Psyence Group Inc.

(Formerly Cardinal Capital Partners Inc.)

Consolidated Financial Statements

Year ended March 31, 2022

Expressed in Canadian Dollars

(CAD $)

Management's Responsibility for Financial Reporting

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

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

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

"Dr. Neil Maresky"

Chief Executive Officer

Toronto, Canada

July 5, 2022

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Psyence Group Inc. (formerly Cardinal Capital Partners Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2022 and March 31, 2021, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended March 31, 2022 and for the period from May 21, 2020 (date of incorporation) to March 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2022 and March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year ended March 31, 2022 and for the period from May 21, 2020 to March 31, 2021 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Zhi Huang.

MNP LLP

Toronto, Ontario
July 5, 2022

Chartered Professional Accountants
Licensed Public Accountants

MNP

Consolidated Statements of Financial Position

As at March 31, 2022 and March 31, 2021

CAD $	Note	As at March 31, 2022	As at March 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	7	3,494,638	6,096,074
Restricted cash	7	40,000	-
Other receivables	8	141,557	181,780
Prepaids		123,047	42,727
Total current assets		3,799,242	6,320,581
Non-current assets			
Loan to joint venture	11,18	21,757	-
Property and equipment	9	511,171	392,405
Intangible assets	10	22,463	17,866
Total non-current assets		555,391	410,271
TOTAL ASSETS		**4,354,633**	**6,730,852**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	315,124	227,577
Due to related parties	18	-	7,581
Current portion of lease liabilities	17	2,227	2,155
Convertible debt to be issued	14	1,273,243	-
Total current liabilities		1,590,594	237,313
Non-current liabilities			
Lease liabilities	17	52,824	54,621
Total non-current liabilities		52,824	54,621
TOTAL LIABILITIES		**1,643,418**	**291,934**
SHAREHOLDERS' EQUITY			
Share capital	13	16,023,565	16,023,565
Options reserve	13	1,215,776	358,723
Warrants reserve	13	1,329,640	1,329,640
Foreign currency translation reserve		26,798	10,788
Deficit		(15,884,564)	(11,283,798)
TOTAL SHAREHOLDERS' EQUITY		**2,711,215**	**6,438,918**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,354,633**	**6,730,852**

Nature of operations (note 1)
Subsequent event (note 23)

Approved on behalf of the Board of Directors.

“Dr. Neil Maresky”	“Jody Aufrichtig”
Chief Executive Officer and Director	Executive Chairman and Director

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

Consolidated Statements of Net Loss and Comprehensive Loss

For year ended to March 31, 2022 and the period from May 21, 2020 (date of incorporation) to March 31, 2021

CAD $	Note	2022	2021
Expenses			
Sales and marketing		146,622	109,994
Research and development		115,935	21,906
General and administrative		783,159	105,304
Professional fees and consulting fees		3,409,984	2,925,403
Depreciation and amortization	9,10	52,636	24,496
Listing expense	5	-	1,271,894
Consideration paid in excess of net assets acquired from acquisition	6	-	6,794,631
Loss before other items		**(4,508,336)**	**(11,253,628)**
Other items			
Accretion expense	17	(1,386)	(1,193)
Foreign exchange loss		(5,756)	(28,977)
Share of loss from joint venture	11	(85,288)	-
NET LOSS		**(4,600,766)**	**(11,283,798)**
Other comprehensive income			
Foreign exchange gain on translation		16,010	10,788
TOTAL COMPREHENSIVE LOSS		**(4,584,756)**	**(11,273,010)**
Loss per share - basic and diluted	20	**(0.05)**	**(0.22)**
Weighted average number of outstanding shares - basic and diluted		**85,528,931**	**51,205,555**

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

Consolidated Statements of Changes in Shareholders' Equity

For year ended March 31, 2022 and period from May 21, 2020 (date of incorporation) to March 31, 2021

	Note	Number of shares	Share capital ($)	Warrants reserve ($)	Options reserve ($)	Foreign currency translation reserve ($)	Deficit ($)	Total shareholders' equity ($)
Opening balance as at May 21, 2020		-	-	-	-	-	-	-
Founder's share	13	1	-	-	-	-	-	-
Acquisition of Mind Health (Pty) Ltd.	13	24,000,000	390	-	-	-	-	390
Shares issued	13	34,720,517	9,302,882	-	-	-	-	9,302,882
Share issuance costs	13	-	(835,901)	208,252	-	-	-	(627,649)
Issuance of options	13	-	-	-	358,723	-	-	358,723
Issuance of warrants	13	-	-	735,323	-	-	-	735,323
Acquisition of Psyence Therapeutics Corp	6	18,000,000	6,300,000	386,065	-	-	-	6,686,065
Shares issued to Cardinal Capital Partners Inc. in connection with reverse take-over	5	3,822,379	1,256,194	-	-	-	-	1,256,194
Impacts of share exchange due to reverse take-over	13	4,986,034	-	-	-	-	-	-
Other comprehensive income		-	-	-	-	10,788	-	10,788
Net loss		-	-	-	-	-	(11,283,798)	(11,283,798)
Balance, March 31, 2021		**85,528,931**	**16,023,565**	**1,329,640**	**358,723**	**10,788**	**(11,283,798)**	**6,438,918**
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		-	-	-	857,053	-	-	857,053
Other comprehensive loss		-	-	-	-	16,010	-	16,010
Net loss		-	-	-	-	-	(4,600,766)	(4,600,766)
Balance, March 31, 2022		**85,528,931**	**16,023,565**	**1,329,640**	**1,215,776**	**26,798**	**(15,884,564)**	**2,711,215**

