Psyence Group Inc.

Consolidated Financial Statements

Years ended March 31, 2023 and March 31, 2022

Expressed in Canadian Dollars

(CAD $)

Management's Responsibility for Financial Reporting

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

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

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

"Dr. Neil Maresky"

Chief Executive Officer

Toronto, Canada

July 27, 2023

Independent Auditor's Report

To the Shareholders of Psyence Group Inc.:

Opinion

We have audited the consolidated financial statements of Psyence Group Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2023 and March 31, 2022, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2023 and March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as at March 31, 2023, the Company had not yet achieved profitable operations and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of Convertible Debt

Key Audit Matter Description	*Audit Response*
Refer to note 3 – significant accounting policies and note 12 – convertible debt to the consolidated financial statements. On September 2, 2022, the Company entered into a financing arrangement that was determined to be a compound financial instrument, comprised of the host debt, warrants and conversion features. Gross proceeds of $1.27 million from the financing arrangement were allocated between the host debt – $1.01 million, the conversion features – $0.18 million and warrants – $0.08 million. Management exercised significant judgement in the determination of the fair value of each of the components of the compound financial instrument. The determination of the relative fair value of the host debt, the conversion features and the warrants were significant to our audit and considered a key audit matter due to the significance of their value and the degree of judgment and subjectivity in evaluating management's estimates. In particular, the valuation is based on, and sensitive to, changes in specific inputs such as discount rates, share price volatility and probability weighted scenarios.	Our approach to addressing the matter included, but was not restricted to, the following procedures: • Obtained an understanding of the valuation methodology and evaluated the appropriateness of the discounted cash flow and option-pricing models applied by management, recalculating the mathematical accuracy thereof; and • Assessed the reasonability of the inputs used, including the discount rate, share price volatility and probability weighted scenarios.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

MNP LLP

Toronto, Ontario
July 27, 2023

Chartered Professional Accountants
Licensed Public Accountants

(Expressed in Canadian Dollars)

Consolidated Statements of Financial Position

As at March 31, 2023 and March 31, 2022

CAD $	Note	As at March 31, 2023	As at March 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	5	2,383,352	3,494,638
Restricted cash	5	40,000	40,000
Other receivables	6	245,243	141,557
Prepaids		107,870	123,047
Total current assets		2,776,465	3,799,242
Non-current assets			
Loan to joint venture	9	-	21,757
Prepaids	7	579,043	-
Property and equipment	7	626,049	511,171
Intangible assets	8	19,942	22,463
Total non-current assets		1,225,034	555,391
TOTAL ASSETS		**4,001,499**	**4,354,633**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	2,620,209	315,124
Current portion of lease liabilities	14	2,034	2,227
Convertible debt to be issued	12	-	1,273,243
Total current liabilities		2,622,243	1,590,594
Non-current liabilities			
Lease liabilities	14	45,040	52,824
Total non-current liabilities		45,040	52,824
TOTAL LIABILITIES		**2,667,283**	**1,643,418**
SHAREHOLDERS' EQUITY			
Share capital	11	20,400,055	16,023,565
Options reserve	11	1,562,373	1,215,776
Warrants reserve	11	1,406,782	1,329,640
Foreign currency translation reserve		(68,138)	26,798
Accumulated Deficit		(21,966,856)	(15,884,564)
TOTAL SHAREHOLDERS' EQUITY		**1,334,216**	**2,711,215**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,001,499**	**4,354,633**

Nature of operations (note 1)
Subsequent events (note 20)

Approved on behalf of the Board of Directors.

