

MindHealth Biomed Corp.
Condensed Consolidated Interim Financial Statements

**For the three months period ended December 31, 2020 and for the period
from May 21, 2020 (date of incorporation)
to December 31, 2020**

Expressed in Canadian Dollars

Unaudited

Management Responsibility for Condensed Consolidated Interim Financial Statements

The accompanying Unaudited Condensed Consolidated Interim Financial Statements of MindHealth Biomed Corp. (“MHBC”) and its subsidiary (together the “Company”) have been prepared by and are the responsibility of management.

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the Unaudited Condensed Consolidated Interim Financial Statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of the management, the Unaudited Condensed Consolidated Interim Financial Statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standards 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the Unaudited Condensed Consolidated Interim Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the Unaudited Condensed Consolidated Interim Financial Statements and (ii) the Unaudited Condensed Consolidated Interim Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the Unaudited Condensed Consolidated Interim Financial Statements.

The Board of Directors is responsible for reviewing and approving the Unaudited Condensed Consolidated Interim Financial Statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations and for maintaining proper standards of conduct for its activities.

Jody Aufrichtig (signed)

Chief Executive Officer & Director

Toronto, Canada

March 1st, 2021

Warwick Corden-Lloyd (signed)

Chief Financial Officer

MindHealth Biomed Corp.
 Unaudited Condensed Consolidated Interim Statement of Financial Position
 (Expressed in Canadian Dollars)

	Note	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	4	\$ 4,716,520
Other receivables	8	778,969
Prepays		119,051
Inventory		6,124
Total current assets		5,620,664
Non-current assets		
Capital assets	5	358,450
Intangible assets	6	18,324
Total non-current assets		376,774
TOTAL ASSETS		\$ 5,997,438
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	7	\$ 183,928
Due to related parties	12	5,626
Current portion of lease liabilities	11	2,372
Total current liabilities		191,926
Non-current liabilities		
Lease liabilities	11	56,398
Total non-current liabilities		56,398
TOTAL LIABILITIES		248,324
SHAREHOLDERS' EQUITY		
Share capital	8	6,429,823
Shares to be issued	8	134,232
Warrants reserve	8	922,505
Foreign currency translation reserve		17,876
Deficit		(1,755,322)
TOTAL SHAREHOLDERS' EQUITY		5,749,114
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 5,997,438

Approved on behalf of the Board.

Jody Aufrichtig (signed)

Chief Executive Officer & Director

Gavin Basserabie (signed)

Director

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

MindHealth Biomed Corp.

Unaudited Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss
For the three months period ended December 31, 2020 and for the period from May 21, 2020 (date of incorporation) to December 31, 2020
(Expressed in Canadian Dollars)

	Note	For the period from May 21, 2020 (date of incorporation) to December 31, 2020	Three Months Ended December 31, 2020
Expenses			
Sales and marketing		\$ 8,800	\$ 8,800
Research and development		9,212	8,574
General and administrative		45,931	38,951
Professional and consulting fees	8	1,668,503	1,286,019
Depreciation and amortization	5	9,664	8,579
Loss before other income (expenses)		(1,742,110)	(1,350,923)
Other income (expenses)			
Accretion expense	11	(924)	(477)
Foreign exchange loss		(12,288)	(13,208)
NET LOSS		(1,755,322)	(1,364,608)
Other comprehensive income (loss)			
Foreign exchange gain on translation		17,876	16,250
COMPREHENSIVE LOSS		\$ (1,737,446)	\$ (1,348,358)
Loss per share - basic and diluted	14	(0.05)	(0.03)
Weighted average number of outstanding shares - basic and diluted		36,970,436	45,251,028

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

MindHealth Biomed Corp.

