Psyence Group Inc.

(Formerly Cardinal Capital Partners Inc.)

Unaudited Condensed Consolidated Interim Financial Statements

For the six months period ended September 30, 2021 and the period from May 21, 2020 (date of incorporation of MindHealth Biomed Corp.) to September 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)	Warwick Corden-Lloyd (signed)
Executive Chairman	Chief Financial Officer

Toronto, Canada

November 29, 2021

(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Financial Position

	Note	As at September 30, 2021 $ (Unaudited)	As at March 31, 2021 $ (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	7	4,223,137	6,096,074
Other receivables	8	135,413	181,780
Prepaid		43,253	42,727
Inventory	20	39,292	-
Total current assets		4,441,095	6,320,581
Non-current assets			
Due from related parties	11,17	9,983	-
Property and equipment	9	458,477	392,405
Intangible assets	10	23,723	17,866
Total non-current assets		492,183	410,271
TOTAL ASSETS		**4,933,278**	**6,730,852**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	144,066	227,577
Due to related parties	17	-	7,581
Current portion of lease liabilities	16	2,161	2,155
Total current liabilities		146,227	237,313
Non-current liabilities			
Lease liabilities	16	53,018	54,621
Total non-current liabilities		53,018	54,621
TOTAL LIABILITIES		**199,245**	**291,934**
SHAREHOLDERS' EQUITY			
Share capital	13	16,023,565	16,023,565
Options reserve	13	963,591	358,723
Warrants reserve	13	1,329,640	1,329,640
Foreign currency translation reserve		4,106	10,788
Deficit		(13,586,869)	(11,283,798)
TOTAL SHAREHOLDERS' EQUITY		**4,734,033**	**6,438,918**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,933,278**	**6,730,852**

Nature of operations (Note 1)
Commitments (Note 21)

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

(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss

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

	Note	Three months Ended September 30, 2021	Three months Ended September 30, 2020	Six months Ended September 30, 2021	Period from May 21, 2020 (date of incorporation) to September 30, 2020
Expenses					
Sales and marketing		30,271	-	55,573	-
Research and development		8,577	1,998	12,005	1,998
General and administrative	17	318,184	3,578	377,313	6,074
Professional fees and consulting fees	13,17	693,253	330,844	1,793,784	383,952
Depreciation and amortization	9,10	14,893	1,197	22,857	1,197
Loss before other items		**(1,065,178)**	**(337,617)**	**(2,261,532)**	**(393,221)**
Other items					
Accretion expense	16	(354)	(381)	(716)	(494)
Foreign exchange gain		22,331	799	12,275	799
Share of loss from joint venture	11	(53,098)	-	(53,098)	-
NET LOSS		**(1,096,299)**	**(337,199)**	**(2,303,071)**	**(392,916)**
Other comprehensive income/(loss)					
Foreign exchange gain/(loss) on translation		(40,154)	3,831	(6,682)	3,831
TOTAL COMPREHENSIVE LOSS		**(1,136,453)**	**(333,368)**	**(2,309,753)**	**(389,085)**
Loss per share - basic and diluted	19	**(0.01)**	**(0.01)**	**(0.03)**	**(0.01)**
Weighted average number of outstanding shares - basic and diluted		**85,528,931**	**36,914,776**	**85,528,931**	**33,272,942**

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

(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Changes in Equity

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

$	Note	Number of shares	Share capital	Warrants reserve	Options reserve	Foreign currency translation reserve	Deficit	Total shareholders' equity
Founder's share	13	1	-	-	-	-	-	-
Acquisition of Mind Health (Pty) Ltd.	13,14	24,000,000	390	-	-	-	-	390
Shares issued	13	19,166,884	4,791,721	-	-	-	-	4,791,721
Impact of share exchange due to RTO	13	2,805,398	-	-	-	-	-	-
Share issuance costs	13	-	(353,893)	-	-	-	-	(353,893)
Other comprehensive loss		-	-	-	-	3,831	-	3,831
Net loss		-	-	-	-	-	(392,916)	(392,916)
Balance, September 30, 2020		**45,972,283**	**4,438,218**	**-**	**-**	**3,831**	**(392,916)**	**4,049,133**

