Psyence Group Inc.

(Formerly Cardinal Capital Partners Inc.)

Unaudited Condensed Consolidated Interim Financial Statements

For the three months period ended June 30, 2021 and the period from May 21, 2020 (date of incorporation of MindHealth Biomed Corp.) to June 30, 2020

Expressed in Canadian Dollars

($)

Management's Responsibility for Financial Reporting

The accompanying Unaudited Condensed Consolidated Interim Financial Statements of Psyence Group Inc. and its subsidiaries (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 Condensed Consolidated Interim Statements of Financial Position 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 fulfils 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)

Executive Chairman

Warwick Corden-Lloyd (signed)

Chief Financial Officer

Toronto, Canada

August 27, 2021

Condensed Consolidated Interim Statements of Financial Position

	Note	As at June 30, 2021 $ (Unaudited)	As at March 31, 2021 $ (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	7	5,314,764	6,096,074
Other receivables	8	63,089	181,780
Prepaid		40,371	42,727
Total current assets		5,418,224	6,320,581
Non-current assets			
Property and equipment	9	453,459	392,405
Intangible assets	10	17,408	17,866
Total non-current assets		470,867	410,271
TOTAL ASSETS		**5,889,091**	**6,730,852**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	221,643	227,577
Due to related parties		-	7,581
Current portion of lease liabilities	15	2,213	2,155
Total current liabilities		223,856	237,313
Non-current liabilities			
Lease liabilities	15	55,198	54,621
Total non-current liabilities		55,198	54,621
TOTAL LIABILITIES		**279,054**	**291,934**
SHAREHOLDERS' EQUITY			
Share capital	12	16,023,565	16,023,565
Options reserve	12	703,142	358,723
Warrants reserve	12	1,329,640	1,329,640
Foreign currency translation reserve		44,260	10,788
Deficit		(12,490,570)	(11,283,798)
TOTAL SHAREHOLDERS' EQUITY		**5,610,037**	**6,438,918**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,889,091**	**6,730,852**

Nature of operations (Note 1)
Commitments (Note 19)

Approved on behalf of the Board.

"Jody Aufrichtig"	"Gavin Basserabie"
Executive Chairman	Director

The accompanying notes are an integral part of the Unaudited Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss

For three months ended June 30, 2021 and for the comparative period from May 21, 2020 (date of incorporation of MindHealth Biomed Corp.) to June 30, 2020

	Note	2021 $	2020 $
Expenses			
Sales and marketing		25,302	-
Research and development		3,428	-
General and administrative		59,129	2,383
Professional fees and consulting fees	12,16	1,100,531	53,221
Depreciation and amortization	9,10	7,964	-
Loss before other items		**(1,196,354)**	**(55,604)**
Other items			
Accretion expense	15	(362)	(113)
Foreign exchange loss		(10,056)	-
NET LOSS		**(1,206,772)**	**(55,717)**
Other comprehensive income			
Foreign exchange gain on translation		33,472	-
TOTAL COMPREHENSIVE LOSS		**(1,173,300)**	**(55,717)**
Loss per share - basic and diluted	18	**(0.01)**	**(0.00)**
Weighted average number of outstanding shares - basic and diluted		**85,528,931**	**25,101,022**

The accompanying notes are an integral part of the Unaudited Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Changes in Equity

For three months ended June 30, 2021 and for the comparative period from May 21, 2020 (date of incorporation of MindHealth Biomed Corp.) to June 30, 2020

$	Note	Number of shares	Share capital	Warrants reserve	Options reserve	Foreign currency translation reserve	Deficit	Total shareholders' equity
Founder's share	12	1	-	-	-	-	-	-
Acquisition of Mind Health (Pty) Ltd.	12,13	25,559,746	390	-	-	-	-	390
Shares issued	12	6,752,035	1,585,000	-	-	-	-	1,585,000
Share issuance costs	12	-	(7,500)	-	-	-	-	(7,500)
Net loss		-	-	-	-	-	(55,717)	(55,717)
Balance, June 30, 2020		**32,311,782**	**1,577,890**	**-**	**-**	**-**	**(55,717)**	**1,522,173**