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

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

(Expressed in Canadian Dollars)

Consolidated Statements of Net Loss and Comprehensive Loss

For years ended to March 31, 2023 and March 31, 2022

CAD $	Note	2023	2022
Expenses			
Sales and marketing		253,621	146,622
Research and development		2,297,703	115,935
General and administrative		763,642	783,159
Professional fees and consulting fees		2,558,981	3,409,984
Depreciation and amortization	7,8	92,269	52,636
Loss before other items		**(5,966,216)**	**(4,508,336)**
Other items			
Other income		5,449	-
Interest income		7,586	-
Interest expense	12	(121,909)	-
Accretion expense	14	(1,231)	(1,386)
Foreign exchange loss		(9,049)	(5,756)
Share of loss from joint venture	9	(134,769)	(85,288)
Loss on impairment of loan to join venture	9	(53,084)	-
Gain on settlement of debt	11	5,931	-
Gain on fair value change in derivative liability	12	185,000	-
NET LOSS		**(6,082,292)**	**(4,600,766)**
Other comprehensive income/(loss)			
Foreign exchange gain/(loss) on translation		(94,936)	16,010
TOTAL COMPREHENSIVE LOSS		**(6,177,228)**	**(4,584,756)**
Loss per share - basic and diluted	17	**(0.07)**	**(0.05)**
Weighted average number of outstanding shares - basic and diluted		**89,007,181**	**85,528,931**

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

(Expressed in Canadian Dollars)

Consolidated Statements of Changes in Shareholders' Equity

For years ended March 31, 2023 and March 31, 2022

	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	-	-	-	857,053	-	-	857,053
Other comprehensive loss		-	-	-	-	16,010	-	16,010
Net loss		-	-	-	-	-	(4,600,766)	(4,600,766)
Balance, March 31, 2022		**85,528,931**	**16,023,565**	**1,329,640**	**1,215,776**	**26,798**	**(15,884,564)**	**2,711,215**
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	-	-	-	449,437	-	-	449,437
Issuance of warrants	12	-	-	77,142	-	-	-	77,142
Conversion of convertible debt	12	11,059,047	1,103,709	-	-	-	-	1,103,709
Shares issued for cash, net of issuance costs	11	25,351,701	3,033,536	-	-	-	-	3,033,536
Exercise of RSUs	11	828,375	102,840	-	(102,840)	-	-	-
Shares issued on settlement of debt	11	1,186,134	136,405	-	-	-	-	136,405
Other comprehensive loss		-	-	-	-	(94,936)	-	(94,936)
Net loss		-	-	-	-	-	(6,082,292)	(6,082,292)
Balance, March 31, 2023		**123,954,188**	**20,400,055**	**1,406,782**	**1,562,373**	**(68,138)**	**(21,966,856)**	**1,334,216**

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

(Expressed in Canadian Dollars)

Consolidated Statements of Cash Flows

For years ended March 31, 2023 and March 31, 2022

	Note	March 31, 2023	March 31, 2022
Net loss		(6,082,292)	(4,600,766)
Non-cash adjustments:			
Depreciation and amortization	7,8	92,269	52,636
Foreign exchange		(41,488)	11,735
Share based compensation - options	11	449,437	857,053
Accretion expense	14	1,231	1,386
Interest expense	12	121,909	-
Share of loss from joint venture	9	134,769	85,288
Impairment on loan to joint venture	9	53,084	-
Gain on fair value change in derivative liability	12	(185,000)	-
Gain on settlement of debt	11	(5,931)	-
Changes in working capital:			
Other receivables		(67,686)	40,223
Prepaids		(563,866)	(87,208)
Accounts payable and accrued liabilities		2,452,421	87,547
Due to related parties		-	(7,581)
Cash used in operating activities		**(3,641,143)**	**(3,559,687)**
Additions to property and equipment	7	(264,094)	(164,412)
Investment in joint venture	9	-	(4)
Loan to joint venture	9	(166,096)	(107,041)
Increase in restricted cash	5	-	(40,000)
Cash used in investing activities		**(430,190)**	**(311,457)**
Repayment of lease liabilities	14	(3,188)	(3,535)
Proceeds from shares issuance, net of issuance costs	11	2,997,536	-
Proceeds from convertible debt	12	-	1,273,243
Debt issuance costs	12	(34,301)	-
Cash provided from financing activities		**2,960,047**	**1,269,708**
Change in cash and cash equivalents		(1,111,286)	(2,601,436)
Cash and cash equivalents, beginning of year		3,494,638	6,096,074
Cash and cash equivalents, end of year		**2,383,352**	**3,494,638**

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

Notes to the Consolidated Financial Statements

1. Nature of operations and going concern

Psyence Group Inc. (the **"Company"** or **"PGI"**) is a life science biotechnology company focused 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 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. As of March 31, 2023, Psyence Jamaica has remained inactive.