Unaudited Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

For the period from May 21, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian Dollars)

	Note	Number of shares	Share capital	Warrants reserve	Shares to be issued	Foreign currency translation reserve	Deficit	Total shareholders' equity
			\$	\$	\$	\$	\$	\$
Founder's share	8	1	-	-	-	-	-	-
Acquisition of MindHealth (Pty) Ltd.	9	24,000,000	390	-	-	-	-	390
Shares issued	8	28,492,997	7,123,250	-	-	-	-	7,123,250
Share issuance costs	8	-	(693,817)	-	-	-	-	(693,817)
Shares to be issued	8	-	-	-	134,232	-	-	134,232
Issuance of warrants	8	-	-	922,505	-	-	-	922,505
Other comprehensive income (loss)		-	-	-	-	17,876	-	17,876
Net loss		-	-	-	-	-	(1,755,322)	(1,755,322)
Balance, December 31, 2020		52,492,998	\$ 6,429,823	\$ 922,505	\$ 134,232	\$ 17,876	\$ (1,755,322)	\$ 5,749,114

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

MindHealth Biomed Corp.
 Unaudited Condensed Consolidated Interim Statement of Cash Flows
 For the period from May 21, 2020 (date of incorporation) to December 31, 2020
 (Expressed in Canadian Dollars)

	Note	May 21, 2020 (date of incorporation) to December 31, 2020
Net loss		\$ (1,755,322)
Non-cash adjustments:		
Depreciation and Amortization	5	7,694
Depreciation - Right of use assets	5	1,970
Foreign exchange		19,537
Warrants Reserve		735,322
Changes in non-cash working capital:		
Other receivables		(778,579)
Prepays		(119,051)
Inventory		(6,124)
Accounts payable and accrued liabilities		183,928
Cash used by operating activities		(1,710,625)
Increase in intangible assets		(18,324)
Additions to capital assets	5	(308,705)
Cash used by investing activities		(327,029)
Repayment of lease liabilities	11	(2,300)
Proceeds from shares issuance, net of issuance costs	8	6,616,616
Proceeds from shares to be issued	8	134,232
Due to related parties		5,626
Cash provided by financing activities		6,754,174
Change in cash		4,716,520
Cash and cash equivalents, beginning of period		-
Cash and cash equivalents, end of period		\$ 4,716,520

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

1. Nature of operations

MindHealth Biomed Corp. (“MHBC”) was incorporated on May 21, 2020 under the provisions of the Business Corporations Act (British Columbia). The principal activities of MHBC and its subsidiary (together the “Company”) are the cultivation, processing, and export of medical grade psilocybin mushrooms products. MHBC is domiciled in Ontario, Canada and its head office is located at 200 Bay Street, Suite 2010, Toronto, Ontario.

MHBC acquired all of the issued and outstanding share capital of its sole subsidiary, Mind Health (Pty) Ltd., in exchange for the issuance of common shares in the capital of MHBC on May 22, 2020. The transaction was accounted for as a common control transaction (Note 9).

On September 11, 2020, MHBC entered into a binding definitive agreement (the “Definitive Agreement”) with Cardinal Partners Inc. (“Cardinal”) to complete a business combination transaction per the letter of intent dated August 11, 2020. Under the terms of the Definitive Agreement, the reverse takeover (“RTO”) will be completed by way of a three-cornered amalgamation among Cardinal, MHBC, and 1264216 B.C. Ltd., a wholly owned subsidiary of Cardinal, incorporated for the purposes of completing the RTO under the Business Corporations Act (British Columbia).

During the period, there was a global outbreak of COVID-19 (“Coronavirus”), which has had a significant impact on businesses through the restrictions put in place by the Canadian governments regarding travel, business operations and isolation/quarantine orders. Though the financials of the Company has not been impacted until now, at this time, it is unknown the extent of the impact the Coronavirus outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the Company does not anticipate that this outbreak will impact its business or financial condition.

2. Basis of presentation

Statement of compliance

These unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these unaudited Condensed Consolidated Interim financial statements should be read in conjunction with the Company’s audited Consolidated Financial Statements for the period from May 21, 2020 (date of incorporation) to October 31, 2020.