$	Note	Number of shares	Share capital	Warrants reserve	Options reserve	Foreign currency translation reserve	Deficit	Total shareholders' equity
Opening balance as at April 1, 2021		85,528,931	16,023,565	1,329,640	358,723	10,788	(11,283,798)	6,438,918
Issuance of options	12	-	-	-	344,419	-	-	344,419
Other comprehensive income		-	-	-	-	33,472	-	33,472
Net loss		-	-	-	-	-	(1,206,772)	(1,206,772)
Balance, June 30, 2021		**85,528,931**	**16,023,565**	**1,329,640**	**703,142**	**44,260**	**(12,490,570)**	**5,610,037**

The accompanying notes are an integral part of the Unaudited Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Cash Flows

For three months ended June 30, 2021 and for the comparative period from May 21, 2020 (date of incorporation of MindHealth Biomed Corp.) to June 30, 2020

	Note	2021 $	2020 $
Net loss		(1,206,772)	(55,717)
Non-cash adjustments			
Depreciation and amortization	9,10	7,092	-
Depreciation - right of use assets	9	872	-
Accretion expense	15	362	113
Foreign exchange		26,477	94
Share based compensation - options	12	344,419	-
Changes in non-cash working capital			
Other receivables		118,691	(7,106)
Prepaid		2,356	-
Accounts payable and accrued liabilities		(5,934)	63,284
Due to related parties		(7,581)	(315)
Cash provided in operating activities		**(720,018)**	**353**
Additions to property and equipment	9	(60,386)	-
Cash used in investing activities		**(60,386)**	**-**
Repayment of lease liabilities	15	(906)	(274)
Cash used in financing activities		**(906)**	**(274)**
Change in cash		(781,310)	79
Cash and cash equivalents, beginning of period		6,096,074	-
Cash and cash equivalents, end of period		**5,314,764**	**79**

The accompanying notes are an integral part of the Unaudited Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Interim Financial Statements

1. Nature of operations

Psyence Group Inc. (formerly Cardinal Capital Partners Inc (**"Cardinal"**)) (the **"Company"** or **"PGI"**) is a life science biotechnology company pioneering the use of natural psychedelics in the treatment of psychological trauma and mental health disorders. The Company is also developing nutraceutical products for depression, acute anxiety and sleep disorders. Prior to January 19, 2021, the Company's operations were conducted through MindHealth Biomed Corp. (**"MindHealth"**). MindHealth was incorporated under the laws of the province of British Columbia, Canada on May 21, 2020. On January 19, 2021, MindHealth changed its name to Psyence Biomed Corp. (**"PBC"**). The Company's registered office is at 200 Bay Street, P. O. Box 10, Toronto, Ontario M5J 2J1.

On September 11, 2020, the Company and MindHealth (the **"Parties"**) entered into a definitive agreement (the "**Definitive Agreement**") pursuant to which the Parties intended to complete a business combination transaction, in which MindHealth acquired all of the issued and outstanding common shares of Cardinal, in a three-cornered amalgamation (the "**Transaction**"), involving the Company, MindHealth and 1264216 B.C. Ltd., a wholly owned subsidiary of the Company. The combined public company resulting from the Transaction (the **"Resulting Issuer"** or "Psyence Group Inc.") would carry on the business of MindHealth. The transaction constitutes a "Qualifying Transaction" for Cardinal as defined in the TSX Venture Exchange Policy 2.4 – Capital Pool Companies.

In anticipation of the Transaction, pursuant to articles of amendment dated January 19, 2021, Cardinal completed the consolidation of common shares in the capital of Cardinal on the basis of one (1) post-consolidation Cardinal share for every 19.24 pre-consolidation Cardinal shares (the **"Consolidation"**), resulting in approximately 3,822,379 common shares. Cardinal changed its name to "Psyence Group Inc." and the newly amalgamated wholly-owned subsidiary was named "Psyence Biomed Corp". Cardinal issued 1.0649 Cardinal common shares (on a post-Consolidation basis) for each MindHealth common share. All outstanding warrants and options of MindHealth issued prior to the transaction were cancelled and the Company issued 1.0649 warrants and options in the capital of the Resulting Issuer, as applicable, for each MindHealth warrant or option on the same terms and conditions as the respectively cancelled warrants and options granted by MindHealth. The transaction was completed on January 19, 2021.