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.

Pure Psyence Corp. has remained inactive with amounts totaling $nil recognized in the consolidated statements of net loss and comprehensive loss. Pure Psyence Corp was dissolved on March 2, 2023.

Psyence UK Group Ltd. "(**"Psyence UK"**) is a private corporation incorporated under the laws of England and Wales on March 18, 2021. Psyence UK is a wholly owned subsidiary of PBC. As of March 31, 2023, the entity has remained inactive.

On February 15, 2023, Psyence Australia (Pty) Ltd. ("**Psyence Australia**") was incorporated in Victoria, Australia as a subsidiary of PBC.

On January 9, 2023, the Company announced that it had entered into a definitive business combination agreement (the "Business Combination Agreement") with Newcourt Acquisition Corp (NASDAQ: NCAC), a special purpose acquisition company ("SPAC") formed for the purpose of acquiring or merging with one or more businesses ("Newcourt"). Newcourt has entered into the Business Combination Agreement with Psyence Biomed Corp., a wholly owned subsidiary of the Company, to create a public company leveraging natural psilocybin in the treatment of palliative care. As of March 31, 2023, the business combination has not closed.

Going concern

These audited 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 March 31, 2023, the Company had not yet achieved profitable operations, has accumulated losses of $21,966,856 (March 31, 2022 - $15,844,564) since its inception 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.

2. Basis of presentation

Statement of compliance

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

The consolidated financial statements were authorized for issue on July 27, 2023 by the directors of the Company.

Basis of measurement

These consolidated financial statements have been prepared on an accrual basis, are based on historical costs and are presented in Canadian dollars, unless otherwise noted.

Functional and presentation currency

These consolidated financial statements are presented in Canadian Dollars (**"CAD $"),** which is also PGI's functional currency. The functional currency of PGI's subsidiaries, PBC, and Psyence Therapeutics Corp ("**PTC"**) is Canadian Dollars, Mind Health (Pty) Ltd, is the Lesotho Loti (**"LSL"**), Psyence South Africa is South African Rand ("**ZAR"**), Psyence Jamaica is the Jamaican Dollar ("**JMD**"), Psyence UK is the Great British Pound ("**GBP"**) and for Psyence Australia is the United States Dollar ("**USD**").

3. Significant accounting policies

Basis of consolidation

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

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

The subsidiaries of PGI that have been consolidated as of March 31, 2023 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 Australia	Australia	100%	Consolidation

As at March 31, 2023, the Company holds 50% ownership in Good Psyence (Pty) Ltd. which is jointly controlled and accounted for under the equity method.

Inter-company balances and transactions are eliminated upon consolidation.

There has been no activity recorded for Psyence Jamaica and Psyence UK.

Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to purchase common shares at the average market price during the period. The impact of convertible securities issued during the year ended March 31, 2023 and March 31, 2022 are anti-dilutive.

IFRS 9 *Financial instruments*

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

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

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

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

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

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

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

Amortized cost

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

FVTPL

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

Classification and measurement of the financial instruments is as follows:

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

Convertible debt to be issued	Amortized cost
Loan liability	Amortized cost
Derivative liability	FVTPL

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

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

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

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

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

Compound Financial Instruments

The Company recognizes and classifies separately the component parts of a financial instrument as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement. Where both liability and equity components exist, the initial carrying amount of the financial instrument shall be allocated to its liability and equity components. The equity component shall be assigned the residual value after deducting from the fair value of the instrument as a whole, the fair value of the liability components.