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

Consolidated Statements of Cash Flows

For year ended to March 31, 2022 and the period from May 21, 2020 (date of incorporation) to March 31, 2021

	Note	March 31, 2022	March 31, 2021
Net loss		(4,600,766)	(11,283,798)
Non-cash adjustments:			
Depreciation and amortization	9,10	52,636	24,496
Foreign exchange		11,735	11,005
Cost of acquisition	6	-	6,794,631
Listing expense	5	-	1,271,894
Share based compensation - warrants	13	-	735,323
Share based compensation - options	13	857,053	358,723
Accretion expense	17	1,386	1,193
Share of loss from joint venture	11	85,288	-
Changes in working capital:			
Other receivables		40,223	(181,163)
Prepaids		(87,208)	(24,983)
Accounts payable and accrued liabilities		87,547	81,840
Due to related parties		(7,581)	7,581
Cash used in operating activities		**(3,559,687)**	**(2,203,258)**
Additions to intangible assets	10	-	(18,324)
Additions to property and equipment	9	(164,412)	(357,941)
Investment in joint venture	11	(4)	-
Loan to joint venture	11	(107,041)	-
Increase in restricted cash	7	(40,000)	-
Increase in cash due to reverse take-over	5	-	3,499
Cash used in investing activities		**(311,457)**	**(372,766)**
Repayment of lease liabilities	17	(3,535)	(3,135)
Proceeds from shares issuance, net of issuance costs	13	-	8,675,233
Proceeds from convertible debt to be issued	14	1,273,243	-
Cash provided from financing activities		**1,269,708**	**8,672,098**
Change in cash and cash equivalents		(2,601,436)	6,096,074
Cash and cash equivalents, beginning of period		6,096,074	-
Cash and cash equivalents, end of period		**3,494,638**	**6,096,074**

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

Notes to the Consolidated 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 (note 5). 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 (refer to note 5).

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 perform research and development with the Jamaican government’s Scientific Research Council with applicable regulatory approvals where required.

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 March 31, 2022, Pure Psyence Corp. has remained inactive with amounts totaling $nil recognized in the consolidated statements of net loss and comprehensive loss.

Psyence UK Group Ltd. “(**“Psyence UK”**) is a private corporation incorporated under the laws of England and Wales on March 18, 2021. Psyence UK is a wholly owned subsidiary of PBC. As of March 31, 2022, the entity has remained inactive.

During the year, 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 vaccine certificate) 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 shut downs have been necessary at the Lesotho facility; 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.

2. Basis of presentation

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**").

The consolidated financial statements were authorized for issue on July 5, 2022 by the directors of the Company.

Basis of measurement

These consolidated 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 consolidated 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 Psyence UK is the Great British Pound ("**GBP"**).

3. Significant accounting policies

Basis of consolidation

These consolidated 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 March 31, 2022 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
Psyence UK	England & Wales	100%	Consolidation

As at March 31, 2022, 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 has been no activity recorded for Psyence Jamaica, Psyence UK and Pure Psyence Corp.

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date on which the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Acquisition costs are expensed as incurred to net loss.

Contingent consideration, if any, is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognized in net loss.

The Company measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets and liabilities assumed, all measured as of the acquisition date. Goodwill is initially recognized at cost as an asset and subsequently measured at cost less accumulated impairment. Goodwill is not amortized but is tested annually for impairment.

Common control transactions

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same parties, both before and after the business combination, and control is not transitory. Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. IFRS provides no guidance on the accounting for these types of transactions. As a result, the Company was required to develop an accounting policy. The three most common methods utilized are the acquisition method, the predecessor values since inception method, and the predecessor values from the date of transaction method. The Company determined that the predecessor carrying value from date of transaction method to account for common control transactions is the most appropriate. This method requires the consolidated financial statements to be prepared using the predecessor carrying values without an adjustment to fair value. The consideration given is measured based on the aggregate carrying value of the assets and liabilities acquired. Transaction costs associated with common control transactions are recognized as an expense in the period.

Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to purchase common shares at the average market price during the period. The impact of convertible securities issued during the period from May 21, 2020 (date of incorporation) to March 31, 2021 and for the year ended March 31, 2022 are anti-dilutive.

IFRS 9 *Financial instruments*

The Company recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

The classification and measurement approach for financial assets reflect the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income (**"FVOCI"**) and fair value through profit and loss (**"FVTPL"**). Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial liabilities are classified and measured based on two categories - amortized cost or FVTPL:

Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Classification and measurement of the financial instruments is as follows:

Financial instrument	Classification
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Loan to joint venture	Amortized cost
Other receivables (excluding sales tax receivable)	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Current and non-current portion of lease liabilities	Amortized cost
Convertible debt to be issued	Amortized cost

Under IFRS 9, the Company applies a forward-looking expected credit loss ("**ECL**") model, at each balance sheet date, to financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments.

The three-stage approach to recognizing ECL under IFRS 9 is intended to reflect the increase in credit risk of a financial instrument and are:

- Stage 1 is comprised of all financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. The Company recognizes an impairment loss for those financial instruments at an amount equal to the twelve-month expected credit loss following the balance sheet date.
- Stage 2 is comprised of all financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of a credit loss event. The Company recognizes an impairment loss for those financial instruments at an amount equal to the lifetime expected credit losses.
- Stage 3 is comprised of all financial instruments that have objective evidence of impairment at the reporting date. The Company recognizes an impairment loss for those financial instruments at an amount equal to the lifetime expected credit losses.

Impairment losses are recorded in the consolidated statement of net loss and comprehensive loss with the carrying amount of the financial assets reduced through the use of impairment allowance accounts.

The Company reverses impairment losses on financial assets carried at amortized cost when the decrease in impairment can be objectively related to an event occurring after the impairment loss was initially recognized.

Foreign currency translation

The consolidated financial statements are presented in CAD $ which is PGI's functional currency. The functional currencies of the four operating subsidiaries of the Company are the LSL, the ZAR and CAD $.

In each individual entity, a foreign currency transaction is initially recorded in the functional currency of the entity, by applying the exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period, monetary assets and liabilities of the Company which are denominated in foreign currencies are translated at the period-end exchange rate. Non-monetary assets and liabilities are translated at rates in effect at the date the assets were acquired, and liabilities incurred.

The resulting exchange gains or losses arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition, are included in profit or loss in the period in which they arise.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the subsidiary are translated into CAD $ at the exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average rates for the period. Exchange differences arising are recognized in foreign currency translation reserve.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years. Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in shareholders' equity depending on the item to which the adjustment relates. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Share capital

Financial instruments issued by PGI are classified as shareholders' equity only to the extent that they do not meet the definition of a financial asset or financial liability. PGI's common shares, warrants, restricted stock units and share options are classified as equity instruments.

Incremental costs directly attributable to the issuance of new shares are recognized as a deduction from shareholders' equity.

Share-based payments

- Equity-settled share-based payments to directors, officers and employees are measured at the fair value of the equity instruments at the grant date and are recognized as an expense over the relevant vesting periods with a corresponding credit to options reserve or warrants reserve.
- Equity-settled share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments granted, if it is determined that the fair value of the goods or services received cannot be reliably measured. The fair value of equity-settled share-based payments to non-employees is recorded as an expense at the date the goods or services are received with a corresponding credit to options reserve or warrants reserve.
- The number of equity instruments expected to vest is reviewed and adjusted at the end of each

reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. After the vesting date, amounts recorded for expired instruments remain in options reserve or warrants reserve.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (**"CODM"**). The CODM is responsible for allocating resources and assessing performance of the operating segments. Management has determined that the Company has only one operating segment.

Property and equipment

Property and equipment are recognized as an asset when:

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

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes costs incurred initially to acquire or construct a capital asset and costs incurred subsequently to add to, replace part of or service it. If a replacement cost is recognized in the carrying amount of a capital asset, the carrying amount of the replaced part is derecognized.

Property and equipment are depreciated on a straight-line basis over their expected useful lives to their estimated residual value. Their useful lives have been assessed as follows:

Asset	Method	Rate
Computer equipment	Straight-line	3 years
Right-of-use assets	Straight-line	Over lease term – 19 years
Buildings	Straight-line	10 years
Equipment	Straight-line	3 years
Furniture & fixtures	Straight-line	3 years
Bulk infrastructure	Straight-line	10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The gains or losses arising from the derecognition of a capital asset is included in the consolidated statement of net loss and comprehensive loss when the item is derecognized. The gain or loss arising from the derecognition of a capital asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Intangible assets

Intangible assets are recognized when:

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

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

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

Asset	Method	Rate
Website	Straight-line	10 years

The amortization period and the amortization method for intangible assets are reviewed every period end. During the year ended March 31, 2022 and the period from May 21, 2020 (date of incorporation) to March 31, 2021, the Company did not recognize any impairment losses.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and, when applicable, short-term, highly liquid deposits which are either cashable or with original maturities of less than three months at the date of their acquisition.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or entities. A transaction is considered to be a related party transaction when there is transfer of resources or obligations between related parties.