$	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
Share based compensation	13	-	-	-	604,868	-	-	604,868
Other comprehensive income		-	-	-	-	(6,682)	-	(6,682)
Net loss		-	-	-	-	-	(2,303,071)	(2,303,071)
Balance, September 30, 2021		**85,528,931**	**16,023,565**	**1,329,640**	**963,591**	**4,106**	**(13,586,869)**	**4,734,033**

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

(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Cash Flows

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

	Note	2021 $	2020 $
Net loss		(2,303,071)	(392,916)
Non-cash adjustments			
Depreciation and amortization	9,10	22,857	1,166
Accretion expense	16	716	494
Foreign exchange		(1,698)	11,235
Share based compensation	13	604,868	-
Share of loss from joint venture	11	53,098	-
Changes in non-cash working capital			
Other receivables		46,367	(2,449)
Prepaid		(7,414)	(99,733)
Accounts payable and accrued liabilities		(83,511)	187,466
Due to related parties		(7,581)	-
Inventory		(39,292)	-
Cash used in operating activities		**(1,714,661)**	**(294,737)**
Additions to property and equipment	9	(93,437)	(37,392)
Investment in joint venture	11	(4)	-
Loan to joint venture	11	(63,077)	-
Cash used in investing activities		**(156,518)**	**(37,392)**
Repayment of lease liabilities	16	(1,758)	(1,172)
Proceeds from share issuance, net of issuance cost	13	-	4,438,218
Cash from/(used in) financing activities		**(1,758)**	**4,437,046**
Change in cash and cash equivalents		(1,872,937)	4,104,917
Cash and cash equivalents, beginning of period		6,096,074	-
Cash and cash equivalents, end of period		**4,223,137**	**4,104,917**

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.

On September 9, 2021, the Company through PBC entered into a subscription and shareholders agreement with Pure Extracts Technologies Corp. through its subsidiary Pure Mushrooms Corp. ("**Pure Mushrooms**"), whereby the Company and Pure Mushrooms each acquired a 50% share and voting rights in newly incorporated entity by the name of Pure Psyence Corp. for a nominal amount of cash.
As of September 30, 2021, Pure Psyence Corp. has remained inactive with amounts totaling $nil recognized in the condensed consolidated interim statements of net loss and comprehensive loss.

During the period, the Company's operations have not been negatively impacted by COVID-19, other than as set out in this paragraph. The following factors have mitigated the impact of COVID-19 on the

Lesotho facility: a) border crossing requirements and restrictions between South Africa and Lesotho have been reduced and the current requirements (such as a negative COVID test) have not hindered key staff's freedom of movement between the countries; b) the flow of materials and supplies across borders is permissible; c) no positive COVID cases have been reported at the Lesotho facility and accordingly, no shut downs have been necessary; d) CCTV and other technologies have allowed for virtual audits to occur, keeping the certification and validation plans at the facility on track; (e) management operating from outside Lesotho are able to supervise activities at the facility through CCTV and other communication technologies. Travel restrictions have negatively impacted international or third-party audits, resulting in an inability to conduct on-site audits with respect to the Lesotho Facility, and certification delays. However, such auditing officials have conducted remote audits to manage the situation and avoid undue delays.

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 November 29, 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 of 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.

(Expressed in Canadian Dollars)

The subsidiaries of PGI that have been consolidated as of September 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

As at September 30, 2021, the Company holds 50% ownership in Good Psyence (Pty) Ltd. and 50% ownership in Pure Psyence Corp., both of which are jointly controlled and accounted for under the equity method.

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

Joint Arrangements

A joint arrangement represents an arrangement where two or more parties hold joint control. Joint control is deemed to exist under contractual agreement where decisions regarding relevant activities of the arrangement require the unanimous consent of those parties sharing control.

A joint venture is a joint arrangement and represents a company or other entity in which each venturer has an interest, holds joint control and holds rights to the net assets of the entity. Interests in joint ventures are accounted for using the equity method of accounting. The Company does not recognize losses exceeding the carrying value of its interest in joint ventures.

Inventory

Inventory is initially measured at cost, and subsequently measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

The Company allocates direct and indirect production costs to inventory on a systematic and rational basis. Production costs include the cost of raw materials, direct labour, overhead expenses and applicable depreciation of laboratory and production equipment. The Company utilizes a weighted average cost calculation to determine the value of ending inventory.

