



Psyence Group Inc.

Unaudited Condensed Consolidated Interim Financial Statements
For the three months ended June 30, 2022

Expressed in Canadian Dollars

(\$)

Management's Responsibility for Financial Reporting

Notice of no auditor review of interim condensed consolidated interim financial statements.

The accompanying Unaudited Condensed Consolidated Interim Financial Statements of Psyence Group Inc. and its subsidiaries (together the "Company") have been prepared by and are the responsibility of management.

Under National Instrument 51-102, Part 4, sub-section 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants ("CICPA") for a review of interim financial statements by an entity's auditor.

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

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

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

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

Neil Maresky (signed)
Chief Executive Officer
Toronto, Canada
August 29, 2022

Warwick Corden-Lloyd (signed)
Chief Financial Officer

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Financial Position

	Note	As at June 30, 2022 \$ (Unaudited)	As at March 31, 2022 \$ (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	5	2,320,942	3,494,638
Restricted cash	5	40,000	40,000
Other receivables	6	160,876	141,557
Prepays		86,016	123,047
Total current assets		2,607,834	3,799,242
Non-current assets			
Loan to joint venture	9,15	8,846	21,757
Property and equipment	7	724,238	511,171
Intangible assets	8	21,834	22,463
Total non-current assets		754,918	555,391
TOTAL ASSETS		3,362,752	4,354,633
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	458,885	315,124
Current portion of lease liabilities	14	2,066	2,227
Convertible debt to be issued	12	1,273,243	1,273,243
Total current liabilities		1,734,194	1,590,594
Non-current liabilities			
Lease liabilities	14	48,177	52,824
Total non-current liabilities		48,177	52,824
TOTAL LIABILITIES		1,782,371	1,643,418
SHAREHOLDERS' EQUITY			
Share capital	11	16,023,565	16,023,565
Options reserve	11	1,316,779	1,215,776
Warrants reserve	11	1,329,640	1,329,640
Foreign currency translation reserve		(25,369)	26,798
Deficit		(17,064,234)	(15,884,564)
TOTAL SHAREHOLDERS' EQUITY		1,580,381	2,711,215
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,362,752	4,354,633

Nature of operations (Note 1)

Approved on behalf of the Board.

“Dr. Neil Maresky”

“Jody Aufrechtig”

Chief Executive Officer and Director

Executive Chairman and Director

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

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss

For three months ended June 30, 2022 and for the comparative period ended June 30, 2021

	Note	2022 \$	2021 \$
Expenses			
Sales and marketing		96,506	25,302
Research and development		249,412	3,428
General and administrative	11,15	198,690	59,129
Professional fees and consulting fees	11,15	583,243	1,100,531
Depreciation and amortization	7,8	12,421	7,964
Loss before other items		(1,140,272)	(1,196,354)
Other items			
Accretion expense	14	(328)	(362)
Interest Income		360	-
Foreign exchange loss		(6,124)	(10,056)
Share of loss from joint venture	9,15	(33,306)	-
NET LOSS		(1,179,670)	(1,206,772)
Other comprehensive income			
Foreign exchange gain on translation		(52,167)	33,472
TOTAL COMPREHENSIVE LOSS		(1,231,837)	(1,173,300)
Loss per share - basic and diluted	17	(0.01)	(0.01)
Weighted average number of outstanding shares - basic and diluted		85,528,931	85,528,931

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

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Changes in Equity

For three months ended June 30, 2022 and for the comparative period ended June 30, 2021

\$	Note	Number of shares	Share capital	Warrants reserve	Options reserve	Foreign currency translation reserve	Deficit	Total shareholders' equity
Opening balance as at April 1, 2022		85,528,931	16,023,565	1,329,640	1,215,776	26,798	(15,884,564)	2,711,215
Share based compensation	11	-	-	-	101,003	-	-	98,823
Other comprehensive income		-	-	-	-	(52,167)	-	(52,167)
Net loss		-	-	-	-	-	(1,179,670)	(1,177,490)
Balance, June 30, 2022		85,528,931	16,023,565	1,329,640	1,316,779	(25,369)	(17,064,234)	1,580,381