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets (which include property and equipment and intangible assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statements of net loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed to profit or loss if there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

IFRS 16 *Leases*

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low values assets. For these leases, the Company recognizes the leases as an operating expense on a straight-line basis over the term of the lease.

The Company presents right-of-use assets in "property and equipment" and lease liabilities in "Lease liabilities" in the consolidated statements of financial position.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise of purchase options, if the lessee is reasonably certain to exercise the options; and

- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired.

Warrants

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

Stock options

Estimating fair values for stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield and forfeiture rate.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

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.

4. Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. Actual results may differ from these estimates. The Company's management reviews these estimates, judgments, and assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised. The following are deemed to be critical accounting policies by management for the period from May 21, 2020 (date of incorporation) to March 31, 2021 and year ended March 31, 2022 as these require a high level of subjectivity and judgement and could have a material impact on PGI's consolidated financial statements.

Acquisitions

Acquisition of MindHealth (Pty) Ltd.

During the acquisition of Mind Health (Pty) Ltd., judgement was initially required to determine if the acquisition represented a business combination or an asset purchase. Management also used judgement to determine that since MindHealth and MindHealth (Pty) Ltd were controlled by the same parties before and after the transaction, the business combination is considered a common control business combination. Thus, acquired net assets were recorded at their predecessor carrying values rather than at fair value.

Acquisition of PTC

During the acquisition of PTC, judgment was initially required to determine if the acquisition represented a business combination or an asset purchase. Management considered the acquisition to be an asset purchase. The assets and liabilities were recorded at fair value and cost of acquisition was recognized as difference between net assets acquired and fair value of consideration paid.

Reverse Take Over **("RTO")**

On September 11, 2020, the Company and MindHealth entered into a Definitive Agreement pursuant to which the Parties intended to complete a transaction, in which MindHealth acquired all of the issued and outstanding common shares of Cardinal, by way of 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 (refer to note 5). 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 Transaction does not constitute a business combination as Cardinal does not meet the definition of a business under IFRS 3 *Business Combinations.* Immediately after the Transaction, shareholders of MindHealth owned majority of the voting rights of the Company. As a result, the Transaction has been accounted for as a capital transaction with MindHealth being identified as the accounting acquirer and the equity consideration being measured at fair value, using the acquisition method of accounting. The Transaction has been accounted for in the consolidated financial statements as a continuation of the consolidated financial statements of MindHealth.

Term and incremental borrowing rate of lease

The calculation of lease liabilities and associated interest expense is dependent on estimates of how many lease renewal options will be exercised, as well as the determination of the Company's incremental borrowing rate. These are determined through the exercise of judgment and are dependent upon estimates that take into account factors such as economic and market conditions, operational plans and anticipated changes in laws.

Deferred tax assets

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Going concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations.

Management routinely plans future activities including forecasting future cash flows and forming judgements collectively with directors of the Company.

Judgement is required in determining if disclosure of a material uncertainty related to events or conditions which cast significant doubt on the Company's ability to continue as a going concern is required. In management's judgement such disclosure is not required. This judgement is based on management's expectation of future net cash flows being less than the cash balance currently held on hand.

The estimates used by management in reaching this conclusion are based on information available as of the date of issuance of the audited consolidated financial statements. Accordingly actual results could differ from those estimates and resulting variances may be material to management's assessment.

Share-based compensation

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

For share-based payments granted to non-employees, the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if cash was paid instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital. The Company's plan does not feature any options for cash settlement as of March 31, 2022 (note 13).

Joint arrangement

The classification of a joint arrangements as either a joint venture or joint operation requires the Company to assess whether the parties to the arrangements 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 arrangements.

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 the 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, the listing fee expense was $1,271,894, included in the consolidated statements of net loss and comprehensive loss for the period from May 21, 2020 (date of incorporation) to March 31, 2021.

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 consolidated statements of net loss and comprehensive loss for the period from May 21, 2020 (date of incorporation) to March 31, 2021.

7. Cash, restricted cash and cash equivalents

Cash and cash equivalents include the following amounts:

- an amount of $5,227 held in trust by a brokerage firm as security for foreign currency exchanges and;
- an amount of $3,489,411 unrestricted cash held with chartered banks.