The Condensed Consolidated Interim financial statements were authorized for issue on March 01, 2021 by the directors of the Company.

MindHealth Biomed Corp.
Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the period from May 21, 2020 (date of incorporation) to December 31, 2020
(Expressed in Canadian Dollars)

Basis of measurement

These Condensed Consolidated Interim Financial Statements have been prepared on an accrual basis, are based on historical costs and are presented in Canadian dollars, unless otherwise noted.

Functional and presentation currency

These Condensed Consolidated Interim Financial Statements are presented in Canadian dollars, which is also MHBC's functional currency. The functional currency of MHBC's sole subsidiary, Mind Health (Pty) Ltd., is the Lesotho Loti ("LSL").

3. Significant accounting policies

In addition to the significant accounting policies noted below, these unaudited condensed consolidated interim financial statements and the accompanying notes were prepared using the accounting policies described in Note 3 the Company's audited Consolidated Financial Statements for the period from May 21, 2020 (date of incorporation) to October 31, 2020.

Share-based compensation

The Company measures equity settled share-based payments based on their fair value at the grant date and recognize compensation expense over the vesting period based on management's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

For share-based payments granted to non-employees, the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if cash was paid instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital. Our plan does not feature any options for cash settlement.

Warrants

Warrants that have been issued in combination with common shares are accounted for under IAS 32, Financial Instruments: Presentation. Liability classification applies to instruments where a variable amount of cash (or liability) denominated in the issuer's functional currency is exchanged for a fixed number of shares otherwise they are classified as equity. In calculating the value of the warrants, the Black Scholes option model was used and incorporate the following key inputs: MHBC's share price, expected life of the warrant, volatility of MHBC's price, dividend yield and the risk-free interest rate.

MindHealth Biomed Corp.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the period from May 21, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian Dollars)

Intangible assets

Intangible assets are recognized when:

- it is probable that an associated future economic benefit will flow to the Company; and
- the cost can be measured reliably.

Intangible assets are initially recorded at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and/or impairment losses.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives using the following rates:

Asset	Method	Rate
Website	Straight-line	10 years

The amortization period and the amortization method for intangible assets are reviewed every period end.

Critical accounting estimates and judgements

When preparing the Condensed Consolidated Interim Financial Statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgments, estimates and assumptions applied in the Condensed Consolidated Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's audited Consolidated Financial Statements for the period from May 21, 2020 (date of incorporation) to October 31, 2020.

MindHealth Biomed Corp.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the period from May 21, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian Dollars)

4. Cash and cash equivalents

Cash and cash equivalents include the following amounts:

- an amount of \$5,000 held in trust by a brokerage firm as security for foreign currency exchanges and
- an amount of \$4,711,520 unrestricted cash held with chartered banks.

5. Capital assets

	Computer equipment	Buildings	Right-of-use assets	Production Equipment	Furniture	Bulk Infrastructure	Total
	\$	\$	\$	\$	\$	\$	\$
Cost:							
Additions	4,212	225,774	60,083	27,444	13,265	38,008	368,786
At December 31, 2020	4,212	225,774	60,083	27,444	13,265	38,008	368,786
Depreciation:							
Charge for the period	508	3,604	1,970	806	2,091	685	9,664
At December 31, 2020	508	3,604	1,970	806	2,091	685	9,664
Foreign exchange differences	(7)	(413)	(110)	(50)	(23)	(69)	(672)
Carrying amount:							
At December 31, 2020	3,697	221,757	58,003	26,588	11,151	37,254	358,450

6. Intangible assets

On November 18th, 2020, the Company acquired a domain name for a cost of \$18,324 which is recognized under intangible assets at cost and it is carried at the acquired value on December 31st, 2020. The Domain name was not in use for the period from May 21, 2020 (date of incorporation) to December 31, 2020 and as such no amortization was recorded for the period.