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

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

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Cash Flows

For three months ended June 30, 2022 and for the comparative period ended June 30, 2021

	Note	2022 \$	2021 \$
Net loss		(1,179,670)	(1,206,772)
Non-cash adjustments			
Depreciation and amortization	7,8	12,421	7,964
Accretion expense	14	328	362
Foreign exchange		(6,765)	26,477
Share based compensation	11	101,003	344,419
Share of loss from joint venture	9	33,306	-
Changes in non-cash working capital			
Other receivables		(19,319)	118,691
Prepaid		37,031	2,356
Accounts payable and accrued liabilities		143,761	(5,934)
Due to related parties		-	(7,581)
Cash provided in operating activities		(877,904)	(720,018)
Additions to property and equipment	7	(274,574)	(60,386)
Loan to joint venture		(20,394)	
Cash used in investing activities		(294,968)	(60,386)
Repayment of lease liabilities	14	(824)	(906)
Cash used in financing activities		(824)	(906)
Change in cash		(1,173,696)	(781,310)
Cash and cash equivalents, beginning of period		3,494,638	6,096,074
Cash and cash equivalents, end of period		2,320,942	5,314,764

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

Notes to the Condensed Consolidated Interim Financial Statements

1. Nature of operations

Psyence Group Inc. (the “**Company**” or “**PGI**”) is a life science biotechnology company focussed on the research, cultivation and production of psychedelics and nature-based compounds to treat psychological trauma in the context of palliative care and in support of mental wellness. The safety and efficacy of psychedelics will be evaluated through rigorous clinical trials.

The Company’s operations are conducted through Psyence Biomed Corp. (“**PBC**”). PBC is incorporated under the laws of the province of British Columbia, Canada. The Company’s registered office is at 121 Richmond Street West, Penthouse Suite, 1300, Toronto, Ontario M5H 2K1. The Company commenced trading on the Canadian Securities Exchange (“**CSE**”) on January 27, 2021 under the symbol “**PSYG**”.

On May 22, 2020, PBC acquired all the issued and outstanding shares of Mind Health (Pty) Ltd. (“**MHL**”). MHL is a private entity incorporated under the laws of the Kingdom of Lesotho on March 13, 2020. In May 2020, MindHealth Lesotho was granted permission by the Minister of Health (Lesotho) to import, cultivate, produce, manufacture and export psilocybin mushrooms. The federally licensed commercial psilocybin cultivation and production facilities operated by MHL are situated in the Kingdom of Lesotho. MHL is a subsidiary of PBC.

On January 15, 2021, MindHealth acquired 100% of the issued and outstanding common shares of Psyence Therapeutics Corp (“**PTC**”). PTC is a research and development company in the psychedelic industry.

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 wholly owned subsidiary of PBC. The Company has ceased operations in Jamaica and anticipates conducting future product development in the UK and North America in line with future clinical trials.

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 June 30, 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 June 30, 2022, the entity has remained inactive.

During the period, the Company’s operations have not been negatively impacted by COVID-19. 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

These Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB have been condensed or omitted and these Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the Company’s audited Consolidated Financial Statements for the year ended March 31, 2022.

The Unaudited Condensed Consolidated Interim Financial Statements were authorized for issue on August 29, 2022 by the directors of the Company.

Basis of measurement

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

Functional and presentation currency

These Unaudited Condensed Consolidated Interim Financial Statements are presented in Canadian Dollars (“CAD \$”), which is also PGI’s functional currency. The functional currency of PGI’s subsidiaries, PBC, and PTC is Canadian Dollars, MHL 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 British Pound Sterling (“GBP”). The functional currency for Good Psyence is ZAR and Pure Psyence Corp is CAD \$.

3. Significant accounting policies

In addition to the significant accounting policies noted below, these Unaudited Condensed Consolidated Interim Financial Statements and the accompanying notes were prepared using the accounting policies described in Note 3 of the Company’s audited Consolidated Financial Statements for the year ended March 31, 2022.

