Psyence Group Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended September 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

Warwick Corden-Lloyd (signed)

Chief Financial Officer

Toronto, Canada

November 29, 2022

**(Expressed in Canadian Dollars)**

## Condensed Consolidated Interim Statements of Financial Position

| | Note | As September 30, 2022 $ (Unaudited) | As at March 31, 2022 $ (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 1,303,987 | 3,494,638 |
| Restricted cash | 5 | 40,000 | 40,000 |
| Other receivables | 6 | 176,804 | 141,557 |
| Prepaids | | 93,961 | 123,047 |
| Total current assets | | 1,614,752 | 3,799,242 |
| **Non-current assets** | | | |
| Loan to joint venture | 9,15 | 78,102 | 21,757 |
| Property and equipment | 7 | 674,338 | 511,171 |
| Intangible assets | 8 | 21,199 | 22,463 |
| Total non-current assets | | 773,639 | 555,391 |
| **TOTAL ASSETS** | | **2,388,391** | **4,354,633** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 10 | 454,367 | 315,124 |
| Current portion of lease liabilities | 14 | 2,006 | 2,227 |
| Convertible debt | 12 | 1,188,280 | 1,273,243 |
| Derivative Liability | 12 | 31,850 | - |
| Total current liabilities | | 1,676,503 | 1,590,594 |
| **Non-current liabilities** | | | |
| Lease liabilities | 14 | 46,003 | 52,824 |
| Total non-current liabilities | | 46,003 | 52,824 |
| **TOTAL LIABILITIES** | | **1,722,506** | **1,643,418** |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 11 | 16,023,565 | 16,023,565 |
| Options reserve | 11 | 1,390,258 | 1,215,776 |
| Warrants reserve | 11 | 1,393,590 | 1,329,640 |
| Foreign currency translation reserve | | (69,655) | 26,798 |
| Deficit | | (18,071,873) | (15,884,564) |
| **TOTAL SHAREHOLDERS' EQUITY** | | **665,885** | **2,711,215** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **2,388,391** | **4,354,633** |

**Nature of operations and going concern (Note 1)**

Approved on behalf of the Board.

"Dr. Neil Maresky" — Chief Executive Officer and Director

"Jody Aufrichtig" — Executive Chairman and Director

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

**(Expressed in Canadian Dollars)**

## Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss

For three and six months ended September 30, 2022 and September 30, 2021

| | Note | Three months Ending September 30, 2022 | Three months Ending September 30, 2021 | Six months Ending September 30, 2022 | Six months Ending September 30, 2021 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Revenue | | 5,541 | - | 5,541 | - |
| **Expenses** | | | | | |
| Sales and marketing | | 122,797 | 30,271 | 219,303 | 55,573 |
| Research and development | | 41,846 | 8,577 | 291,258 | 12,005 |
| General and administrative | 11,15 | 226,417 | 318,184 | 425,107 | 377,313 |
| Professional fees and consulting fees | 11,15 | 563,166 | 693,253 | 1,146,409 | 1,793,784 |
| Depreciation and amortization | 7,8 | 26,997 | 14,893 | 39,418 | 22,857 |
| **Loss before other items** | | **(975,682)** | **(1,065,178)** | **(2,115,954)** | **(2,261,532)** |
| **Other items** | | | | | |
| Interest income | | 2,805 | - | 3,165 | - |
| Interest expense | 12 | (10,837) | - | (10,837) | - |
| Accretion expense | 14 | (304) | (354) | (632) | (716) |
| Foreign exchange gain | | (3,383) | 22,331 | (9,507) | 12,275 |
| Share of loss from joint venture | 9 | (20,238) | (53,098) | (53,544) | (53,098) |
| **NET LOSS** | | **(1,007,639)** | **(1,096,299)** | **(2,187,309)** | **(2,303,071)** |
| **Other comprehensive/(loss) income** | | | | | |
| Foreign exchange gain/(loss) on translation | | (44,286) | (40,154) | (96,453) | (6,682) |
| **TOTAL COMPREHENSIVE LOSS** | | **(1,051,925)** | **(1,136,453)** | **(2,283,762)** | **(2,309,753)** |
| **Loss per share - basic and diluted** | 17 | **(0.01)** | **(0.01)** | **(0.03)** | **(0.03)** |
| **Weighted average number of outstanding shares - basic and diluted** | | **85,528,931** | **85,528,931** | **85,528,931** | **85,528,931** |