On April 12, 2021, Psyence South Africa (Pty) Ltd ("**Psyence South Africa**") was incorporated in South Africa as a subsidiary of PBC.

On May 5, 2021, a South African-based special purpose vehicle ("**SPV**") called Good Psyence (Pty) Ltd ("**Good Psyence**") was incorporated. The SPV is a 50/50 joint venture between the Company, via its subsidiary PBC, and The Goodleaf Company (Pty) Ltd, a private company incorporated in South Africa. The Company launched its functional mushroom brand, "GOODMIND", through the SPV and it will be responsible for the production, commercialization and sale of the products.

On May 11, 2021, Psyence Jamaica Limited ("**Psyence Jamaica**") was incorporated in Jamaica as a subsidiary of PBC. Psyence Jamaica will develop standardized nutraceutical and pharmaceutical psychedelic products in Jamaica for the treatment of psychological traumas.

During the period, there was the continuance of the global outbreak of COVID-19, which had a significant impact on businesses as restrictions remained in place by governments regarding travel, business operations and isolation/quarantine orders. The financial performance of the Company has not been impacted until now. It is unknown the extent the impact the Coronavirus outbreak may have on the Company as this will depend on future developments that are highly uncertain and cannot be predicted with certainty. 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 governments. While the extent of the impact is unknown, the Company does not anticipate that the outbreak will impact its 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 March 31, 2021.

The Unaudited Condensed Consolidated Interim Financial Statements were authorized for issue on August 27, 2021 by the directors of the Company.

Basis of measurement

These Unaudited 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 Unaudited Condensed Consolidated Interim Financial Statements are presented in Canadian Dollars (**"CAD $"**)**,** which is also PGI's functional currency. The functional currency of PGI's subsidiaries, PBC, and Psyence Therapeutics Corp ("**PTC"**) is Canadian Dollars, Mind Health (Pty) Ltd, is the Lesotho Loti (**"LSL"**), Psyence South Africa is South African Rand ("**ZAR"**) and Psyence Jamaica is Jamaican Dollars ("**JMD**"). The functional currency for Good Psyence is South African Rand ("**ZAR"**).

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 March 31, 2021.

Basis of consolidation

These Unaudited Condensed Consolidated Interim Financial Statements incorporate the accounts of PGI and its subsidiaries. A subsidiary is an entity controlled by PGI and its results are consolidated into the financial results of the Company from the effective date of control up to the effective date of loss of control.

Control exists when an investor is exposed, or has rights, to variable returns from the involvement with the investee and has liability to affect those returns through its power over the investee. Where the Company's interest is less than 100%, the Company recognizes non-controlling interests.

The subsidiaries of PGI that have been consolidated as of June 30, 2021 are as follows:

Name of entity	Place of incorporation	% Ownership	Accounting method
Mind Health (Pty) Ltd.	Lesotho	100%	Consolidation
Psyence Biomed Corp.	British Columbia	100%	Consolidation
Psyence Therapeutics Corp.	Ontario	100%	Consolidation
Psyence South Africa	South Africa	100%	Consolidation
Psyence Jamaica	Jamaica	100%	Consolidation

Inter-company balances and transactions are eliminated upon consolidation. There was no activity recorded for Psyence Jamaica and Good Psyence as they are in early stages with no operations prior to June 30, 2021.

4. Critical accounting estimates and judgements

When preparing the Unaudited 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 Unaudited 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 March 31, 2021.

5. Acquisition of Cardinal Capital Partners Inc.

On September 11, 2020, the Company and MindHealth entered into a Definitive Agreement pursuant to which the Parties intended to complete a business combination transaction, in which MindHealth acquired all of the issued and outstanding common shares of Cardinal, in the Transaction, involving the Company, MindHealth and 1264216 B.C. Ltd., a wholly owned subsidiary of the Company.