The equity component is not remeasured subsequent to initial recognition. The transaction costs are distributed between components on a pro-rata basis according to their carrying amounts.

Foreign currency translation

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

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

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

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

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

Income taxes

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

Share capital

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

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

Share-based payments

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

Segment reporting

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

Property and equipment

Property and equipment are recognized as an asset when:

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

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

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

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

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

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

Intangible assets

Intangible assets are recognized when:

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

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

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

Asset	Method	Rate
Website	Straight-line	10 years

The amortization period and the amortization method for intangible assets are reviewed every period end. During the year ended March 31, 2023 and March 31, 2022, the Company did not recognize any impairment losses.

Cash and cash equivalents

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

Related party transactions

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

Impairment of non-financial assets

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

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

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

IFRS 16 *Leases*

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

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

Lease liability

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

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

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

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

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

Right-of-use assets

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

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

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

Provisions

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

Joint Arrangements

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

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

4. Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. Actual results may differ from these estimates. The Company's management reviews these estimates, judgments, and assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised. The following are deemed to be critical accounting policies by management for the years ended March 31, 2023 and March 31, 2022 as these require a high level of subjectivity and judgement and could have a material impact on PGI's consolidated financial statements.

Term and incremental borrowing rate of lease

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

Deferred tax assets

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

Going concern

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

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

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.

Share-based compensation

The Company measures equity settled share-based payments based on their fair value at the grant date and recognize compensation expense over the vesting period based on management's estimate of equity instruments that will eventually vest. The determination of the fair value of stock options using the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

For share-based payments granted to non-employees, the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if cash was paid instead of paying with or using equity instruments.

Joint arrangement

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

Contingencies

From time to time, the Company is named as a party to claims or involved in proceedings, including legal, regulatory and tax related, in the ordinary course of its business. While the outcome of these matters may not be estimable at the reporting date, the Company makes provisions, where possible, for the estimated outcome of such claims or proceedings. Should a loss result from the resolution of any claims or proceedings that differs from these estimates, the difference will be accounted for as a charge to profit or loss in that period. The actual results may vary and may cause significant adjustments.

Fair value of Financial Instruments

On issuance of financial instruments, judgement is required to be made in determining the most appropriate valuation model that is dependent on the terms and conditions of the financial instrument issued.

The Company applies an option-pricing model to measure warrants and a discounted cash flow in order to arrive at the relative fair value of the host debt component of compound financial instruments. Application of the option-pricing model requires management to make estimates in respect to dividend yields, expected volatility in the underlying assets, and the expected life of the financial instrument. Application of a discounted cash flow model requires management to estimate the fair market interest rate of the Company, considering market conditions and other internal and external factors. The Company estimates its credit rating and benchmarks the discount rate to certain fixed income indices.

(Expressed in Canadian Dollars)

5. Cash, restricted cash and cash equivalents

Cash and cash equivalents include the following amounts:

- An amount of $2,378,125 unrestricted cash held with chartered banks
- an amount of $40,000 in a guaranteed investment certificate with a bank as collateral for a credit facility agreement with a leading chartered bank in Canada. Amounts are held in restricted cash on the consolidated statement of financial position and;
- an amount of $5,227 held in trust by a brokerage firm as security for foreign currency exchange.

6. Other receivables

Other receivables include the following amounts.

	March 31, 2023 $	March 31, 2022 $
Other receivables	36,642	78,137
Sales tax receivable	208,601	63,420
Total	**245,243**	**141,557**

The Company estimated the expected credit loss on other receivables to be nominal during the year ended March 31, 2023 and March 31, 2022.