Basis of consolidation

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

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

The subsidiaries of PGI that have been consolidated as of June 30, 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

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

As at June 30, 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 was no activity recorded for Psyence Jamaica, Psyence UK and Pure Psyence Corp.

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.

Share-based payments

The Company offers a Restricted Share Unit ("RSU") Plan for directors, officers, consultants and employees which will be settled in common shares of the Company. The RSUs are accounted for as equity instruments whereby the RSUs are initially measured at fair value on the grant date and recognized in the options reserve on the condensed consolidated interim statements of financial position.

- 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.

4. Critical accounting estimates and judgements

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

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

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

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 unaudited consolidated financial statements. Accordingly actual results could differ from those estimates and resulting variances may be material to management's assessment.

The judgments, estimates and assumptions applied in the Unaudited Condensed Consolidated Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's audited Consolidated Financial Statements for the year ended March 31, 2022.

5. 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.
- an amount of \$2,315,715 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 June 30, 2022.

6. Other Receivables

Other receivables include the following amounts

	June 30, 2022	March 31, 2022
	\$	\$
Other receivables	10,749	78,137
Sales tax receivable	150,127	63,420
Total	160,876	141,557

The Company estimated the expected credit loss on the other receivables to be nominal as at June 30, 2022 and March 31, 2022.

As at June 30, 2022, amounts totaling \$3,085 (March 31, 2022: \$63,317) were included in other receivables that are held with a related party to the Company (note 18).

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

7. Property and equipment

\$	Computer equipment	Buildings	Right-of-use asset	Production equipment	Furniture & fixtures	Bulk infrastructure	Total
Cost							
Opening Balance	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
Additions	-	274,574	-	-	-	-	274,574
Foreign exchange	(737)	(42,700)	(4,621)	(1,181)	(1,803)	(5,006)	(56,048)
At June 30, 2022	8,703	647,614	54,548	13,941	21,288	59,094	805,188
Accumulated Depreciation							
Opening Balance	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
Charge for the period	465	9,579	746	1,216	(2,733)	2,521	11,794
Foreign exchange	(359)	(3,228)	(474)	(456)	(560)	(1,258)	(6,335)
At June 30, 2022	4,494	43,107	5,981	6,014	5,185	16,169	80,950
Carrying Value							
At March 31, 2022	5,052	378,984	53,459	9,867	14,613	49,194	511,171
At June 30, 2022	4,209	604,507	48,567	7,927	16,103	42,925	724,238

As at June 30, 2022 amounts totaling \$154,554 (March 31, 2022 - \$68,330) held in buildings were not yet available for use.

8. Intangible assets

The Company acquired a domain name and have commissioned additional improvements, which is recognized under intangible assets at cost and it is carried at the amortized value.

Intangible Assets	\$
Cost:	
Opening Balance	18,324
Additions	6,888
At March 31, 2022	25,212
Additions	-
At June 30, 2022	25,212
Accumulated Amortization:	
Opening Balance	(458)
Charge for the period	(2,291)
At March 31, 2022	(2,749)
Charge for the period	(629)
At June 30, 2022	(3,378)
Carrying amount:	
At March 31, 2022	22,463
At June 30, 2022	21,834

9. 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 June 30, 2022, a total of ZAR 1,499,950 (CAD \$127,435) 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 1,499,950 have been deemed to form part of the Company’s net investment in the joint venture. The investment in the joint venture has further been reduced by the Company’s share of losses.

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

Selected information as at June 30, 2022	\$
Total assets	206,986
Total liabilities	430,853
Net deficit	223,867
<hr/>	
For the quarter ended June 30, 2022	\$
Revenues	20,309
Cost of Sales	(34,785)
Administrative expenses	(52,136)
Net loss and comprehensive loss	66,612

During the quarter ended June 30, 2022, the Company recognized amounts totaling \$33,306 in the consolidated statements of net loss and comprehensive loss related to the Company’s share of loss from the joint venture, of which \$33,306 was deducted from the Company’s loan receivable held in loan to joint venture. As at June 30, 2022, the loan receivable balance held in loan to joint venture on the consolidated statements of financial position totaled \$8,846.