In anticipation of the Transaction, pursuant to articles of amendment dated January 19, 2021, Cardinal completed the consolidation of common shares in the capital of Cardinal on the basis of one (1) post-consolidation Cardinal share for every 19.24 pre-consolidation Cardinal shares, resulting in approximately 3,822,379 common shares. Cardinal changed its name to "Psyence Group Inc." and the newly amalgamated wholly-owned subsidiary was named "Psyence Biomed Corp". Cardinal issued 1.0649 Cardinal common shares (on a post-Consolidation basis) for each MindHealth common share. All outstanding warrants and options of MindHealth issued prior to the Transaction were cancelled and the Company issued 1.0649 warrants and options in the capital of the Resulting Issuer, as applicable, for each MindHealth warrant or option on the same terms and conditions as the respectively cancelled warrants and options granted by MindHealth. The Transaction was completed on January 19, 2021. As a result, the Company issued a total of 81,706,552 common shares to former MindHealth shareholders which represented 96% of the total issued and outstanding shares on closing. The Company commenced trading on the Canadian Securities Exchange (**"CSE"**) on January 27, 2021 under the symbol "PSYG".

The Transaction has been accounted for in accordance with IFRS 2 *Share-based payments*. The Transaction is considered to be an RTO of Cardinal by MindHealth. An RTO transaction involving a non-public operating entity and a non-operating public company is in substance a shared based payment transaction rather than a business combination. The Transaction is equivalent to the issuance of common shares by the non-public operating entity, MindHealth, for the net assets and the listing status of the non-operating public company, Cardinal. The fair value of the common shares issued was determined based on the fair value of the common shares issued by the Resulting Issuer. For financial reporting purposes, the Company is considered a continuation of MindHealth, the legal subsidiary. The Transaction was negotiated and completed at arm's length. The combined results of operations are included from January 19, 2021.

At the date of acquisition on January 19, 2021, the Transaction was recorded as follows:

Purchase price consideration paid	**$**
Fair value of common shares issued	1,256,194
Total consideration	**1,256,194**
Net identifiable liabilities acquired	
Accounts Payable and accrued liabilities	19,199
Cash	(3,499)
Total net identifiable liabilities acquired	15,700
Excess of consideration paid over net assets acquired, representing a listing cost	**1,271,894**

Fair value of Cardinal shares

Number of pre-consolidation Cardinal shares	73,546,474
Consolidation basis of Cardinal shares	19.24
Number of post-consolidation Cardinal shares	3,822,379
Share value as determined	$ 0.33
Value of Cardinal shares that would have been issued to obtain the same ownership percentage`	1,256,194

The excess of fair value of net assets assumed over purchase price is considered an expense of acquiring a public listing and as a result, a listing fee expense is $1,271,894 was recorded in the Annual Consolidated Financial Statements.

6. Asset acquisition

Acquisition of PTC

On January 15, 2021, MindHealth acquired 100% of the issued and outstanding common shares of PTC. PTC is a research and development company in the Psychedelic industry. The consideration consisted entirely of shares of MindHealth which were measured at the estimated fair value, based on the most recent private placement on the date of acquisition. The fair value of the common shares issued to the former PTC shareholders was determined to be $6,300,000 based on the fair value of the shares issued (18,000,000 shares at $0.35 per share). The fair value of the PTC warrants was determined to be $386,065 using a Black Scholes model based on the following assumptions: stock price volatility - 100%; risk-free interest rate –0.25%; stock price at January 15th, 2021 -$0.35 and an expected life of 3 years.

PTC acquisition cost	**$**
Consideration: 18,000,000 shares	6,300,000
Warrants	386,065
Total consideration	**6,686,065**
Net identifiable liabilities acquired	
Total net identifiable liabilities acquired	108,566
Cost of acquisition	**6,794,631**

The acquisition of PTC does not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 *Business Combination*. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire these entities.

PTC was in the early stage of product development, and research and development of compounds that are found in various strains of mushroom and fungi. As such, the remaining unidentifiable asset did not meet the intangible asset criteria for capitalization. Accordingly, the Company expensed $6,794,631 in the Annual Consolidated Statement of net loss and comprehensive loss.

7. 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.
- an amount of $5,309,764 unrestricted cash held with chartered banks.

8. Other Receivables

Other receivables include the following amounts

	June 30, 2021 $	March 31, 2021 $
Other receivables	8,320	7,827
Sales tax receivable	54,769	173,953
At June 30, 2021	63,089	181,780

The Company estimated the expected credit loss on the other receivables to be nominal as at June 30, 2021.

