Psyence Group Inc.
(formerly Cardinal Capital Partners Inc.)

Consolidated Financial Statements

December 31, 2020 and 2019

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These consolidated financial statements contain estimates based on management’s judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors reviews the results of the annual audit and the consolidated financial statements prior to submitting the consolidated financial statements to the Board for approval.

The Company’s auditors, MNP LLP, are appointed by the shareholders to conduct an audit and their report follows.

Signed: “Jody Aufrichtig”
Jody Aufrichtig
Chief Executive Officer

Signed: “Warwick Corden-Lloyd”
Warwick Corden-Lloyd
Chief Financial Officer

Toronto, Canada
April 30, 2021

Independent Auditor's Report

To the Shareholders of Psyence Group Inc. (formerly Cardinal Capital Partners Inc.):

Opinion

We have audited the consolidated financial statements of Psyence Group Inc. (formerly Cardinal Capital Partners Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 30, 2021 — Licensed Public Accountants

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31 2020	December 31 2019
Assets		
Current		
Cash	$ 95,910	$ 140,738
Cash held in trust (note 1)	28,599	-
	124,509	140,738
Liabilities		
Current		
Accounts payable and accrued liabilities (note 6)	$ 136,769	$ 60,487
Shareholders' Equity		
Share capital (note 5(b))	8,328,310	8,328,310
Contributed surplus (note 5(c))	15,391,132	15,391,132
Deficit	(23,731,702)	(23,639,191)
	(12,260)	80,251
	$ 124,509	$ 140,738

Risk Management and Financial Risks (note 8)
Subsequent event (note 9)

On Behalf of the Board

Signed "Jody Aufrichtig", Director

Signed "Gavin Basserabie", Director

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

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	Share Capital	Contributed Surplus	Deficit	Total
	$	$	$	$
Balance, January 1, 2019	8,328,310	15,391,132	(23,620,135)	99,307
Net loss for the year	-	-	(19,056)	(19,056)
Balance, December 31, 2019	8,328,310	15,391,132	(23,639,191)	80,251
Net loss for the year	-	-	(92,511)	(92,511)
Balance, December 31, 2020	8,328,310	15,391,132	(23,731,702)	(12,260)

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

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

		2020		2019
Expenses				
General office and administration (note 1)	$	92,511	$	19,056
		92,511		19,056
Net loss before forgiveness of debt and income taxes		(92,511)		(19,056)
Forgiveness of debt (notes 5(c) and 6)		-		-
Net loss and comprehensive loss for the year		(92,511)		(19,056)
Basic and diluted net loss per share	$	(0.06)	$	(0.01)
Weighted average number of shares outstanding		1,666,459		1,666,459

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

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.)
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Canadian dollars)

	2020	2019
Loss for the year	$ (92,511)	$ (19,056)
Non-cash items:		
Non-refundable expense advance from MHBC (note 1)	(30,000)	-
Changes in working capital:		
Changes in accounts payable and accrued liabilities	76,282	(13,426)
Net cash flows (used in) operating activities	(46,229)	(32,482)
Financing activities		
Non-refundable expense advance from MHBC (note 1)	30,000	-
	30,000	-
(Decrease) increase in cash	(16,229)	(32,482)
Cash, beginning of year	140,738	173,220
Cash, end of year	$ 124,509	$ 140,738
Cash comprises:		
Cash	$ 95,910	$ 140,738
Cash held in trust	28,599	-
	$ 124,509	$ 140,738

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

1. Nature of Business

Psyence Group Inc. (formerly Cardinal Capital Partners Inc.) ("the Company" or "Cardinal") was a merchant bank that assumed the role of participating lender in the acquisition, development, sales and management of real estate properties that met a predetermined set of guidelines within North American markets. On September 30, 2009 the Company ceased its operations upon the sale of its wholly owned subsidiary Global Development Resources, Inc. (USA) ("GDR USA"). As a result of the sale of GDR USA, the Company no longer has continuing operations.

The Company is a publicly traded company incorporated and domiciled in Ontario. The Company's registered office is as follows: 200 Bay Street, Suite 2010, P.O. Box 10, Toronto, Ontario M5J 2J1.

On January 19, 2021, MindHealth Biomed Corp (the "MHBC") completed a Reverse Takeover ("RTO") of the Company (see note 9).