On November 8th, 2021 the Company entered into a cash collateral agreement with a major chartered bank in Canada with regards to a credit facility against which the Company deposited $40,000 in a guaranteed investment certificate with the bank. Amounts are held in restricted cash on the consolidated statement of financial position at March 31, 2022.

8. Other receivables

Other receivables include the following amounts

	2022	2021
Other receivables	78,137	7,827
Sales tax receivable	63,420	173,953
At March 31,	**141,557**	**181,780**

The Company estimated the expected credit loss on other receivables to be nominal during the year ended March 31, 2022 and the period from May 21, 2020 (date of incorporation) to March 31, 2021. As at March 31, 2022, amounts totaling $63,317 were included in other receivables that are held with a related party to the Company (note 18).

9. Property and equipment

$	Computer equipment	Buildings	Right-of-use asset	Production equipment	Furniture & fixtures	Bulk infrastructure	Total
Cost							
Opening Balance	-	-	-	-	-	-	-
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	1,678	153,637	-	4,952	1,107	3,038	164,412
Foreign exchange	85	4,203	461	147	187	518	5,601
At March 31, 2022	9,440	415,740	59,169	15,122	23,091	64,100	586,662
Accumulated Depreciation							
Opening Balance	-	-	-	-	-	-	-
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	3,095	27,019	3,071	3,970	2,248	10,942	50,345
Foreign exchange	60	387	85	68	121	181	902
At March 31, 2022	4,388	36,756	5,709	5,254	8,478	14,906	75,491
Carrying Value							
At March 31, 2021	6,444	248,550	56,155	8,807	15,688	56,761	392,405
At March 31, 2022	5,052	378,984	53,459	9,867	14,613	49,194	511,171

As at March 31, 2022 amounts totaling $68,330 (March 31, 2021 - $15,026) held in buildings were not yet available for use.

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 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 March 31, 2022	25,212

Accumulated Amortization:	
Charge for the period	(458)
At March 31, 2021	(458)
Charge for the period	(2,291)
At March 31, 2022	(2,749)

Carrying amount:	
At March 31, 2021	17,866
At March 31, 2022	22,463

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 (CAD $85,636) to Good Psyence under the same terms as the original loan, provided by way of cash for both parties.

As of March 31, 2022, a total of ZAR 1,249,950 (CAD $107,041) has been extended to Good Psyence by the Company. This balance is held in loan to joint venture on the consolidated statements 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 997,007 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.

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

Selected information as at March 31, 2022	$
Total assets	165,000
Total liabilities	335,568
Net deficit	170,568

For the period ended March 31, 2022	$
Revenues	47,107
Cost of Sales	(28,968)
Administrative expenses	(184,069)
Other Comprehensive Income	(4,646)
Net loss and comprehensive loss	170,576

During the year ended March 31, 2022, the Company recognized amounts totaling $85,288 in the consolidated 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 $85,284 deducted from the Company's loan receivable held in loan to joint venture. As at March 31, 2022, the loan receivable balance held in loan to joint venture on the consolidated statements of financial position totaled $21,757.

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts:

	March 31, 2022 $	March 31, 2021 $
Trade payables	91,869	55,918
Accrued liabilities	223,255	171,659
Total	315,124	227,577

13. Share capital

Authorized share capital

Unlimited number of voting common shares without par value.

Issued and outstanding

Common shares	Number	Amount ($)
Issuance of shares on incorporation (May 21, 2020)	1	-
Issuance of shares on purchase of Mind Health (Pty) Ltd.	24,000,000	390
Issuance of shares in private placements	34,720,517	9,302,882
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)
Balance as at March 31, 2022 and 2021	85,528,931	16,023,565

Common shares

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

On May 22, 2020, the Company issued 24,000,000 common shares in connection with the share exchange agreement with Mind Health (Pty) Ltd. (Note 15).

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 (Note 6). 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. (Note 5)

Stock Options

The changes in stock options outstanding during the year ended March 31, 2022 and the period from May 21, 2020 (date of incorporation) to March 31, 2021 are as follows:

	Year ended March 31, 2022	
	Number of options	**Weighted average exercise price ($)**
Outstanding, at beginning of year	7,432,055	0.30
Granted (ii)(iii)	2,000,000	0.30
Cancelled / forfeited (iv)	(1,473,472)	0.30
Options outstanding, ending	7,958,583	0.30
Options exercisable, ending	4,814,087	0.30

	Period ended March 31, 2021	
	Number of options	Weighted average exercise price ($)
Options granted (i)	6,978,525	0.32
Additional options issued due to share exchange (Note 5)	453,530	(0.02)
Options outstanding, ending	7,432,055	0.30
Options exercisable, ending	233,333	0.30

(i) During the period ended March 31, 2021, the Company granted 6,978,525 options with each option exercisable into one common share of the Company at a price of $0.32 per share until December 31, 2025. The fair value of the options was determined to be $1,383,328 on the date of grant using the Black-Scholes option pricing model. In relation to the RTO transaction (Note 5), on January 19, 2021, the existing options were exchanged at the rate of 1.0649 new options for every existing option and an additional 453,530 options were issued for that effect. As a result of the re-issuance, the exercise price has been adjusted accordingly. From the total of 7,432,055 stock options issued, 6,732,055 vest over a period of 30 months and 700,000 stock options vest over 18 months.