Share-based payments

The Company offers a Restricted Share Unit ("RSU") Plan for directors, officers, consultants and employees which can be settled in cash or common shares of the Company at the sole discretion of the Company. The RSUs are accounted for as equity instruments whereby the RSUs are initially measured at fair value on the grant date and recognized in the options reserve on the condensed consolidated interim statements of financial position. Fair value is recognized over the vesting period and reflects an estimate of forfeitures. The fair value of RSUs is remeasured subsequent to initial recognition only if the grant is modified. RSUs terminate when an employee ceases to be employed by the Company.

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.

(Expressed in Canadian Dollars)

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, with the exception of those seen below:

Joint arrangement - Good Psyence (Pty) Ltd.

The classification of a joint arrangement as either a joint venture or joint operation requires the Company to assess whether the parties to the arrangement hold joint control over the net assets of the entity or, individually, the rights to the assets and obligations for the liabilities of the entity. This is determined through the exercise of judgement and requires the consideration of various factors including the structure, terms and circumstances of the joint arrangement.

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

(Expressed in Canadian Dollars)

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.

(Expressed in Canadian Dollars)

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; and
- an amount of $4,218,137 unrestricted cash held with chartered banks.

8. Other Receivables

Other receivables include the following amounts:

	September 30, 2021 $	March 31, 2021 $
Other receivables	44,853	7,827
Sales tax receivable	90,560	173,953
Total	**135,413**	**181,780**

The Company estimated the expected credit loss on the other receivables to be nominal as at September 30, 2021 and March 31, 2021.

(Expressed in Canadian Dollars)

9. Property, plant and equipment

$	Computer equipment	Buildings	Right-of-use asset	Production equipment	Furniture & fixtures	Bulk infrastructure	Total
Cost							
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
Additions	643	88,242	-	2,900	-	1,652	93,437
Foreign exchange	(89)	(4,693)	(555)	(170)	(206)	(614)	(6,327)
At September 30, 2021	**8,231**	**341,449**	**58,153**	**12,753**	**21,591**	**61,582**	**503,759**
Accumulated Depreciation							
Charge for the period	1,228	9,202	2,553	1,210	6,097	3,748	24,038
Foreign exchange	5	148	-	6	12	35	206
At March 31, 2021	1,233	9,350	2,553	1,216	6,109	3,783	24,244
Charge for the period	1,409	12,968	1,571	1,692	(1,157)	5,343	21,826
Foreign exchange	(41)	(488)	(43)	(52)	12	(176)	(788)
At September 30, 2021	**2,601**	**21,830**	**4,081**	**2,856**	**4,964**	**8,950**	**45,282**
Carrying Value							
At March 31, 2021	6,444	248,550	56,155	8,807	15,688	56,761	392,405
At September 30, 2021	**5,630**	**319,619**	**54,072**	**9,897**	**16,627**	**52,632**	**458,477**

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 September 30, 2021. On July 1, 2021, the Company commissioned additional improvements to the domain.

Intangible Assets	$
Cost:	
Additions	18,324
At March 31, 2021	18,324
Additions	6,888
At September 31, 2021	25,212
Accumulated Amortization:	
Charge for the period	(458)
At March 31, 2021	(458)
Charge for the period	(1,031)
At September 30, 2021	(1,489)
Carrying amount:	
At March 31, 2021	17,866
At September 30, 2021	23,723

(Expressed in Canadian Dollars)

11. Investment in Joint Venture

Good Psyence (Pty) Ltd.

On April 7, 2021, the Company through PBC entered into a subscription and shareholders agreement **(the "Joint Arrangement")** with Goodleaf, whereby the Company and Goodleaf each acquired a 50% share and voting rights in a South African-based SPV called "Good Psyence (Pty) Ltd" incorporated on May 5, 2021. The 50% stake was acquired in exchange for an initial investment of ZAR 50 (CAD $4) from each party.

The investment in Good Psyence was accounted for as of the effective date of incorporation on May 5, 2021 as a joint venture as the subscription and shareholders agreement establishing joint control was effective from that date.

Under the terms of the Joint Arrangement, each party also agreed to extend an initial ZAR 499,950 (CAD $43,136) to Good Psyence through a non-interest-bearing loan that is due and payable on demand. This loan was provided by way of cash for the Company and by way of services for Goodleaf.