In August 2020, MHBC provided the Company with a non-refundable advance of $30,000, held in trust, to cover certain expenses related to the RTO. The $30,000 advance was recognized during the year ended December 31, 2020 as a reduction of general and administration expenses. $1,401 of the advance had been dispensed prior to December 31, 2020, and the remainder of the advance was applied against $28,599 of legal expense which were accrued in accounts payable and accrued liabilities at December 31, 2020 and paid from cash held in trust in January 2021.

2. Basis of Presentation

Statement of Compliance

These consolidated financial statements, including comparative periods, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements are prepared using IFRSs in effect at April 30, 2021, the date the Board of Directors approved the consolidated financial statements. Significant accounting policies used in the preparation of the consolidated financial statements are described in Note 3.

3. Summary of Significant Accounting Policies

Basis of Consolidation

All intercompany transactions and balances have been eliminated.

(i) Subsidiaries

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Eco Logic Chemical Technologies Inc. and Eco Logic Solutions Inc., both of which are inactive.

Use of Estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount expenses during the year. No material estimates were required in the preparation of these consolidated financial statements.

3. Summary of Significant Accounting Policies - continued

Financial Instruments

IFRS 9 - Financial Instruments was issued by the IASB to establish principles for the financial reporting of financial assets and financial liabilities, including requirements for classification and measurement, impairment, and hedge accounting.

All of the Company's financial assets and liabilities are and measured at amortized cost.

Financial instruments measured at amortized cost are initially recognized at fair value, plus adjustments for transaction costs, and then subsequently measured at amortized cost using the effective interest rate method, with gains and losses recorded as a charge against earnings.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

The following table summarizes the classification of the Company’s financial assets and liabilities under IFRS 9.

	Classification
Financial assets:	
Cash	Amortized cost
Cash held in trust	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost

Income Taxes

Income tax expense comprises current and deferred components.

Current income tax expense is the expected tax payable for the current year’s taxable income based on rates enacted or substantively enacted at the end of the reporting period and any adjustments to previous estimates.

Deferred income taxes are calculated using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in expected future tax rates is recognized in net (loss) income in the year that includes the date of substantive enactment of the revised tax rates. Deferred tax assets are recognized to the extent that it is probable that they will be realized.

3. Summary of Significant Accounting Policies - continued

Earnings (loss) per Share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by dividing net earnings available to common shareholders for the year by the diluted weighted average number of common shares outstanding during the year. The diluted weighted average number of shares includes the potential dilution from common shares issuable through stock options, if dilutive, using the treasury stock method. The treasury stock method assumes that the proceeds from any shares issued on the exercise of stock options are used by the Company to repurchase and cancel shares at the average market price of the Company's share price for the period. As such, where the strike price of stock options exceeds the average market price of the Company's shares for the reporting period, the inclusion of these shares under the treasury stock method would be anti-dilutive, so these shares are excluded from the calculation of the weighted average number of diluted common shares.

In years that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

Share-Based Payment Transactions

The fair value of share options granted to employees, officers and directors is recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and the vesting period. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted.

4. Accounting Standards Adopted

IFRS 16 – Leases was adopted on January 1, 2019. There is no impact to the Company from the adoption of IFRS 16 because the Company was not party to any lease agreements.

5. Share Capital

a) Authorized
Unlimited common shares
Unlimited preferred shares

b) Shares issued and outstanding

	Number of Shares	**Amount**
Common shares		
Balance, December 31, 2018, 2019, and 2020	1,666,459	$ 8,328,310

(see note 9 – subsequent events)

(Expressed in Canadian dollars)

5. Share Capital – continued

c) Stock Options Outstanding

The Company has a stock option plan (the "Plan") which was approved by the Board of Directors of the Company. The total amount of shares reserved for issuance under the Plan is equal to 10% of the outstanding common shares.

The Plan is for the benefit of the employees, officers and directors and certain consultants of the Company and its subsidiaries. The Plan is administered by the Compensation Committee of the Board of Directors of the Company. The Compensation Committee may from time to time designate individuals to whom options to purchase shares of the capital stock of the Company may be granted and the number of shares to be optioned to each. The option price per share which is the subject of any option shall be fixed by the Board of Directors when such option is granted. The option price can be discounted according to the rules of the Exchange at the time the option is granted. It is the Company's policy that options vest fully upon issuance. The period during which an option is exercisable shall not exceed five years from the date the option is granted. The options may not be assigned, transferred or pledged. Subject to any grace period allowed under the policies of the Exchange, the options will expire upon the termination of the employment or office with Company or any of its subsidiaries or death of an individual. The total number of shares to be optioned to any one individual cannot exceed five percent of the total of the issued and outstanding shares.