(ii) 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.

(iii) 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.

(iv) During the year ended March 31, 2022, a total of 1,473,472 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 $93,499 (March 31, 2021 - $nil) were reversed under professional fees and consulting fees in the consolidated statements of net loss and comprehensive loss.

The following stock options are outstanding at March 31, 2022:

Expiry date	Number of options outstanding	Exercise price	Weighted average remaining life (years)	Number of options exercisable
December 31, 2025	4,897,488	$ 0.30	3.75	3,331,659
December 31, 2025	1,061,095	0.30	3.75	899,095
December 31, 2025	200,000	0.30	3.75	133,333
June 30, 2026	1,800,000	0.30	4.25	450,000
	7,958,583	$ 0.30	3.86	4,814,087

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 December 31, 2020	Options granted on January 15, 2021	Options granted on July 1, 2021	Options granted on September 17, 2021
Numbers issued	5,527,488	1,904,567	1,800,000	200,000
Share price	0.23	0.33	0.26	0.16
Expected dividend yield	Nil	Nil	Nil	Nil
Exercise price	0.30	0.30	0.30	0.30
Risk-free interest rate	0.39%	0.42%	0.96%	0.90%
Expected life	5.00	4.96	5.00	4.25
Expected volatility	100%	100%	100%	100%
Expiry date	December 31, 2025	December 31, 2025	June 30, 2026	December 31, 2025

During the year ended March 31, 2022, $782,692 (March 31, 2021 - $358,723) was expensed and recorded as share-based payments under professional fees and consulting fees and general and administrative in the consolidated statements of net loss and comprehensive loss based on the vesting terms and forfeiture of the options.

The weighted average remaining life for the options outstanding as at March 31, 2022 is 3.86 years.

Warrants

The changes in warrants outstanding during the year ended March 31, 2022 and the period from May 21, 2020 (date of incorporation) to March 31, 2021 are as follows:

	Year ended March 31, 2022	
	Number of warrants	Weighted average exercise price ($)
Outstanding, at beginning of year	8,910,553	0.30
Cancelled / forfeited	(200,000)	0.30
Warrants outstanding, ending	8,710,553	0.30
Warrants exercisable, ending	8,710,553	0.30
	Period ended March 31, 2021	
	Number of warrants	Weighted average exercise price ($)
Warrants granted	8,366,799	0.32
Additional warrants issued due to share exchange (Note 5)	543,754	(0.02)
Warrants outstanding, ending	8,910,553	0.30
Warrants exercisable, ending	8,910,553	0.30

On December 31, 2020, the Company granted 6,511,549 warrants for share issuance costs and consulting expenses, which vest immediately upon issuance. In relation to the RTO Transaction (Note 5), on January 19, 2021, the existing warrants were exchanged at the rate of 1.0649 new warrants for every 1 existing warrant and an additional 423,182 warrants were issued for that effect. As a result of this re-issuance, the exercise price has been adjusted accordingly. There was no incremental fair value.

On January 15, 2021, the Company granted 110,757 broker warrants in relation to the private placements. In relation to the RTO Transaction (Note 5), on January 19, 2021, the Company exchanged its existing warrants issued at the rate of 1.0649 new warrants in exchange of 1 existing warrant and issued 7,198 additional warrants for that effect. As a result of this re-issuance, the exercise price has been adjusted accordingly. There was no incremental fair value identified in relation to the modification of such warrants.

On January 15, 2021, in relation to the acquisition of PTC (Note 6), the Company issued 1,744,493 warrants. In relation to the RTO Transaction (Note 5), on January 19, 2021, the Company exchanged its existing warrants issued at the rate of 1.0649 new warrants in exchange of 1 existing warrant and issued 113,374 additional warrants for that effect. As a result of this re-issuance, the exercise price has been adjusted accordingly. There was no incremental fair value identified in relation to the modification of such warrants.

During the year ended March 31, 2022, the Company cancelled 200,000 of previously granted warrants at no additional cost to the Company. As the warrants had fully vested as of the date of cancellation, the fair value of warrants cancelled terminated within warrant reserve.