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts:

	December 31, 2020
	\$
Trade payables	102,965
Accrued liabilities	80,963
Total	183,928

8. Share capital and warrants reserve

Common share

Authorized share capital

Unlimited number of voting common shares without par value.

Issued and outstanding

	Common Shares	
	Number	Amount (\$)
Issuance of shares on incorporation (May 21, 2020)	1	-
Issuance of shares on purchase of Mind Health (Pty) Ltd.	24,000,000	390
Issuance of shares in private placements	28,492,997	7,123,250
Share issuance costs		(693,817)
Balance as at December 31, 2020	52,492,998	6,429,823

Common shares

On May 21, 2020, the Company issued 1 common share on incorporation for \$0.01.

On May 22, 2020, the Company issued 24,000,000 common shares in connection with the share exchange agreement with Mind Health (Pty) Ltd. (Note 9).

On June 30, 2020, the Company issued 6,340,000 common shares with a subscription price of \$0.25 per share for gross proceeds of \$1,585,000.

On August 31, 2020, the Company issued 12,826,884 common shares with a subscription price of \$0.25 per share for gross proceeds of \$3,206,721.

On December 4, 2020, the Company issued 6,756,113 common shares with a subscription price of \$0.25 per share for gross proceeds of \$1,689,029.

On December 31, 2020, the Company issued 2,570,000 common shares with a subscription price of \$0.25 per share for gross proceeds of \$642,500. This amount is included in other receivables in the Condensed Consolidated Interim Statement of Financial Position.

In relation to the issuances of shares above, the Company incurred share issuance costs of \$693,817 for the period from May 21, 2020 (date of incorporation) to December 31, 2020. The share issuance cost was comprised of \$506,634 of cash settled issuance costs and \$187,183 of non-cash costs being the fair value of warrants granted.

In December 2020, \$134,232 was received by the Company in relation to private placement which was not closed as of December 31, 2020. This amount has been recorded as shares to be issued in Condensed Consolidated Interim Statement of Changes in Shareholders' Equity.

MindHealth Biomed Corp.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the period from May 21, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian Dollars)

Stock Options

The changes in stock options outstanding during the period ended December 31, 2020 are as follows:

	Period ended December 31, 2020	
	Number of options	Weighted average exercise price (\$)
Options granted	5,190,181	0.32
Options exercised	-	-
Options cancelled	-	-
Options outstanding, ending	5,190,181	0.32
Options exercisable, ending	-	-

During the period ended December 31, 2020, the Company granted 5,190,181 stock options. The stock options vest over a period of 30 months. The fair value was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

Number issued		5,190,181
Share price	\$	0.25
Expected dividend yield		Nil
Exercise price	\$	0.32
Risk-free interest rate		0.25%
Expected life		5.00
Expected volatility		100.00%
Expiry date		12/31/2025

The fair value of these options of \$914,719 was estimated at the grant date. The fair value was not recorded in the condensed consolidated interim financial statement as none of the options were vested at December 31st, 2020.

The weighted average life remaining for the options outstanding as at December 31st, 2020 is 5 years.

Warrants

The changes in warrants outstanding during the period ended December 31, 2020 are as follows:

	Period ended December 31, 2020	
	Number of warrants	Weighted average exercise price (\$)
Warrants granted	6,511,549	0.32
Warrants exercised	-	-
Warrants cancelled	-	-
Warrants outstanding, ending	6,511,549	0.32
Warrants exercisable, ending	-	-

During the period ended December 31, 2020, the Company granted 6,511,549 warrants, which vest immediately upon issuance. The fair value was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

MindHealth Biomed Corp.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the period from May 21, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian Dollars)

Number issued		6,511,549
Share price	\$	0.25
Expected dividend yield		Nil
Exercise price	\$	0.32
Risk-free interest rate		0.25%
Expected life		3.00
Expected volatility		100.00%
Expiry date		12/31/2023

The fair value of these warrants of \$922,505 was estimated at the grant date, out of which \$735,322 is recorded under professional fees and consulting fees in the Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss and \$ 187,183 is recorded as share issuance cost in the Condensed Consolidated Interim Statement of Changes in Shareholders' Equity.