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts:

	June 30, 2021 \$	March 31, 2022 \$
Trade payables	202,713	91,869
Accrued liabilities	256,171	223,255
Total	458,885	315,124

11. Share capital

Authorized share capital

Unlimited number of voting common shares without par value.

Issued and outstanding

Common shares	2022		2021	
	Number	Amount (\$)	Number	Amount (\$)
Opening Balance	85,528,931	16,023,565	85,528,931	16,023,565
Balance as at June 30	85,528,931	16,023,565	85,528,931	16,023,565

Common shares

No shares were issued in the quarter ended June 30, 2022 or in the comparative quarter.

Stock Options

The changes in stock options outstanding during the period ended June 30, 2022 are as follows:

	Period ended June 30, 2022	
	Number of options	Weighted average exercise price (\$)
Outstanding, at beginning of period	7,958,583	0.30
Granted (i)	220,000	0.20
Cancelled / forfeited	-	-
Options outstanding, ending	8,178,583	0.30
Options exercisable, ending	4,411,722	0.30

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

- (i) On May 1, 2022, the Company granted 220,000 options to a consultant of the Company with each option exercisable into one common share of the Company at a price of \$0.20 per share until April 30, 2027. Options are to vest 17% 3 months from the date of grant,

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

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 \$11,846 on the date of grant using the Black-Scholes option pricing model.

The following stock options are outstanding at June 30, 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	3.5	3,264,992
December 31, 2025	1,061,095	0.30	3.5	707,397
December 31, 2025	200,000	0.30	3.5	133,333
June 30, 2026	1,800,000	0.30	4	306,000
April 30, 2027	220,000	0.20	4.83	-
	8,178,583	\$ 0.30	3.74	4,411,722

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	Options granted on May 1, 2022
Numbers issued	5,527,488	1,904,567	1,800,000	200,000	220,000
Share price	0.23	0.33	0.26	0.16	0.085
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Exercise price	0.30	0.30	0.30	0.30	0.20
Risk-free interest rate	0.39%	0.42%	0.96%	0.90%	2.79%
Expected life	5.00	4.96	5.00	4.25	5.00
Expected volatility	100%	100%	100%	100%	100%
Expiry date	December 31, 2025	December 31, 2025	June 30, 2026	December 31, 2025	April 30, 2027

During the quarter ended June 30, 2022, \$101,003 (June 30, 2021 - \$344,419) 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 June 30, 2022 is 3.74 years.

Warrants

The changes in warrants outstanding during the period ended June 30, 2022 and 2021 are as follows:

	Period ended June 30, 2022	
	Number of warrants	Weighted average exercise price (\$)
Outstanding, at beginning of period	8,710,553	0.30
Cancelled / forfeited	-	-
Warrants outstanding, ending	8,710,553	0.30
Warrants exercisable, ending	8,710,553	0.30

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

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

The following warrants are outstanding as at June 30, 2022:

Expiry date	Number of warrants outstanding	Exercise price (\$)	Weight average remaining life (years)
January 15, 2023	117,955	0.33	0.54
December 31, 2023	6,734,731	0.30	1.5
December 31, 2023	1,857,867	0.30	1.5
	8,710,553	0.30	1.49

The weighted average life remaining for the warrants outstanding at June 30, 2022 is 1.49 years (June 30, 2021 – 2.5 years)

Escrow Securities

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

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

As of June 30, 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 period ended June 30, 2022 are as follows:

	Period ended June 30, 2022	
	Number of RSUs	
Outstanding, at beginning of period	980,516	
Issued during the period	480,000	
RSUs outstanding, ending	1,460,516	

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

RSUs exercisable, ending 166,688

On May 1, 2022 the Company issued 480,000 RSUs to a consultant which are exercisable into common shares of the Company at no additional cost and are to vest as follows:

- 160,000 exercisable on May 1, 2023
- 160,000 exercisable on May 1, 2024;
- 160,000 exercisable on May 1, 2025.

