or a substantial change of the management or the board of directors of the issuer.

Further, the policies of the Canadian Securities Exchange require securityholder approval of an acquisition if:

- (a) the total number of securities issuable (on a fully-diluted basis):
 - (i) is more than 50% of the total number of securities or votes of the issuer outstanding (on a non-diluted basis) accompanied by a new control person, or 100% of the total number of securities outstanding; or
 - (ii) would, as determined by the issuer or the Canadian Securities Exchange, materially affect control of the issuer.

NASDAQ Listing Rule 5635(c) also requires shareholder approval prior to the issuance of securities when a stock option or purchase plan is established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees, or consultants, except for:

- (a) warrants or rights issued generally to all security holders of the listed company or stock purchase plans available on equal terms to all security holders of the listed company (such as a typical dividend reinvestment plan);
- (b) tax qualified, non-discriminatory employee benefit plans (e.g., plans that meet the requirements of Section 401(a) or 423 of the Internal Revenue Code) or parallel nonqualified plans, provided such plans are approved by the listed company's independent compensation committee or a majority of the listed company's independent directors; or plans that merely provide a convenient way to purchase shares on the open market or from the listed company at market value;
- (c) plans or arrangements relating to an acquisition or merger as permitted under IM-5635-1; or
- (d) issuances to a person not previously an employee or director of the listed company, or following a bona fide period of non-employment, as an inducement material to the individual's entering into employment with the listed company, provided such issuances are approved by either the listed company's independent compensation committee or a majority of the listed company's independent directors. Promptly following an issuance of any employment inducement grant in reliance on this exception, a listed company must disclose in a press release the material terms of the grant, including the recipient(s) of the grant and the number of shares involved.

The Company intends to follow British Columbia corporate and securities laws, which do not require shareholder approval of equity compensation plans or most discount to market offerings of securities unless otherwise indicated in the Articles of the Company. In addition, the Company intends to follow the Canadian Securities Exchange policies which provide that an issuer must obtain securityholder approval for rolling/evergreen security based compensation plans (a) with three years after the institution of such plan, and (b) within every three years thereafter. The

Company also intends to follow Canadian Securities Exchange policies and certain provisions of Canadian securities laws which require limitations on the number of equity compensation securities that can be distributed, as follows:

- (a) options granted to persons performing investor relations services cannot exceed 2% of the outstanding number of listed securities in any 12-month period; and
- (b) the issuance of equity compensation securities cannot result in the issuance of greater than 5% of the issued and outstanding shares (at the time of adoption) to an individual, or 10% in total in the following 12 months, without first obtaining shareholder approval.

NASDAQ Listing Rule 5635(d) also requires shareholder approval where there is a transaction other than a public offering (as defined in NASDAQ IM-5635-3), involving the sale, issuance or potential issuance by the listed company of common stock (or securities convertible into or exercisable for common stock), which alone or together with sales by officers, directors or Substantial Shareholders of the listed company, equals 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance (a “**20% Issuance**”) at a price less than the lower of (the “**Minimum Price**”):

- (a) the Nasdaq Official Closing Price (as reflected on Nasdaq.com) immediately preceding the signing of the binding agreement; or
- (b) the average Nasdaq Official Closing Price of the common stock (as reflected on Nasdaq.com) for the five trading days immediately preceding the signing of the binding agreement.

The Company intends to follow British Columbia corporate and securities laws, which do not require shareholder approval of 20% Issuances at a price that is less than the Minimum Price. In addition, the Company intends to follow the Canadian Securities Exchange policies which permit private placements of an issuer’s securities to be issued at a price per security lower than the greater of:

- (a) \$0.05; and
- (b) the closing market price of the security on the Canadian Securities Exchange on the trading day prior to the earlier of the dissemination of a news release disclosing the private placement or the posting of notice of the proposed private placement, less a discount which shall not exceed the maximum permitted discount, as follows (the “**Maximum Permitted Discount**”):
 - (i) 25% for securities with a closing price of up to CAD\$0.50;
 - (ii) 20% for securities with a closing price between CAD\$0.51 to CAD\$2.00; and
 - (iii) 15% for securities with a closing price above CAD\$2.00.

However, the policies of the Canadian Securities Exchange require securityholder approval of a proposed securities offering (by way of prospectus or by private placement) if:

- (a) the number of securities issued in the offering (on a fully-diluted basis) is more than 50% of the total number of securities or votes of the issuer outstanding (on a non-diluted basis) accompanied by a new control person, or 100% of the total number of securities outstanding;
- (b) the price is lower than the market price less the Maximum Permitted Discount; or
- (c) the issuer or the Canadian Securities Exchange otherwise determine that the transaction will materially affect control of the issuer.