The weighted average life remaining for the warrants outstanding as at December 31st, 2020 is 3 years.

9. Acquisition

Acquisition of Mind Health (Pty) Ltd.

On May 22, 2020, MHBC entered into a share exchange agreement to issue 24,000,000 common shares to acquire all the issued and outstanding shares of Mind Health (Pty) Ltd. from its previous shareholders. The acquisition was considered to be a business combination between entities under common control. As a result, assets acquired were recorded at their predecessor carrying values rather than at fair value. The issuance of 24,000,000 shares has been measured based on the net assets acquired through Mind Health (Pty) Ltd. being \$390 (5,000 LSL).

10. Segmented information

For the period from May 21, 2020 (date of incorporation) to December 31, 2020, management determined that the Company operated only in one segment: cultivation, production, and export of medical grade psilocybin mushrooms and products.

The following is an analysis of non-current assets by geographical location:

Asset location	December 31, 2020
Canada	-
Lesotho	\$ 358,450
Non-current segment assets	\$ 358,450

MindHealth Biomed Corp.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the period from May 21, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian Dollars)

11. Leases

The Company has a lease for land that was entered into with a related party. The lease is reflected on the Condensed Consolidated Interim Statement of Financial Position as a right-of-use asset and a lease liability. The land will be used to erect manufacturing and processing facilities. The initial term of the lease is nine years beginning June 1, 2020 and ending May 21, 2029. Thereafter, the Company has the option to renew the lease for a further ten-year period for a maximum of five times total. The incremental borrowing rate and term length used in the calculation of the right-of-use asset and discounted lease liability amounts are 2.5% and 19 years, respectively.

Lease liabilities

The continuity of lease liability is as follows:

	Lease liability (\$)
Balance, May 21, 2020	-
Additions	60,083
Accretion expense	924
Lease payments	(2,300)
Foreign exchange	63
Balance, December 31, 2020	58,770
Less: current portion	2,372
Non-current portion of lease liability	56,398

The following table presents the future undiscounted payments associated with the sole lease liability as of December 31, 2020 for the next five years and thereafter:

2021	\$	3,633
2022		3,633
2023		3,633
2024		3,663
2025		3,715
Thereafter		56,486
	\$	74,763

MindHealth Biomed Corp.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the period from May 21, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian Dollars)

12. Transactions with related parties

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

The Company incurred the following transactions with related parties during the period from May 21, 2020 (incorporation date) to December 31, 2020:

Transaction type	Related party transactions	Balance payable as at December 31, 2020
Consulting fees - key management personnel	\$ 59,210	\$ -
Management fees	291,621	-
Accounting fees	51,296	-
Working capital advances	-	5,626
Total	\$ 402,126	\$ 5,626

The Company incurred expenses of \$402,126 in management, consulting and accounting fees to companies controlled by officers of the Company during the period.

As at 31st December, 2020, Company owed \$5,626 to companies controlled by the officers of the Company. The balance is non-interest bearing and repayable on demand.

13. Financial instruments and financial risk management

In the normal course of business, the Company is exposed to a variety of financial risks: credit risk, liquidity risk, foreign exchange risk and interest rate risk. These financial risks are subject to normal credit standards, financial controls, risk management as well as monitoring. MHBC's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Credit risk

Credit risk arises from cash held with banks and other receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions. The Company also assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

As at December 31, 2020, the Company's financial liabilities consist of account payable and accrued liabilities and due to related parties which all have contractual maturity dates within one year.

The Company manages liquidity risk through an ongoing review of future commitments and cash balances available. Historically, the Company's main source of funding has been the issuance of shares for cash,

MindHealth Biomed Corp.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the period from May 21, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian Dollars)

primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity or debt funding.