7. Property and equipment

$	Computer equipment	Buildings	Right-of-use asset	Production equipment	Furniture & fixtures	Bulk infra-structure	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	881	237,814	-	25,399	-	-	264,094
Foreign exchange	(1,048)	(50,473)	(6,441)	(2,205)	(2,513)	(6,976)	(69,656)
At March 31, 2023	**9,273**	**603,081**	**52,728**	**38,316**	**20,578**	**57,124**	**781,100**
Accumulated Depreciation							
Opening Balance	1,233	9,350	2,553	1,216	6,109	3,783	24,244
Charge for the year	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 year	2,528	55,618	2,838	10,508	7,425	10,831	89,748
Foreign exchange	(533)	(5,223)	(684)	(802)	(1,086)	(1,860)	(10,188)
At March 31, 2023	**6,383**	**87,151**	**7,863**	**14,960**	**14,817**	**23,877**	**155,051**
Carrying Value							
At March 31, 2022	5,052	378,984	53,460	9,868	14,613	49,194	511,171
At March 31, 2023	**2,890**	**515,930**	**44,865**	**23,356**	**5,761**	**33,247**	**626,049**

As at March 31, 2023 amounts totalling $1,906 (March 31, 2022 - $68,330) held in buildings were not yet available for use.

As of March 31, 2023 amounts totalling $579,043 (March 31, 2022 - $nil) was recognised in prepaids on the consolidated statement of financial position for a deposit on the purchase of equipment.

(Expressed in Canadian Dollars)

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 March 31, 2023	25,212
Accumulated Amortization:	
Opening Balance	(458)
Charge for the year	(2,291)
At March 31, 2022	(2,749)
Charge for the year	(2,521)
At March 31, 2023	(5,270)
Carrying amount:	
At March 31, 2022	22,463
At March 31, 2023	19,942

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 ($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 ($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.

During the year ended March 31, 2022, the Company extended an additional ZAR 750,000 ($63,905) to Good Psyence under the same terms as the initial loan described above. During the year ended March 31, 2023, amounts were further increased by ZAR 500,000 ($40,253) and $125,843 under the same terms.

As of March 31, 2023, a total of $273,137 (March 31, 2022: $107,041) has been extended to Good Psyence by the Company. 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 $220,053 (March 31, 2022 - $85,284) have been deemed to form part of the Company's net investment in the joint venture, equal to the Company's shares of losses exceeding the initial equity investment. The remainder of the loan as at March 31, 2023 has been fully impaired due to the uncertainty of the recoverability of the loan.

(Expressed in Canadian Dollars)

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

Selected information as at	March 31, 2023 $	March 31, 2022 $
Total assets	222,795	165,000
Total liabilities	662,901	335,568
Net deficit	440,106	170,568

For the year ended	March 31, 2023 $	March 31, 2022 $
Revenues	95,954	47,107
Cost of Sales	(67,169)	(28,968)
Administrative expenses	(323,389)	(184,069)
Other Comprehensive (Loss)/Income	25,066	(4,646)
Net loss and comprehensive loss	(269,538)	(170,576)

During the year ended March 31, 2023, the Company recognized amounts totaling $134,769 (March 31, 2022: $85,288) in the consolidated statements of net loss and comprehensive loss related to the Company's share of loss from the joint venture. As at March 31, 2023, the loan receivable balance held in loan to joint venture on the consolidated statements of financial position totaled $nil (March 31, 2022: $21,757) after recording an impairment of $53,084 (March 31, 2022: $nil) in the consolidated statements of loss and comprehensive loss.

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts:

	March 31, 2023 $	March 31, 2022 $
Trade payables	2,051,534	91,869
Accrued liabilities	568,675	223,255
Total	2,620,209	315,124

11. Share capital

Authorized share capital

Unlimited number of voting common shares without par value.

Issued and outstanding

Common shares	2023		2022	
	Number	Amount ($)	Number	Amount ($)
Opening balance April 1	85,528,931	16,023,565	85,528,931	16,023,565
Issuance of shares in private placement	25,351,701	3,042,203	-	-
Issuance of shares for RSUs exercise	828,375	102,840	-	-
Issuance of shares for debt settlement	1,186,134	136,405	-	-
Shares issued on conversion of convertible debt	11,059,047	1,103,709	-	-
Share issuance costs	-	(8,667)	-	-
Balance as at March 31,	123,954,188	20,400,055	85,528,931	16,023,565

(Expressed in Canadian Dollars)

Common shares

Private placements

On December 14, 2022 the Company issued 7,751,859 shares with a subscription price of $0.12 in a private placement. The Company received proceeds of $930,223.