9. Property and equipment

$	Computer equipment	Buildings	Right-of-use assets	Production equipment	Furniture & fixtures	Bulk infrastructure	Total
Additions	7,677	257,900	58,708	10,023	21,797	60,544	**416,649**
At March 31, 2021	7,677	257,900	58,708	10,023	21,797	60,544	**416,649**
Depreciation:							
Charge for the period	1,228	9,202	2,553	1,210	6,097	3,748	**24,038**
At March 31, 2021	1,228	9,202	2,553	1,210	6,097	3,748	**24,038**
Foreign exchange differences	(5)	(148)	-	(6)	(12)	(35)	**(206)**
Carrying amount:							
At March 31, 2021	6,444	248,550	56,155	8,807	15,688	56,761	**392,405**
Cost:							
Additions	645	55,312	-	2,769	-	1,660	**60,386**
At June 30, 2021	8,322	313,212	58,708	12,792	21,797	62,204	**477,035**
Depreciation:							
Charge for the period	626	6,229	263	661	620	2,591	**10,990**
Adjustment due to change in useful life	-	-	-	-	(3,484)	-	**(3,484)**
At June 30, 2021	1,854	15,431	2,816	1,871	3,233	6,339	**31,544**
Foreign exchange differences	164	5,397	619	214	301	1,273	**7,968**
Carrying amount:							
At June 30, 2021	6,632	303,178	56,511	11,135	18,865	57,138	**453,459**

During the period, useful lives for certain components of furniture was revised and adjustment of $(3,484) was recorded under depreciation and amortization in the condensed consolidated interim statements of net loss and comprehensive loss.

10. Intangible assets

On November 18, 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 amortized value on June 30, 2021.

Intangible Assets	**$**
Additions	18,324
At March 31, 2021	18,324
Amortization:	
Charge for the period	(458)
At March 31, 2021	(458)
Carrying amount:	
At March 31, 2021	17,866
Additions	-
At June 30, 2021	18,324
Amortization:	
Charge for the period	(458)
At June 30, 2021	(916)
Carrying amount:	
At June 30, 2021	17,408

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts:

	June 30, 2021 $	**March 31, 2021 $**
Trade payables	111,779	55,918
Accrued liabilities	109,864	171,659
Total	221,643	227,577

12. Share capital

Authorized share capital

Unlimited number of voting common shares without par value.

Issued and outstanding

Common shares	2021		2020	
	Number	Amount ($)	Number	Amount ($)
Issuance of shares on incorporation (May 21, 2020)	1	-	1	-
Issuance of shares on purchase of Mind Health (Pty) Ltd.	24,000,000	390	25,559,746	390
Issuance of shares in private placements	34,720,517	9,302,882	6,752,035	1,585,000
Acquisition of PTC	18,000,000	6,300,000	-	-
Impact of share exchange due to RTO	4,986,034	-	-	-
RTO of Cardinal	3,822,379	1,256,194	-	-
Share issuance costs	-	(835,901)	-	(7,500)
Balance as at June 30	85,528,931	16,023,565	32,311,782	1,577,890

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..

Private placements

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.

On January 14, 2021, the Company issued 5,427,520 common shares with a subscription price of $0.35 per share for gross proceeds of $1,899,632.

On January 18, 2021, the Company issued 800,000 common shares with a subscription price of $0.35 per share for gross proceeds of $280,000.

In relation to the private placements aforementioned, the Company incurred share issuance costs of $835,901 for the period ended March 31, 2021. The share issuance costs were comprised of $627,649 of cash settled issuance costs and $208,252 of non-cash costs being the fair value of warrants issued.

Acquisition of PTC

On January 15, 2021, the Company issued 18,000,000 common shares in exchange of PTC shares for total value of $6,300,000. Together with this acquisition, the Company also issued 1,744,493 warrants and 1,788,344 options to the shareholders of PTC. The transaction was measured based on the most recent financing price for shares issued, being $0.35 per share.

Impact of share exchange due to RTO

On January 19, 2021, the Company exchanged its existing shares issued at the rate of 1.0649 new shares in exchange of 1 existing share and issued 4,986,034 additional shares for that effect.

Reverse takeover

On January 19, 2021, the Company issued 3,822,379 common shares to the former shareholders of Cardinals (now PGI). The transaction was measured based on the most recent financing price for shares issued, revised by the share exchange ratio of 1 to 1.0649, at the fair value of $0.33 per share and total value of $1,256,194.