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 following warrants are outstanding as at March 31, 2022:

Expiry date	**Number of warrants outstanding**	**Exercise price ($)**	**Weight average remaining life (years)**
January 15, 2023	117,955	0.33	0.79
December 31, 2023	6,734,731	0.30	1.75
December 31, 2023	1,857,867	0.30	1.75
	8,710,553	0.30	1.74

The weighted average life remaining for the warrants outstanding at March 31, 2022 is 1.74 years (March 31, 2021 – 2.75 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 March 31, 2022, 11,386,357 common shares and 981,257 warrants are held in escrow.

Restricted stock units (RSUs)

The changes in RSUs outstanding during the year ended March 31, 2022 are as follows:

	Year ended March 31, 2022
	Number of RSUs
Outstanding, at beginning of year	-
Issued during the year	980,516
RSUs outstanding, ending	980,516
RSUs exercisable, ending	166,688

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 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 consolidated statements of net loss and comprehensive loss are held in options reserve until exercised.

Effective March 1, 2022, the Company amended 980,516 RSUs originally granted on August 13, 2021, deferring the first vesting date to March 1, 2022 from the original vesting date of October 1, 2021. The Company has further resolved that the RSUs are to be settled solely by the issuance of common shares, thereby removing the cash settlement feature at the discretion of the Company.

During the year ended March 31, 2022, $74,361 (March 31, 2021 - $nil) was expensed and recorded as share-based payments under general and administrative in the consolidated statements of net loss and comprehensive loss on the vesting of RSUs.

14. Convertible debt to be issued

On December 2, 2021, the Company announced the commencement of a non-brokered private placement offering (the "Proposed Financing") of up to $2,000,000 of unsecured convertible promissory notes (the "Notes"). Under the Proposed Financing, the terms contemplate that the Notes shall be convertible at the option of the holder at any time and will be automatically converted upon the occurrence of certain events at a 20% discount to the market price of the Company's common shares at the time of conversion, subject to a minimum conversion price of $0.12 and a maximum conversion price of $0.25. In addition, the lenders would also receive warrants of the Company on the basis of 1,667 warrants for every $1,000 of convertible debenture purchased, each exercisable into one common share at a price of $0.30 for a period of 24 months from the date of issuance. The terms also contemplates that the Notes are to mature 24 months from the date of issuance and bear interest at a rate of 8% per annum.

During the year ended March 31, 2022, the Company received $1,273,243 of cash in relation to the Proposed Financing.

As of March 31, 2022, the Proposed Financing remains open with cash collected to date being non-interest bearing until such date that the Proposed Financing is completed. Amounts totaling $1,273,243 have been classified as convertible debt to be issued, held at amortized cost on the consolidated statements of financial position as at March 31, 2022.

15. 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 MindHealth Lesotho 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).

16. Segmented information

For the year ended March 31, 2022 and the period from May 21, 2020 (date of incorporation) to March 31, 2021, management determined that the Company operated only in one segment: development of psilocybin medical and nutraceutical products.

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

Asset location ($)	March 31, 2022	March 31, 2021
Canada	22,463	17,866
Lesotho	532,928	392,405
Non-current segment assets	555,391	410,271

17. 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	($)
Opening Balance, May 21, 2020	-
Additions	58,708
Accretion expense	1,193
Lease payments	(3,135)
Foreign exchange	10
Closing Balance, March 31, 2021	56,776
Less: current portion	2,155
Non-current portion of lease liability	54,621

Lease liability	($)
Opening Balance, April 1, 2021	56,776
Additions	-
Accretion expense	1,386
Lease payments	(3,535)

Foreign exchange	424
Closing Balance, March 31, 2022	55,051
Less: current portion	2,227
Non-current portion of lease liability	52,824

The following table presents the future undiscounted payments associated with the sole lease liability as of March 31, 2022 for the next five years and thereafter:

Future undiscounted payments	**($)**
2023	3,577
2024	3,577
2025	3,619
2026	3,672
2027	3,727
Thereafter	50,979
Total	69,151

During the year ended March 31, 2022, amounts totaling $36,338 (March 31, 2021 - $nil) were included in the consolidated statements of net loss and comprehensive loss related to leases of a short-term nature

18. 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 year ended March 31, 2022 and the period from May 21, 2020 (date of incorporation) to March 31, 2021:

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	**March 31, 2022**	**March 31, 2021**
Short term benefits	1,173,188	166,612
Share-based compensation	624,338	483,230
Total	1,797,526	649,842

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

Balances

As at March 31, 2022, the Company held amounts totaling $21,757 and $63,317 (March 31, 2021 - $nil and $nil) in loan to joint venture and other receivables respectively. These amounts consisted of the loan to the joint venture Good Psyence and other short-term receivables.