On March 3, 2023 the Company issued 8,556,804 shares with a subscription price of $0.12 in a private placement. The Company received proceeds of $1,026,816.

On March 31, 2023 the Company issued 9,043,038 shares with a subscription price of $0.12 in a private placement. The Company received proceeds of $1,085,164, $36,000 of which is included in other receivables on the consolidated statement of financial position as at March 31, 2023.

In relation to the private placements aforementioned, the Company incurred share issuance costs of $8,667 for the year ended March 31, 2023. The share issuance costs were comprised of $8,667 of cash settled issuance costs.

RSU exercise

On December 14, 2022 the Company issued 372,900 shares for the exercise of RSU’s by various consultants of the Company. Upon exercise, amounts totalling $37,290 was transferred from contributed surplus to share capital, determined by reference to the original fair value of the RSU's determined on the date of grant.

On January 16, 2023 the Company issued 455,475 shares for the exercise of RSU’s by an employee of the Company. Upon exercise, amounts totalling $65,550 was transferred from contributed surplus to share capital, determined by reference to the original fair value of the RSU's determined on the date of grant.

Debt settlement

On December 14, 2022 the Company issued 1,186,134 shares in settlement of debt in lieu of consulting fees to the value of $142,336. The shares issued were determined to have a fair value equal to $136,405 by reference to the trading price of the Company's shares on the date of settlement, resulting in a gain on settlement of debt totaling $5,931 recognized in the consolidated statements of loss and comprehensive loss for the year ended March 31, 2023.

Convertible debt

On March 31, 2023 the Company issued 11,059,047 shares upon conversion of its outstanding convertible debt note. See Note 12 for details.

Stock Options

The changes in stock options outstanding during the years ended March 31, 2023 and March 31, 2022 are as follows:

	Year ended March 31, 2023	
	Number of options	Weighted average exercise price ($)
Outstanding, at beginning of year	7,958,583	0.30
Granted (i)(ii)(iii)	3,380,901	0.15
Cancelled / forfeited (iv)	(1,783,659)	0.30
Options outstanding, ending	9,555,825	0.25
Options exercisable, ending	4,669,349	0.27

(Expressed in Canadian Dollars)

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

(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) On January 31, 2023, the Company granted 1,220,901 options to a consultant of the Company with each option exercisable into one common share of the Company at a price of $0.17 per share until January 31, 2026. Options are to vest 33% 12 months from the date of grant, 33% 24 months from the date of grant and 34% 35 months from the date of grant. The fair value of the options was determined to be $101,700 on the date of grant using the Black-Scholes option pricing model.

(iii) On March 31, 2023, the Company granted 1,940,000 options to consultants, executives and directors of the Company with each option exercisable into one common share of the Company at a price of $0.14 per share until March 31, 2028. Options are to vest 50% at the date of grant and 50% 6 months from the date of grant. The fair value of the options was determined to be $188,140 on the date of grant using the Black-Scholes option pricing model.

(iv) During the year ended March 31, 2023, a total of 1,783,659 (March 31, 2022: 1,473,472) options were forfeited due to the termination of services from various employees and consultants of the Company. In connection with the options forfeited, previous share-based payment expenses totaling $58,338 (March 31, 2022 - $93,499) were reversed under professional fees and consulting fees in the consolidated statements of net loss and comprehensive loss.

(v) 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.

(vi) 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.