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

**(Expressed in Canadian Dollars)**

## Condensed Consolidated Interim Statements of Changes in Equity

For six months ended September 30, 2022 and September 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 | - | | 63,950 | 174,482 | - | - | 238,432 |
| Other comprehensive income | | - | - | - | - | (96,453) | - | (96,453) |
| Net loss | | - | - | - | - | - | (2,187,309) | (2,187,309) |
| **Balance, September 30, 2022** | | **85,528,931** | **16,023,565** | **1,393,590** | **1,390,258** | **(69,655)** | **(18,071,873)** | **665,885** |

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

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

**(Expressed in Canadian Dollars)**

## Condensed Consolidated Interim Statements of Cash Flows

For six months ended September 30, 2022 and September 30, 2021

| | Note | 2022<br>$ | 2021<br>$ |
|---|---|---|---|
| Net loss | | (2,187,309) | (2,303,071) |
| **Non-cash adjustments** | | | |
| Depreciation and amortization | 7,8 | 39,418 | 22,857 |
| Accretion expense | 14 | 632 | 716 |
| Interest expense | 12 | 10,837 | |
| Foreign exchange | | (89,331) | (1,698) |
| Share based compensation | 11 | 238,432 | 604,868 |
| Share of loss from joint venture | 9 | 53,544 | 53,098 |
| **Changes in non-cash working capital** | | | |
| Other receivables | | (35,247) | 46,367 |
| Prepaid | | 29,086 | (7,414) |
| Accounts payable and accrued liabilities | | 139,243 | (122,803) |
| Due to related parties | | - | (7,581) |
| **Cash used in operating activities** | | **(1,800,695)** | **(1,714,661)** |
| Additions to property and equipment | 7 | (266,566) | (93,437) |
| Investment in joint venture | 9 | - | (4) |
| Loan to joint venture | 9 | (121,770) | (63,077) |
| **Cash used in investing activities** | | **(388,336)** | **(156,518)** |
| Repayment of lease liabilities | 14 | (1,620) | (1,758) |
| **Cash from/(used in) financing activities** | | **(1,620)** | **(1,758)** |
| Change in cash and cash equivalents | | (2,190,651) | (1,872,937) |
| Cash and cash equivalents, beginning of period | | 3,494,638 | 6,096,074 |
| **Cash and cash equivalents, end of period** | | **1,303,987** | **4,223,137** |

*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 and going concern

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 September 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, 2022. Psyence UK is a wholly owned subsidiary of PBC. As of September 30, 2022, the entity has remained inactive.

### Going concern

These unaudited 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.

As at September 30, 2022 the Company had not yet achieved profitable operations, has accumulated losses of $18,071,873 since its inception, has negative working capital and expects to incur further losses in the development of its business, all of which indicate that a material uncertainty exists that casts significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. The Company has historically raised funds from the issuance of shares and convertible debentures. The Company's ability to obtain additional financing is materially uncertain, as there is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. This casts significant doubt on the entity's ability to continue as a going concern.

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 November 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.

**(Expressed in Canadian Dollars)**

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 September 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 |

As at September 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.

**(Expressed in Canadian Dollars)**

## 4. Critical accounting estimates and judgements

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

The judgments, estimates and assumptions applied in the Unaudited Condensed Consolidated Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's audited Consolidated Financial Statements for the 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 $1,298,760 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 September 30, 2022.

## 6. Other Receivables

Other receivables include the following amounts:

| | September 30, 2022<br>$ | March 31, 2022<br>$ |
|---|---|---|
| Other receivables | 5,216 | 78,137 |
| Sales tax receivable | 171,588 | 63,420 |
| **Total** | **176,804** | **141,557** |

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

As at September 30, 2022, amounts totaling $0 (March 31, 2022: $63,317) were included in other receivables that are held with a related party to the Company (note 15).