On August 11, 2021, the Company and Goodleaf agreed to extend up to an additional ZAR 1,000,000 to Good Psyence under the same terms as the original loan, provided by way of cash for both parties.

As of September 30, 2021, a total of ZAR 749,950 (CAD $63,077) has been extended to Good Psyence by the Company. This balance is held in due from related parties on the condensed consolidated interim statement of financial position which continues to remain outstanding, non-interest bearing and payable on demand. Due to the level of uncertainty associated with the Company's ability to recover its non-interest bearing loans extended to Good Psyence in the short-term, the total amounts outstanding of ZAR 749,950 have been deemed to form part of the Company's net investment in the joint venture. The investment in the joint venture has further been reduced by the Company's share of losses.

During the three and six month periods ended September 30, 2021, the Company recognized amounts totaling $53,098 (September 30, 2020 – nil) in the condensed consolidated interim statements of net loss and comprehensive loss related to the Company's share of loss from the joint venture, of which $4 was deducted from the Company's initial investment in joint venture with the remaining $53,094 deducted from the Company's loan receivable held in due from related parties.

Summarized financial information of Good Psyence is presented below, on a 100% basis:

Selected information as at September 30, 2021	**$**
Total assets	77,880
Total liabilities	184,068
Net deficit	106,188

For the period ended September 30, 2021	**$**
Revenues	4,749
Cost of Sales	(3,833)
Administrative expenses	(107,112)
Net loss and comprehensive loss	106,196

Pure Psyence Corp.

On September 9, 2021, the Company through PBC entered into a subscription and shareholders agreement with Pure Extracts Technologies Corp. through its subsidiary Pure Mushrooms Corp., whereby the Company and Pure Mushrooms each acquired a 50% share and voting rights in newly incorporated entity by the name of Pure Psyence Corp. for a nominal amount of cash.

(Expressed in Canadian Dollars)

As of September 30, 2021, Pure Psyence Corp. has remained inactive with amounts totaling $nil recognized in the condensed consolidated interim statements of net loss and comprehensive loss.

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts:

	September 30, 2021 $	March 31, 2021 $
Trade payables	38,905	55,918
Accrued liabilities	105,161	171,659
Total	144,066	227,577

13. Share capital

Authorized share capital

Unlimited number of voting common shares without par value.

Issued and outstanding

Common shares	2021		2020	
	Number	Amount ($)	Number	Amount ($)
Opening Balance	85,528,931	16,023,565	-	-
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	-	-	19,166,884	4,791,721
Impact of share exchange due to RTO	-	-	2,805,398	-
Share issuance costs	-	-	-	(353,893)
Balance as at September 30	85,528,931	16,023,565	45,972,283	4,438,218

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.

In relation to the private placements aforementioned, the Company incurred share issuance costs of $353,893 for the period ended September 30, 2020. The share issuance costs were comprised of $353,893 of cash settled issuance.

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 for 1 existing share. The total outstanding common shares of the Company as at September 30, 2020 have been adjusted as disclosed above for comparative purposes.

(Expressed in Canadian Dollars)

Stock Options

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

	Period ended September 30, 2021	
	Number of options	Weighted average exercise price ($)
Outstanding, at beginning of period	7,432,055	0.30
Granted (i)(ii)	2,000,000	0.30
Cancelled / forfeited (iii)	(1,079,245)	0.30
Options outstanding, ending	8,352,810	0.30
Options exercisable, ending	2,184,270	0.30

(i) On July 1, 2021, the Company granted 1,800,000 options to an officer of the Company with each option exercisable into one common share of the Company at a price of $0.30 per share until June 30, 2026. Options are to vest 17% 3 months from the date of grant, 17% 12 months from the date of grant, 33% 24 months from the date of grant and 33% 36 months from the date of grant. The fair value of the options was determined to be $338,716 on the date of grant using the Black-Scholes option pricing model.

(ii) On September 17, 2021, the Company granted 200,000 options to a consultant of the Company with each option exercisable into one common share of the Company at a price of $0.30 per share until December 31, 2025. Options are to vest in three equal tranches on September 30, 2021, January 22, 2022 and July 23, 2023. The fair value of the options was determined to be $19,217 on the date of grant using the Black-Scholes option pricing model.