(Expressed in Canadian Dollars)

The following stock options are outstanding at March 31, 2023:

Expiry date	Number of options outstanding	Exercise price $	Weighted average remaining life (years)	Number of options exercisable
December 31, 2025	4,374,924	0.30	2.75	3,049,949
June 30, 2026	1,800,000	0.30	3.25	612,000
April 30, 2027	220,000	0.20	4.08	37,400
January 31, 2026	1,220,901	0.17	2.83	-
March 31, 2028	1,940,000	0.14	5.00	970,000
	9,555,825		3.34	4,669,349

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 May 1, 2022	Options granted on January 31, 2023	Options granted on March 31, 2023
Numbers issued	220,000	1,220,901	1,940,000
Share price	0.085	0.14	0.13
Expected dividend yield	Nil	Nil	Nil
Exercise price	0.20	0.17	0.14
Risk-free interest rate	2.79%	3.29%	2.92%
Expected life	5.00	3.00	5.00
Expected volatility	100%	100%	100%
Expiry date	April 30, 2027	January 31, 2026	March 31, 2028

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

During the year ended March 31, 2023, $280,727 (March 31, 2022 - $782,692) 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.

(Expressed in Canadian Dollars)

Warrants

The changes in warrants outstanding during the years ended March 31, 2023 and March 31, 2022 are as follows:

	Year ended March 31, 2023	
	Number of warrants	Weighted average exercise price ($)
Outstanding, at beginning of year	8,710,553	0.30
Granted (Note 12)	2,122,091	0.30
Expired	(117,955)	0.33
Warrants outstanding, ending	10,714,689	0.30
Warrants exercisable, ending	10,714,689	0.30

	Year ended March 31, 2022	
	Number of warrants	Weighted average exercise price ($)
Outstanding, at beginning of year	8,910,553	0.30
Cancelled / forfeited	(200,000)	0.30
Warrants outstanding, ending	8,710,553	0.30
Warrants exercisable, ending	8,710,553	0.30

On January 15, 2023, 117,955 warrants expired unexercised. The warrants were granted on January 15, 2021.

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

The following warrants are outstanding as at March 31, 2023:

Expiry date	**Number of warrants outstanding**	**Exercise price ($)**	**Weight average remaining life (years)**
September 2, 2024	2,122,091	0.30	1.42
December 31, 2023	6,734,731	0.30	0.75
December 31, 2023	1,857,867	0.30	0.75
	10,714,689	0.30	0.88

Escrow Securities

In connection with the Company's listing on the CSE, 18,977,263 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. These shares and warrants shall be released from escrow as follows:

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

As of March 31, 2023, 5,693,179 common shares and 490,629 warrants were held in escrow.

(Expressed in Canadian Dollars)

Restricted stock units (RSUs)

The changes in RSUs outstanding during the years ended March 31, 2023 and March 31, 2022 are as follows:

	Year ended March 31, 2023
	Number of RSUs
Outstanding, at beginning of year	980,516
Issued during the year (i)(ii)(iii)	5,755,000
Exercised during year	(828,375)
RSUs outstanding, ending	5,907,141
RSUs exercisable, ending	-

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

(i) On September 1, 2022, the Company issued 1,500,000 RSUs to executives, directors, consultants and an employee 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 common shares on the date of the grant. Upon exercise, the Company shall settle RSUs by way of common shares, with one (1) common share issued for every one (1) RSU exercised.

(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 common shares on the date of the grant. Upon exercise, the Company shall settle RSUs by way of common shares, with one (1) common share issued for every one (1) RSU exercised.

(iii) On March 31, 2023 the Company issued 3,775,000 RSUs to consultants and an employee which are exercisable into common shares of the Company at no additional cost and are to vest as follows:

- 1,258,333 exercisable on March 31, 2024
- 1,258,333 exercisable on March 31, 2025;

- 1,258,334 exercisable on March 31, 2026.

The fair value of the RSUs was determined to be $490,750 based on the fair value of the Company's common shares on the date of the grant. Upon exercise, the Company shall settle RSUs by way of common shares, with one (1) common share issued for every one (1) RSU exercised.