Quorum Requirement

NASDAQ Listing Rule 5620(c) requires that each company that is not a limited partnership shall provide for a quorum as specified in its by-laws for any meeting of holders of common stock; provided, however, that in no case shall such quorum be less than 33 1/3% of the outstanding shares of the listed company's common voting stock. The Company will not follow this NASDAQ Listing Rule. Instead, the Company intends to comply with British Columbia corporate and securities laws and its Articles which do not require a quorum of no less than 33 1/3% of the outstanding shares of the Company's common voting stock and provides that the quorum for the transaction of business at a meeting of shareholders is the quorum established by the Company's Articles, which is at least one person who is, or who represents by proxy, one or more shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the meeting.

Executive Sessions

Under NASDAQ Listing Rule 5605(b)(2), a listed company must have regularly scheduled meetings at which only independent directors are present ("**executive sessions**"). The rule contemplates that executive sessions will occur at least twice a year, and perhaps more frequently, in conjunction with regularly scheduled board meetings. Under applicable Canadian rules, customs and practice, the Company's independent directors are not required to hold executive sessions. However, since the Company's common shares are listed for trading on NASDAQ, the Company is subject to certain disclosure requirements prescribed in Canadian Form 58-101F1 - *Corporate Governance Disclosure*. In particular, the Company must disclose whether the independent directors hold executive sessions and, if such executive sessions are held, how many of these meetings have been held since the beginning of the Company's most recently completed financial year. If the Company does not hold executive sessions, the Company must describe what the Board does to facilitate open and candid discussion among its independent directors.

Proxy Delivery Requirements

Under NASDAQ Listing Rule 5620(b), a listed company that is not a limited partnership must solicit proxies and provide proxy statements for all meetings of shareholders, and also provide copies of such proxy solicitation materials to NASDAQ. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act, and the equity securities of the Company

are accordingly exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Exchange Act. The Company solicits proxies in accordance with applicable rules and regulations in Canada.

Distribution of Annual and Interim Reports

Under NASDAQ Listing Rule 5250(d)(1), a listed company shall make available to shareholders an annual report containing audited financial statements of the listed company and its subsidiaries (which, for example may be on Form 10-K, 20-F, 40-F or N-CSR) within a reasonable period of time following the filing of the annual report with the SEC. A listed company may comply with this requirement either:

- (a) by mailing the report to the shareholders;
- (b) by satisfying the requirements for furnishing an annual report contained in Rule 14a-16 under the Act; or
- (c) by posting the annual report to shareholders on or through the listed company's website, along with a prominent undertaking in the English language to provide shareholders, upon request, a hard copy of the listed company's annual report free of charge. A listed company that chooses to satisfy this requirement pursuant to this paragraph (c) must, simultaneous with this posting, issue a press release stating that its annual report has been filed with the SEC (or other regulatory authority). This press release shall also state that the annual report is available on the listed company's website and include the website address and that shareholders may receive a hard copy free of charge upon request. A listed company must provide such hard copies within a reasonable period of time following the request.

In addition, under NASDAQ Listing Rule 5250(d)(4)(A), each listed company that is not a limited partnership and is not subject to Rule 13a-13 under the Exchange Act and that is required to file with the SEC, or other regulatory authority, interim reports relating primarily to operations and financial position, shall make available to shareholders reports which reflect the information contained in those interim reports. Such reports shall be made available to shareholders either before or as soon as practicable following filing with the appropriate regulatory authority. If the form of the interim report provided to shareholders differs from that filed with the regulatory authority, the listed company shall file one copy of the report to shareholders with NASDAQ in addition to the report to the regulatory authority that is filed with NASDAQ pursuant to Rule 5250(c)(1).

The Company intends to comply with NASDAQ Listing Rules 5250(d)(1) and 5250(d)(4)(A), however, the Company may not do so on a consistent basis. Instead, the Company may determine to comply with British Columbia corporate and securities laws which do not require the distribution of annual or interim reports to shareholders but do require the Company to place before the annual general meeting the annual financial statements that the Company is required to file with the applicable securities commissions in Canada under the *Securities Act* (British Columbia) in relation to the most recently completed financial year, file annual and interim financial

statements on SEDAR+ at www.sedarplus.ca, and send annually a request form to the registered holders and beneficial owners of its securities that can be used to request a paper copy of the Company's annual financial statements and management discussion and analysis for the annual financial statements, and a copy of the Company's interim financial reports and management discussion and analysis for the interim financial reports free of charge.