Stock Options

The changes in stock options outstanding during the period ended June 30, 2021 are as follows:

	Period ended June 30, 2021	
	Number of options	Weighted average exercise price ($)
Outstanding, at beginning of period	7,432,055	0.30
Cancelled / forfeited	-	-
Options outstanding, ending	7,432,055	0.30
Options exercisable, ending	233,333	0.30

From the total of 7,432,055 stock options issued, 6,732,055 stock options vest over a period of 30 months and 700,000 stock options vest over 18 months. The fair value was estimated to be $1,383,328 at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

	Options granted on December 31, 2020	Options granted on January 15, 2021
Number issued	5,527,488	1,904,567
Share price	0.23	0.33
Expected dividend yield	Nil	Nil
Exercise price	0.30	0.30
Risk-free interest rate	0.39%	0.42%
Expected life	5.00	4.96
Expected volatility	100%	100%
Expiry date	December 31, 2025	December 31, 2025

For the period ending June 30, 2021 $344,419 (June 30, 2020 – nil) was expensed and recorded as share based payments under professional fees and consulting expenses in the consolidated statement of net loss and comprehensive loss based on the vesting terms of the options.

The weighted average remaining life for the options outstanding as at June 30, 2021 is 4.50 years.

Warrants

The changes in warrants outstanding during the period ended June 30, 2021 are as follows:

	Period ended June 30, 2021	
	Number of warrants	Weighted average exercise price ($)
Outstanding, at beginning of period	8,910,553	0.30
Cancelled / forfeited	-	-
Warrants outstanding, ending	8,910,553	0.30
Warrants exercisable, ending	8,910,553	0.30

The assumptions used in Black Scholes pricing model reflected the changes of the revised number of warrants and revised exercise price. The fair value was estimated to be $1,329,640 at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

	Warrants granted on December 31, 2020	Broker warrants granted on January 15, 2021	Warrants granted on January 15,2021
Number issued	6,934,731	117,955	1,857,867
Share price	0.23	0.33	0.33
Expected dividend yield	Nil	Nil	Nil
Exercise price	0.30	0.33	0.30
Risk-free interest rate	0.25%	0.15%	0.20%
Expected life	3.00	2.00	2.96
Expected volatility	100%	100%	100%
Expiry date	December 31, 2023	January 15, 2023	December 31, 2023

The weighted average life remaining for the warrants outstanding as at June 30, 2021 is 2.50 years.

Escrow Securities

In connection with the Company's listing on the CSE, 12,181,767 common shares and 1,635,431 warrants beneficially owned by certain directors and officers of the Company were placed in escrow with an escrow agent pursuant to an escrow agreement dated January 19, 2021. In connection with the acquisition of PTC on January 15, 2021 an additional 6,795,496 common shares were placed in escrow based on the same terms. These shares and warrants shall be released from escrow as follows:

- 1/10 of escrowed securities to be released on January 27, 2021, the date of listing;
- 1/6 of remaining escrow securities to be released 6 months after the listing date;
- 1/5 of remaining escrow securities to be released 12 months after the listing date;
- 1/4 of remaining escrow securities to be released 18 months after the listing date;
- 1/3 of remaining escrow securities to be released 24 months after the listing date;
- 1/2 of remaining escrow securities to be released 30 months after the listing date; and
- Remaining escrow securities to be released 36 months after the listing date.

As of June 30, 2021, 17,079,537 common shares and 1,471,887 warrants are held in escrow.

13. Common control transaction

Acquisition of Mind Health (Pty) Ltd.

On May 22, 2020, MindHealth 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).

14. Segmented information

For the period ended June 30, 2021, management determined that the Company operated only in one segment: development of psilocybin medical and over-the-counter products.

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

Asset location ($)	June 30, 2021	March 31, 2021
Canada	17,408	17,866
Lesotho	453,459	392,405
Non-current segment assets	470,867	410,271

15. Leases

The Company has a lease for land that was entered into with a related party. The lease is reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability. The land has been 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 liability

The continuity of lease liability is as follows:

Lease liability ($)	2021	2020
Opening Balance, April 1	56,776	-
Additions	-	54,290
Accretion expense	362	113
Lease payments	(906)	(274)
Foreign exchange	1,179	-
Closing Balance, June 30	57,411	54,129
Less: current portion	2,213	2,171
Non-current portion of lease liability	55,198	51,958

The following table presents the future undiscounted payments associated with the sole lease liability as of June 30, 2021 for the next five years and thereafter:

Future undiscounted payments	$
2021	3,549
2022	3,549
2023	3,549
2024	3,591
2025	3,643
Thereafter for 14 years	54,280
Total	72,161

16. 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 Directors.