Based on the Company's working capital position at December 31, 2020, management regards liquidity risk to be low.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company operates internationally and is exposed to foreign exchange risk from the Lesotho Loti and US Dollars. Foreign exchange risk arises from transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

As at December 31, 2020, the Company is exposed to currency risk through the following financial assets and liabilities denominated in Lesotho Loti and US Dollars:

	December 31, 2020	December 31, 2020
	LSL	USD
Cash	1,365,943	42,044
Other receivables & prepaids	26,985	-
Inventory	70,499	-
Accounts payable and accrued liabilities	95,976	-
Due to related parties	64,768	-

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 has no significant interest-bearing assets or liabilities and therefore its income and operating cash flows are substantially independent of changes in market interest rates.

Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. The Company considers its shareholders' equity balance as capital.

MindHealth Biomed Corp.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the period from May 21, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian Dollars)

14. Loss per share

The calculation of loss per share for the period from May 21, 2020 (date of incorporation) to December 31, 2020 was based on the net loss of \$1,755,322 and a weighted average number of common shares outstanding of 36,970,436 calculated as follows:

	For the period May 21, 2020 (date of incorporation) to December 31, 2020	Three Months Ended December 31, 2020
Basic and diluted loss per share:		
Net loss	(1,755,322)	(1,348,358)
Average number of common shares outstanding	36,970,436	45,251,028
Loss per share - basic and diluted	\$ (0.05)	\$ (0.03)

The diluted weighted average of common shares outstanding does not take into account the effects of stock options and warrants as they are anti-dilutive for the period ended December 31, 2020.

15. Subsequent Events

On December 2nd, 2020, MHBC entered into an agreement to acquire 100% of the outstanding shares in Psyence Therapeutics Corp. ("Psyence") by issuing 18,000,000 MHBC shares, 1,788,344 MHBC options and 1,617,621 MHBC warrants in exchange for the outstanding 22,700,000 Psyence shares, contingent 2,255,300 Psyence options and contingent 2,040,000 Psyence warrants pursuant to the terms of a share exchange agreement. The acquisition was completed on January 15th, 2021.

On January 14th, 2021, MHBC completed a private placement of 5,427,520 common shares for gross proceeds of \$1,899,632 at \$0.35 per share and on January 18th, 2021 completed another private placement of 800,000 common shares for gross proceeds of \$280,000. Combined with its previous private placement of \$7,123,250, a total of CAD\$9,302,882 had been raised as of January 18th, 2021.

On January 19th, 2021, MHBC successfully completed an RTO of Cardinal, a public listed company on Canadian Securities Exchange. The RTO was completed by way of a three-cornered amalgamation among the MHBC, Cardinal and Psyence. The amalgamation resulted in MHBC combining its corporate existence with Psyence, and becoming Psyence Biomed Corp, a wholly-owned subsidiary of Cardinal. Pursuant to the RTO, all of the outstanding shares, options and warrants of MHBC were exchanged for shares, options and warrants of Cardinal.

MindHealth Biomed Corp.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the period from May 21, 2020 (date of incorporation) to December 31, 2020

(Expressed in Canadian Dollars)

In connection with the RTO the Cardinal changed its name to "Psyence Group Inc", the newly amalgamated wholly-owned subsidiary was named "Psyence Biomed Corp", and Cardinal's common shares (the "Shares") were consolidated on the basis of one (1) post-consolidation Share for every 19.24 pre-consolidation shares held, resulting in 1,666,662 Shares being outstanding immediately prior to giving effect to the RTO. As part of the RTO, each holder of common shares in MHBC was issued 1.0649 Shares, on a post consolidation basis, for each MHBC common share held immediately prior to the RTO.

Psyence Group Inc. commenced trading on the Canadian Securities Exchange under the symbol "PSYG" on January 27, 2021.