The fair value of the RSUs was determined to be \$40,800 based on the fair value of the Company's share price on the date of the grant. Upon exercise, the Company shall settle RSUs by 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.

During the period ended June 30, 2022, \$25,357 (June 30, 2021 - \$nil) was expensed and recorded as share-based payments under professional and consulting fees and general and administrative in the consolidated statements of net loss and comprehensive loss on the vesting of RSUs.

12. 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 3 month period ended June 30, 2022, the Company received \$0 of cash in relation to the Proposed Financing.

As of June 30, 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 June 30, 2022.

13. Segmented information

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

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

Asset location (\$)	June 30, 2022	March 31, 2022
Canada	21,834	22,463
Southern Africa (Lesotho and South Africa)	733,084	532,928
Non-current segment assets	754,918	555,391

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

14. 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 (\$)	2022	2021
Opening Balance, April 1	55,051	56,776
Additions	-	-
Accretion expense	328	362
Lease payments	(824)	(906)
Foreign exchange	(4,312)	1,179
Closing Balance, June 30	50,243	57,411
Less: current portion	2,066	2,213
Non-current portion of lease liability	48,177	55,198

The following table presents the future undiscounted payments associated with the sole lease liability as of June 30, 2022 for the next five years and thereafter:

Future undiscounted payments	\$
2023	3,298
2024	3,302
2025	3,349
2026	3,398
2027	3,449
Thereafter	46,132
Total	62,928

During the period ended June 30, 2022, amounts totaling \$9,054 (June 30, 2021 - \$0) were included in the consolidated statements of net loss and comprehensive loss related to leases of a short-term nature

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
June 30, 2022
(Expressed in Canadian Dollars)

15. Transactions with related parties

All related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments. The Company incurred the following transactions with related parties during the period ended June 30, 2022 and 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	June 30, 2022	June 30, 2021
Short term benefits	224,685	200,841
Share-based compensation	80,873	159,208
Total	305,558	360,049

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

Balances

As at June 30, 2022, the Company held amounts totaling \$8,846 and \$3,085 (June 30, 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 June 30, 2022, the Company held amounts totaling \$99,996 (June 30, 2021 - \$nil) in accounts payable and accrued liabilities respectively. These are amounts owing to key management personnel.

As at June 30, 2022, the Company held proceeds totaling \$58,000 outstanding with related parties in connection with convertible debentures to be issued.

Other Related Party Transactions

Transaction Type	June 30, 2022	June 30, 2021
Management fees	-	89,475
Total	-	89,475

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

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.

16. 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 June 30, 2022, the Company's financial liabilities consist of account payable and accrued liabilities and convertible debt to be issued 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 June 30, 2022, the Company is exposed to currency risk through the following financial assets and liabilities denominated in ZAR, LSL, GBP and USD:

Foreign exchange risk	June 30, 2022		
	GBP	LSL, ZAR	USD
Cash	120,363	164,512	315
Other receivables	-	850,529	-
Accounts payable and accrued liabilities	-	237,458	-
Loan to joint venture	-	112,116	-

Foreign exchange risk	March 31, 2022		
	GBP	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% change in exchange rate would have resulted in a loss of \$25,929 as at June 30, 2022 (March 31, 2022 - \$17,344).

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.

17. Loss per share

The calculation of basic and diluted loss per common share for the period ended June 30, 2022 and 2021 was based on the net loss of \$(1,179,670) (June 30, 2021 - \$(1,206,772)) and a weighted average number of common shares outstanding of 85,528,931 (June 30, 2021 – 85,528,931) calculated as follows:

Earnings per Share (\$)	2022	2021
Basic and diluted loss per share:		
Net loss	(1,179,670)	(1,206,772)
Average number of common shares outstanding	85,528,931	85,528,931
Loss per share - basic and diluted	(0.01)	(0.01)

The diluted weighted average number of common shares does not take into account the effects of stock options and warrants as they would be anti-dilutive for the period ended June 30, 2022 and 2021.

18. 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.