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

The Company incurred the following transactions with related parties during the period ended June 30, 2021:

Transaction Type	**Related party transactions ($)**	
	June 30, 2021	**June 30, 2020**
Consulting fees - key management personnel	200,841	-
Management fees	89,475	48,478
Share-based compensation	159,208	-
Total	**449,524**	**48,478**

17. 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. The Company'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 June 30, 2021, the Company's financial liabilities consist of account payable, accrued liabilities and amounts 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, 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 June 30, 2021, 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 ZAR and LSL. The LSL is pegged to the ZAR at one-to-one. Foreign exchange risk arises from transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

As at June 30, 2021, the Company is exposed to currency risk through the following financial assets and liabilities denominated in ZAR, LSL and USD:

Foreign exchange risk	**June 30, 2021**		**March 31, 2021**	
	LSL, ZAR	**USD**	**LSL, ZAR**	**USD**
Cash	380,103	222	1,015,531	7,810
Other receivables & prepaids	91,000	-	87,576	-
Accounts payable and accrued liabilities	146,999	-	256,315	-
Due to related parties	-	-	89,317	-

A 10% change in exchange rate would have resulted in a loss of $5,393 as at June 30, 2021 (June 30, 2020 - $726).

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.

18. Loss per share

The calculation of basic and diluted loss per common share for the period ended June 30, 2021 was based on the net loss of $(1,206,772) (June 30, 2020 - $(55,717)) and a weighted average number of common shares outstanding of 85,528,931 (June 30, 2020 – 25,101,022) calculated as follows:

Earnings per Share ($)	**2021**	**2020**
Basic and diluted loss per share:		
Net loss	(1,206,772)	(55,717)
Average number of common shares outstanding	85,528,931	25,101,022
Loss per share - basic and diluted	(0.01)	(0.00)

The diluted weighted average number of common shares does not take into account the effects of stock options and warrants as they would be anti-dilutive for the period ended June 30, 2021.

19. Commitments

For the period ended June 30, 2021, the Company was committed to a consultancy agreement, whereby the Company is required to pay the service provider a 3.8% royalty of net sales of all new products allocated to the service provider and developed and commercialised under the Service Provider Duties and 2.5% royalty of net sales of all existing products developed up to the date of agreement allocated to the Service Provider and developed and commercialised under the Service Provider's duties. During the period ended June 30, 2021, there were no revenues and no royalties paid. All Royalty payments are calculated on a quarterly basis and shall remain full and owing to the service provider, only expiring at (i) the Royalty Products end of life or (ii) 5 years after the termination date, whichever date is earlier. During August 2021, the consultancy agreement as well as any future royalties were terminated with no costs incurred.

20. Capital management

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of natural health business, to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk level.

The Company manages its capital structure and makes adjustments to 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 attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and short-term investments on hand.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

Management considers its approach to capital management to be appropriate given the relative size of the Company. There were no changes in the Company's approach to capital management during the year.

21. Subsequent events

On July 01, 2021, the Company issued 1,800,000 options to purchase common shares in the Company at a price of $0.30 to a certain member of management.

On July 07,2021, the Company announced it had signed a strategic agreement with Clerkenwell Health ("**Clerkenwell**"). Clerkenwell is a leading psychedelic Contract Research Organisation (CRO) based in the United Kingdom. Psyence is developing market leading clinical trials in the field of palliative care and has partnered with Clerkenwell, which will be responsible for jointly designing and delivering the UK clinical trial.

On August 18, 2021, the Company announced the commencement of online sales and distribution of its premium range of functional mushroom products, GOODMIND, through its South African-based special purpose vehicle ("**SPV**") called Good Psyence (Pty) Ltd. The SPV is a 50/50 joint venture between PBC and The Goodleaf Company (Pty) Ltd, a private company incorporated in South Africa.