The number of shares reserved for issuance under the plan is 166,646 of which, 155,925 have been granted (see note 9 – subsequent events)

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at December 31, 2020 are as follows:

Exercise Price	Number Outstanding (i)	Weighted-Average Exercise Price	Remaining Contractual Life (years)
$0.1924	155,925	$0.1924	2.91
Total	155,925	$0.1924	2.91

(i) All stock options outstanding on December 31, 2020 were exercised in January 2021 – see note 9.

(Expressed in Canadian dollars)

6. Related Party Transactions and Balances

a) At December 31, 2020, accounts payable and accrued liabilities included $66,383 (December 31, 2019 - $30,841) payable to officers and directors of the Company.

Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel during the years ended December 31, 2020 and 2019 was as follows:

		2020		2019
Consulting fees	$	38,000	$	-
Share-based compensation (note 5(c))				-
Total	$	-	$	-

7. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 - 26.5%) to the effective tax rate is as follows:

		2020		2019
Loss before income taxes	$	(92,511)	$	(19,056)
Expected income tax recovery		(24,500)		(5,050)
Change in temporary differences not recognized		24,500		5,050
Total	$	-	$	-

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and carrying amounts of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can utilize these benefits:

		2020		2019
Non-capital losses	$	1,285,011	$	1,192,500
Net capital losses	$	10,639,090	$	10,639,090
Share issue costs	$	8,000	$	12,000

The non-capital losses carried forward will expire between 2027 and 2040. The net capital losses may be carried forward indefinitely but can only be used to reduce capital gains. Share issue costs will be deducted between 2021 and 2022.

8. Risk Management and Financial Risks

Capital Management

The Company manages its shareholders' equity as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue project opportunities for the benefit of its shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may attempt to issue new shares or debt, or adjust the amount of cash. There can be no assurance that the Company will be able to obtain debt or equity capital in the case of operating cash deficits. The Company is not subject to any externally imposed capital requirements.

Financial Risks

The Company's risk exposures and the impact on its financial instruments are summarized below:

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had current assets of $124,509 (2019 - $140,738) to settle current liabilities of $136,769 (2019 - $60,487). See notes 1 and 9 for RTO transaction.

Credit Risk

The credit risk relates to the cash on hand which is held in a single financial institution and cash held in trust with a law firm.

9. Subsequent Events

Exercise of Options

On January 15th, 2021 Option holders exercised 155,925 options at an exercise price of $0.1924 for a total consideration of $30,000, $5,000 of which was settled in cash and $25,000 in accounts payable settlement.

Share Consolidation

In contemplation of the RTO with MHBC, the Company consolidated its common shares by exchanging 1 post-consolidation share for every 19.24 pre-consolidation shares outstanding. All share quantities or per share amounts presented in these consolidated financial statements have been retrospectively presented to give effect to the consolidation.

RTO with MHBC

On January 19th, 2021, MHBC successfully completed a RTO of the Company. The RTO was completed by way of a three-cornered amalgamation among MHBC, the Company and 1264216 B.C. Ltd. a wholly owned subsidiary of the Company incorporated for the purposes of completing the Transaction under the Business Corporations Act (British Colombia). The amalgamation resulted in MHBC combining its corporate existence with 1264216 B.C , and the entity resulting from the amalgamation became a wholly owned subsidiary of the Company. Pursuant to the RTO, all of the outstanding shares, options and warrants of MHBC were exchanged for shares, options, and warrants of the Company.

In connection with the RTO the Company changed its name to "Psyence Group Inc", the newly amalgamated wholly-owned subsidiary was named "Psyence Biomed Corp", and Company'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 1,822,384 Shares being outstanding immediately prior to giving effect to the RTO.

As a result of the transaction, the Company issued a total of 81,706,552 common shares to the shareholders of MHBC and 1,999,995 common shares were issued as a finders' fee.

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