As at March 31, 2022, the Company held amounts totaling $nil and $29,340 (March 31, 2021 - $7,581 and $nil) in due to related parties and accounts payable and accrued liabilities respectively.

Other Related Party Transactions

Transaction Type	**March 31, 2022**	**March 31, 2021**
Management fees	89,475	459,386
Total	89,475	459,386

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 entity providing services manages the design, construction, erection, commissioning, operation and maintenance of the production facility in Lesotho. The MSA also includes the provision of legal services.

During the year ended March 31, 2022, proceeds totaling $58,000 were received and outstanding with related parties in connection with convertible debentures to be issued.

19. 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, other receivables and loan to joint venture. 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 March 31, 2022, the Company's financial liabilities consist of account payable and accrued liabilities, convertible debt to be issued 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.

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 LSL, ZAR and USD. Foreign exchange risk arises from transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

As at March 31, 2022 and March 31, 2021, the Company is exposed to currency risk through the following financial assets and liabilities denominated in LSL, ZAR and USD:

Foreign exchange risk	**March 31, 2022**	
	LSL, ZAR	**USD**
Cash	1,618,111	315
Other receivables	836,366	-
Accounts payable and accrued liabilities	640,313	-
Loan to joint venture	252,943	-

A 10% adverse change in exchange rate would have resulted in a loss of $17,344 as at March 31, 2022.

Foreign exchange risk	**March 31, 2021**	
	LSL	**USD**
Cash	1,015,531	7,810
Other receivables	87,576	-
Accounts payable and accrued liabilities	256,315	-
Due to related parties	89,317	-

A 10% adverse change in exchange rate would have resulted in a loss of $7,412 as at March 31, 2021.

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.

20. Loss per share

The calculation of basic and diluted loss per common share for the year ended March 31, 2022 was based on the net loss of $4,600,766 (March 31, 2021 - $11,283,798) and a weighted average number of common shares outstanding of 85,528,931 (March 31, 2021 – 51,205,555) calculated as follows:

Earnings per share ($)	**March 31, 2022**	**March 31, 2021**
Basic and diluted loss per share:		
Net loss	(4,600,766)	(11,283,798)
Average number of common shares outstanding	85,528,931	51,205,555
Loss per share – basic and diluted	(0.05)	(0.22)

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 year ended March 31, 2022 and the period from May 21, 2020 (date of incorporation) to March 31, 2021.

21. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 – 26.5%) to the effective tax rate is as follows:

	2022	2021
Net Income/(Loss) before recovery of income taxes	(4,600,766)	(11,283,798)
Expected income tax (recovery)/expense	(1,219,203)	(2,990,180)
Difference in foreign tax rates	57,419	36,204
Tax rate changes and other adjustments	421	-
Acquisition costs	-	1,812,502
Non-deductible consulting fees	227,119	220,952
Listing expense	-	337,052
Other permanent expenses	-	105,453
Share issuance cost booked through equity	-	(222,039)
Change in tax benefits not recognized	934,244	700,056
Income tax (recovery)/expense	-	-

Deferred tax

The following table summarizes the components of deferred tax:

Deferred tax	2022	2021
Deferred tax assets		
Lease liability	5,308	5,615
Deferred tax liabilities		
ROU asset	(5,308)	(5,615)
Net deferred tax asset	-	-

Unrecognized deferred tax asset

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amounts of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Unrecognized deferred tax	2022	2021
Property, plant and equipment	64,657	21,668
Schedule 13 reserve	97,500	-
Investment in Joint Venture	85,164	-
Intangible assets	2,749	458
Share issuance costs - 20(1)(e)	525,486	678,231
Non-capital losses carried forward-Canada	5,129,782	1,843,055
Non-capital losses carried forward-Lesotho	506,788	197,321
Non -capital losses carried forward-South Africa ,	104,204	-
Non-capital losses carried forward-PTC	-	37,179
Lease liability	1,966	621
	6,518,296	2,778,533

The Canadian non-capital loss carries forward will expire as noted in the table below.

Share issuance and financing costs will be fully amortized in 2026.

The Company's Canadian non-capital income tax losses expire as follows:

Expiry	Amount $
2041	1,880,234
2042	3,249,548
Total	5,129,782

The Company's Lesotho non-capital income tax losses show as follows and can be carried forward indefinitely.

Expiry	Amount $
No expiry	506,788
Total	506,788

The Company's South Africa non-capital income tax losses show as follows and can be carried forward indefinitely.

Expiry	Amount $
No expiry	104,204
Total	104,204

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 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.

23. Subsequent Event

On May 1, 2022, the Company granted 220,000 stock options & 480,000 RSUs to a consultant. Each option is exercisable at a price of $0.20 up until April 30, 2027 and are to vesting 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. RSUs are exercisable into common shares of the Company at no additional cost up until December 31, 2025 and shall 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.