(Expressed in Canadian Dollars)

## 7. Property, plant 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 | 896 | 241,824 | - | 23,846 | - | - | 266,566 |
| Foreign exchange | (1,075) | (55,274) | (6,510) | (2,605) | (2,540) | (7,051) | (75,055) |
| **At September 30, 2022** | **9,261** | **602,290** | **52,659** | **36,363** | **20,551** | **57,049** | **778,173** |
| **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 | 1,111 | 25,113 | 1,443 | 4,369 | 800 | 5,318 | 38,154 |
| Foreign exchange | (526) | (5,034) | (685) | (750) | (965) | (1,850) | (9,810) |
| **At September 30, 2022** | **4,973** | **56,835** | **6,467** | **8,873** | **8,313** | **18,374** | **103,835** |
| **Carrying Value** | | | | | | | |
| **At March 31, 2022** | 5,052 | 378,984 | 53,460 | 9,868 | 14,613 | 49,194 | 511,171 |
| **At September 30, 2022** | **4,288** | **545,455** | **46,192** | **27,490** | **12,238** | **38,675** | **674,338** |

## 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 September 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 | (1,264) |
| At September 30, 2022 | (4,013) |
| **Carrying amount:** | |
| At March 31, 2022 | 22,463 |
| At September 30, 2022 | 21,199 |

**(Expressed in Canadian Dollars)**

## 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 1,250,000 (CAD $103,952) to Good Psyence under the same terms as the original loan, provided by way of cash for both parties.

On September 29, 2022, the Company agreed to extend up to an additional CAD $134,722 to Good Psyence under the same terms as the original loan, provided by way of cash and purchases of raw material on behalf of the JV. As at September 30, 2022, of the additional amount, CAD $84,224 has been extended to the JV.

As of September 30, 2022, a total of ZAR 2,849,456 (CAD $216,929) 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 2,849,456 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 September 30, 2022 | $ |
|---|---|
| Total assets | 246,828 |
| Total liabilities | 505,720 |
| Net deficit | 258,892 |

| For the period ended September 30, 2022 | $ |
|---|---|
| Revenues | 50,195 |
| Cost of Sales | (54,936) |
| Administrative expenses | (102,347) |
| Net loss and comprehensive loss | 107,088 |

During the three and six month periods ended September 30, 2022, the Company recognized amounts totaling $20,238 and $53,544 respectively (September 30, 2021 – $53,098 and $53,098) in the condensed consolidated interim statements of net loss and comprehensive loss related to the Company's share of loss from the joint venture, of which $53,544 was deducted from the Company's loan receivable held in loan to joint venture. As at September 30, 2022, the loan receivable balance held in loan to joint venture on the consolidated statements of financial position totaled $78,102.

**(Expressed in Canadian Dollars)**

### 10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts:

| | September 30, 2022<br>$ | March 31, 2022<br>$ |
|---|---|---|
| Trade payables | 46,557 | 91,869 |
| Accrued liabilities | 407,810 | 223,255 |
| Total | 454,367 | 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 six months ended September 30, 2022 or in the comparative six months.

**Stock Options**

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

| | Period ended September 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 (ii) | (1,483,659) | 0.30 |
| Options outstanding, ending | 6,694,924 | 0.30 |
| Options exercisable, ending | 3,999,349 | 0.30 |

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

**(Expressed in Canadian Dollars)**

(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, 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.

(ii) During the period ended September 30, 2022, a total of 1,483,659 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 $58,338 were reversed under professional fees and consulting fees in the condensed consolidated interim statements of net loss and comprehensive loss.

(iii) 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.

(iv) 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.

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

The following stock options are outstanding as at September 30, 2022:

| Expiry date | Number of options outstanding | Exercise price | Weight average remaining life (years) | Number of options exercisable |
|---|---|---|---|---|
| December 31, 2025 | 3,722,488 | $ 0.30 | 3.25 | 2,714,992 |
| December 31, 2025 | 752,436 | 0.30 | 3.25 | 501,624 |
| December 31, 2025 | 200,000 | 0.30 | 3.25 | 133,333 |
| June 30, 2026 | 1,800,000 | 0.30 | 3.75 | 612,000 |
| April 30, 2027 | 220,000 | 0.20 | 4.58 | 37,400 |
| | 6,694,924 | $ 0.30 | 3.43 | 3,999,349 |

**(Expressed in Canadian Dollars)**

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

| | Options granted on 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 |

For the three and six month periods ending September 30, 2022, $203 and $78,038 (September 30, 2021 – $223,826 and $568,245) was expensed and recorded as share based payments under professional fees and consulting fees in the condensed consolidated interim statements of net loss and comprehensive loss based on the vesting terms and forfeiture of the options.