(iii) During the period ended September 30, 2021, a total of 1,079,245 options were forfeited due to the termination of services from various employees and consultants of the Company. In connection with the options forfeited, previous share-based payment expenses totaling $91,914 were reversed under professional fees and consulting fees in the condensed consolidated interim statements of net loss and comprehensive loss.

The following stock options are outstanding as at September 30, 2021:

Expiry date	Number of options outstanding	Exercise price	Weight average remaining life (years)	Number of options exercisable
December 31, 2025	4,927,488	$ 0.30	4.25	1,642,496
December 31, 2025	1,425,322	0.30	4.25	475,107
December 31, 2025	200,000	0.30	4.25	-
June 30, 2026	1,800,000	0.30	4.75	66,667
	8,352,810	$ 0.30	4.36	2,184,270

(Expressed in Canadian Dollars)

The fair value of the options was determined at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

	Options granted on July 1, 2021	Options granted on September 17, 2021
Numbers issued	1,800,000	200,000
Share price	0.26	0.16
Expected dividend yield	Nil	Nil
Exercise price	0.30	0.30
Risk-free interest rate	0.96%	0.90%
Expected life	5.00	4.25
Expected volatility	100%	100%
Expiry date	June 30, 2026	December 31, 2025

For the three- and six-month periods ending September 30, 2021, $223,826 and $568,245 (September 30, 2020 – nil and nil) was expensed and recorded as share based payments under professional fees and consulting fees and general and administrative in the condensed consolidated interim statements of net loss and comprehensive loss based on the vesting terms and forfeiture of the options.

Warrants

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

	Period ended September 30, 2021	
	Number of warrants	Weighted average exercise price ($)
Outstanding, at beginning of period	8,910,553	0.30
Cancelled / forfeited	(200,000)	0.30
Warrants outstanding, ending	8,710,553	0.30
Warrants exercisable, ending	8,710,553	0.30

During the period, the company cancelled 200,000 of previously granted warrants at no additional cost to the Company.

The following warrants are outstanding as at September 30, 2021:

Expiry date	**Number of warrants outstanding**	**Exercise price**	**Weight average remaining life (years)**
January 15, 2023	117,955	$ 0.33	1.29
December 31, 2023	6,734,731	0.30	2.25
December 31, 2023	1,857,867	0.30	2.25
	8,710,553	$ 0.30	2.24

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:

(Expressed in Canadian Dollars)

- 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 September 30, 2021, 13,916,660 common shares and 1,199,316 warrants are held in escrow.

Restricted stock units (RSUs)

The changes in RSUs outstanding during the period ended September 30, 2021 are as follows:

	Period ended September 30, 2021
	Number of RSUs
Outstanding, at beginning of period	-
Issued during the period	980,516
RSUs outstanding, ending	980,516
RSUs exercisable, ending	-

On August 13, 2021 the Company issued 980,516 RSUs to an executive which are exercisable into common shares of the Company at no additional cost and are to vest as follows:

- 166,688 exercisable on October 1, 2021;
- 166,688 exercisable on July 1, 2022;
- 323,570 exercisable on July 1, 2023;
- 323,570 exercisable on July 1, 2024.

The fair value of the RSUs was determined to be $156,883 based on the fair value of the Company's share price on the date of the grant. Upon exercise, the Company shall at its discretion, settle RSUs in the following method or combination of:

(a) payment equal to award value; or

(b) issuance from treasury of common shares in the number equal fair market value at exercise date equal to award value

The RSUs granted are accounted for as an equity instrument whereby share-based payments recognized in the condensed consolidated interim statements of net loss and comprehensive loss are held in options reserve until exercised.

During the three month and six-month periods ended September 30, 2021, $36,623 and $36,623 (September 30, 2020 - $nil and $nil) was expensed and recorded as share based payments under general and administrative in the condensed consolidated interim statements of net loss and comprehensive loss on the vesting of RSUs.

(Expressed in Canadian Dollars)

14. 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).