**Warrants**

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

| | Period ended September 30, 2022 | |
|---|---|---|
| | Number of warrants | Weighted average exercise price ($) |
| Outstanding, at beginning of period | 8,710,553 | 0.30 |
| Granted | 2,122,091 | 0.30 |
| Cancelled / forfeited | - | 0.00 |
| Warrants outstanding, ending | 10,832,644 | 0.30 |
| Warrants exercisable, ending | 10,832,644 | 0.30 |

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

On September 2, 2022 the Company issued 2,122,091 warrants to holders of the Company's convertible debt.

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

**(Expressed in Canadian Dollars)**

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

| Expiry date | Number of warrants outstanding | Exercise price | | Weight average remaining life (years) |
|---|---|---|---|---|
| January 15, 2023 | 117,955 | $ | 0.33 | 0.29 |
| December 31, 2023 | 6,734,731 | | 0.30 | 1.25 |
| December 31, 2023 | 1,857,867 | | 0.30 | 1.25 |
| September 3, 2023 | 2,122,091 | | 0.30 | 1.93 |
| | 10,832,644 | $ | | 1.37 |

The weighted average life remaining for the warrants outstanding at September 30, 2022 is 1.37 years (September 30, 2021 – 2.24 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 September 30, 2022, 8,539,764 common shares and 735,942 warrants are held in escrow.

**Restricted stock units (RSUs)**

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

| | Period ended September 30, 2022 |
|---|---|
| | Number of RSUs |
| Outstanding, at beginning of period | 980,516 |
| Issued during the period (i)(ii) | 1,980,000 |
| RSUs outstanding, ending | 2,960,516 |
| RSUs exercisable, ending | 828,375 |

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

(i) On September 1, 2022 the Company issued 1,500,000 RSUs to consultants which are exercisable into common shares of the Company at no additional cost and are to vest as follows:

- 495,000 exercisable on September 1, 2022
- 495,000 exercisable on September 1, 2023;
- 510,000 exercisable on September 1, 2024.

The fair value of the RSUs was determined to be $150,000 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 expiry date is December 31, 2025.

(ii) 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 expiry date is December 31, 2025.

(iii) 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 settle RSUs by issuance of common shares in the number equal fair market value at exercise date equal to award value. The expiry date is December 31, 2025.

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 three month and six-month periods ended September 30, 2022, $73,276 and $96,242 (September 30, 2021 - $36,623 and $36,623) 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.

**(Expressed in Canadian Dollars)**

## 12. Convertible Debt

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 units (the "Units"). Under the Proposed Financing, the terms contemplate that the Units 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.

On September 2, 2022 the Proposed Financing closed with cash collected to date being $1,273,243.

The convertible debt contains three separate components; the conversion feature, loan repayable after two years and warrants attached to the debt note.

First component (**"Derivative Liability"**). The convertible debt note contains a hybrid financial instrument. The conversion feature of the convertible debt note is classified as a derivative liability, since the number of common shares issued upon a conversion event will be variable and not fixed.

The fair value of the Derivative Liability was determined to be $31,850, This was calculated using an estimated share price which is based on a probability weighted scenario approach. The Derivative Liability is remeasured at fair value through profit and loss at each reporting date.

Second component (**"Liability"**). The convertible debt note contains a loan feature which is repayable after two years, this liability is carried at amortised cost on the balance sheet. The effective interest rate has been determined to be 12%. The fair value of the liability was determined to be $1,177,443.

Third component (**"Equity"**). The warrants attached to the debt note are recognised initially in equity as it will be settled in a fixed number of shares and there will be no obligation for the Company to settle in cash. The equity component is measured as the residual interest after deducting all of the liabilities. The fair value of the debt note was measured at $1,273,243 and after deducting the liabilities above, the equity portion was determined as $63,950.

Upon closing of the proposed financing, 2,122,091 warrants were issued to holders of the debt note.

See below for the movement in the loan liability:

| Loan Liability | September 30, 2022 | September 30, 2021 |
|---|---|---|
| Opening Balance | - | - |
| Issuance | 1,273,243 | - |
| Fair Value assigned to Derivative Liability | (31,850) | - |
| Fair Value assigned to warrants reserve | (63,950) | - |
| Interest during the year | 10,837 | - |
| Closing Balance | 1,188,280 | - |

(Expressed in Canadian Dollars)

### 13. Segmented information

For the period ended September 30, 2022, management determined that the Company operated only in one segment: development of psilocybin medical and over-the-counter products.

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

| Asset location ($) | September 30, 2022 | March 31, 2022 |
|---|---|---|
| Canada | 21,199 | 22,463 |
| Southern Africa (Lesotho and South Africa) | 765,999 | 532,928 |
| Non-current segment assets | 787,198 | 555,391 |

### 14. Leases

The Company has a lease for land for its production facility in Lesotho. 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 | 632 | 716 |
| Lease payments | (1,592) | (1,758) |
| Foreign exchange | (6,082) | (555) |
| **Closing Balance, September 30** | 48,009 | 55,179 |
| Less: current portion | 2,006 | 2,161 |
| Non-current portion of lease liability | 46,003 | 53,018 |

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

| Future undiscounted payments | $ |
|---|---|
| 2023 | 3,184 |
| 2024 | 3,199 |
| 2025 | 3,244 |
| 2026 | 3,293 |
| 2027 | 3,343 |
| Thereafter | 43,691 |
| Total | 59,954 |

**(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 September 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 | Three months Ending September 30, 2022 | Three months Ending September 30, 2021 | Six months Ending September 30, 2022 | Six months Ending September 30, 2021 |
|---|---|---|---|---|
| Short term benefits | 258,575 | 402,789 | 483,260 | 603,630 |
| Share-based compensation | 52,815 | 233,855 | 133,688 | 393,063 |
| **Total** | 311,390 | 636,644 | 616,948 | 996,693 |

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

*Balances*

As at September 30, 2022, the Company held amounts totaling $91,661 and $nil (September 30, 2021 - $9,983 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 September 30, 2022, the Company held amounts totaling $106,752 (September 30, 2021 - $nil) in accounts payable and accrued liabilities respectively. These are amounts owing to key management personnel.

As at September 30, 2022, the Company received proceeds totaling $58,000 from related parties in connection with the convertible debt note.

*Other Related Party Transactions*

| Transaction Type | Three months Ending September 30, 2022 | Three months Ending September 30, 2021 | Six months Ending September 30, 2022 | Six months Ending September 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 September 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, GBP and USD. Foreign exchange risk arises from transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

As at September 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** | | **September 30, 2022** | |
|---|---|---|---|
| | **GBP** | **LSL, ZAR** | **USD** |
| Cash | 58,710 | 438,950 | 315 |
| Other receivables | - | 702,556 | - |
| Accounts payable and accrued liabilities | - | 250,603 | - |
| Loan to joint venture | - | 1,204,013 | - |

| **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 | - |

**(Expressed in Canadian Dollars)**

A 10% change in exchange rate would have resulted in a loss of $24,978 as at September 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 six months ended September 30, 2022 was based on the net loss of $2,187,309 (September 30, 2021 - $2,303,071) and a weighted average number of common shares outstanding of 85,528,931 (September 30, 2021 – 85,528,931) and for three months ended September 30, 2022 was based on the net loss of $1,007,639 (September 30, 2021 - $1,096,299) and a weighted average number of common shares outstanding of 85,528,931 (September 30, 2020 – 85,528,931) calculated as follows:

| Earnings per Share ($) | Three months ending September 30, 2022 | Three months ending September 30, 2021 | Six months ending September 30, 2022 | Six months ending September 30, 2021 |
|---|---|---|---|---|
| Basic and diluted loss per share: | | | | |
| Net loss | (1,007,639) | (1,096,299) | (2,187,309) | (2,303,071) |
| Average number of common shares outstanding | 85,528,931 | 85,528,931 | 85,528,931 | 85,528,931 |
| Loss per share - basic and diluted | (0.01) | (0.01) | (0.03) | (0.03) |

The diluted weighted average number of common shares does not take into account the effects of stock options and warrants as they would be anti-dilutive for the period ended September 30, 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 reviews 12-month forecasts on a regular basis to manage the Company's capital requirements.

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

## 19. Subsequent events

On November 10, 2022 the Company announced it had received subscription agreements for gross proceeds of $1,219,963 as part of a non-brokered private placement of 10,166,355 common share at a price of $0.12 per share.