15. Segmented information

For the period ended September 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 ($)	September 30, 2021	March 31, 2021
Canada	23,723	17,866
Lesotho	468,460	392,405
Non-current segment assets	492,183	410,271

16. Leases

The Company has a lease for land that was entered into with a related party. A key management personnel of the Company, had control of the related party during the period. The control ceased on June 21, 2021 and the related party ceased being 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	-	58,708
Accretion expense	716	494
Lease payments	(1,758)	(1,172)
Foreign exchange	(555)	(739)
Closing balance, September 30	55,179	57,291
Less: current portion	2,161	2,164
Non-current portion of lease liability	53,018	55,127

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

(Expressed in Canadian Dollars)

Future undiscounted payments	$
2022	3,516
2023	3,516
2024	3,532
2025	3,583
2026	3,636
Thereafter for 13 years	51,940
Total	69,723

17. Transactions with related parties

All related party transactions 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 September 30, 2021 and 2020:

Compensation to key management personnel

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.

Key Management Personnel	Three months ended September 30, 2021	Three months ended September 30, 2020	Six months ended September 30, 2021	Period from May 21, 2020 (date of incorporation) to September 30, 2020
Short term benefits	402,789	27,916	603,630	27,916
Share-based compensation	233,855	-	393,063	-
Total	636,644	27,916	996,693	27,916

Short term benefits consist of consulting fees, payroll and other benefits paid to key management personnel.

Balances

As at September 30, 2021, the Company held amounts totaling $9,983 (March 31, 2021 - $nil) that were due from related parties. This amount consisted of the loan to the joint venture Good Psyence. As of September 30, 2021, the Company held amounts totaling $nil (March 31, 2021 - $7,581) that were due to related parties.

Other Related Party Transactions

Transaction Type	Three months ended September 30, 2021	Three months ended September 30, 2020	Six months ended September 30, 2021	Period from May 21, 2020 (date of incorporation) to September 30, 2020
Management fees	-	118,574	89,475	167,052
Total	-	118,574	89,475	167,052

Management fees relate to a management service agreement ("**MSA**") with a related party during the period. A key management personnel of the Company had control of the related party during the period. The control ceased on June 21, 2021 and the related party ceased being a related party.

In terms of the MSA, the related party manages the design, construction, erection, commissioning, operation and maintenance of the psilocybin cultivation facility in Lesotho. The MSA also includes the provision of legal services.

18. 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.

At September 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 working capital position at September 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 September 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	**September 30, 2021**		**March 31, 2021**	
	LSL, ZAR	**USD**	**LSL, ZAR**	**USD**
Cash	500,136	214	1,015,531	7,810
Other receivables & prepaids	526,136	-	87,576	-
Accounts payable and accrued liabilities	276,599	-	256,315	-
Due to related parties	-	-	89,317	-

A 10% change in exchange rate would have resulted in a loss of $6,303 as at September 30, 2021 (March 31, 2021 - $7,412).

(Expressed in Canadian Dollars)

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.

19. Loss per share

The calculation of basic and diluted loss per common share for the six months ended September 30, 2021 was based on the net loss of $2,303,071 (September 30, 2020 - $392,916) and a weighted average number of common shares outstanding of 85,528,931 (September 30, 2020 – 33,272,942) and for three months ended September 30, 2021 was based on the net loss of $1,096,299 (September 30, 2020 - $337,199) and a weighted average number of common shares outstanding of 85,528,931 (September 30, 2020 – 36,914,776) calculated as follows:

Loss per Share ($)	Three months ended September 30, 2021	Three months ended September 30, 2020	Six months ended September 30, 2021	Period from May 21, 2020 (date of incorporation) to September 30, 2020
Basic and diluted loss per share:				
Net loss	(1,096,299)	(337,199)	(2,303,071)	(392,916)
Average number of common shares outstanding	85,528,931	36,914,776	85,528,931	33,272,942
Loss per share - basic and diluted	(0.01)	(0.01)	(0.03)	(0.01)

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 September 30, 2020 and 2021.

20. Inventory

Inventory consisted of dried mushroom product produced at the Company's production facility in Lesotho.

	September 30, 2021 $	September 30, 2020 $
Finished Goods - Dried Mushrooms	39,292	-
Total	**39,292**	**-**

There was no impairment of inventory, reversal of previous impairment or inventory expensed during the period ended September 30, 2021 and 2020.

21. Commitments

During the period ended September 30, 2021, the Company was committed to a consultancy agreement which was terminated in August 2021, 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 September 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.

22. 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 reviews 12-month forecasts on a regular basis to manage the Company’s capital requirements.

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 period.