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

- 166,688 exercisable on March 1, 2022;
- 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 way of common shares, with one (1) common share issued for every one (1) RSU exercised.

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 year ended March 31, 2023, $168,711 (March 31, 2022 - $74,361) 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 on the vesting of RSUs.

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 along with any accrued interest shall be convertible at the option of the holder at any time at a 20% discount to the volume weighted average price of the Company's common shares over the previous five (5) trading days, or automatically converted upon the occurrence of either (a) the Company issuing common shares resulting in aggregate gross proceeds to the Company of at least $2,000,000 (a "Qualifying Financing"), converting at a 20% discount to the per share price paid by purchasers in the Qualifying Financing, (b) the Company dual listing its securities onto any of the UK stock exchanges, converting at a 20% discount to the volume weighted average price of the Company's common shares over the fifteen (15) day prior to the time of listing, or (c) the Company consummates a sale of the Company or of all or substantially all its assets, converting at a 20% discount to the price per common share of the Company's most recent financing round. In all scenarios, the conversion price being subject to a minimum price of $0.12 and a maximum 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 contemplate that the notes are to mature 24 months from the date of issuance and bear interest at a rate of 8% per annum, payable as at the date of maturity.

On September 2, 2022, the Company closed its Proposed Financing, issuing a total of 1,273 Units at a price per Unit totaling $1,000, raising gross proceeds of $1,273,243 and issuances a total of 2,122,091 warrants in accordance with the terms described above.

In connection with the issuance of Units, costs of issuances were incurred for amounts totaling $34,301.

(Expressed in Canadian Dollars)

On initial recognition, the Company concluded that the Units are to be accounted for as compound financial instruments, comprising a host debt contract to be held at amortized cost (loan liability), a derivative liability to be held at FVTPL (conversion feature) and an equity instrument (warrants).

The conversion feature was concluded to be a derivative liability on the basis that events or circumstances exist that may result in a variable number of common shares to be issued, thereby failing to meet the “fixed-for-fixed” requirements prescribed by IAS 32 Financial Instruments: presentation.

Accordingly, the fair value allocation of the Units were determined by reference to the estimated fair value of the loan liability and the derivative liability on the date of initial recognition, with the residual value allocated to warrant, recognized within warrant reserve.

The fair value of the loan liability was determined to be $981,800, net of cost of issuances totaling $27,200 and determined by reference to future payments schedule on the loan, discounted based on a fair market interest rate of 21%.

The fair value of the derivative liability was determined to be $185,000, determined based on Company’s estimated share price and volatility, using a probability weighted scenario approach with the following inputs: share price of $0.10, volatility of 100%, risk free rate of 3.55% and an estimated term of 2 years. Cost of issuances totaling $5,000 were allocated to the derivative liability, recognized immediately in the consolidated statement of net loss and comprehensive loss under professional fees and consulting fees for the year ended March 31, 2023.

Under the residual method approach, the warrants were determined to have a fair value of $77,142, net of cost of issuances totaling $2,101, recognized within warrant reserves in the consolidated statement of financial position.

On March 31, 2023 the convertible debt note converted into common shares following the fulfilment of a convertible condition. The condition was triggered due to the issuance of common shares in a private placement, which had a cumulative value of at least $2 million subsequent to the closing of the debt notes.

The debt note converted into 11,059,047 common shares, which included accumulated interest from the date of closing.

See below for the movement in the convertible debt:

Convertible Debt	**March 31, 2023**
Opening Balance	981,800
Interest expense	121,909
Transferred to share capital on conversion	(1,103,709)
Closing Balance	-

Upon conversion, the derivative liability was concluded to have a fair value of $nil, determined by reference to the total fair value of common shares received by holders as compared to the face value of the principal and accrued interest converted as at that date. As a result, a gain on fair value of derivative liability totaling $185,000 (March 31, 2022 - $nil) was recognized in the consolidated statements of net loss and comprehensive loss for the year ended March 31, 2023.

At March 31, 2022, the Proposed Financing remained open with cash collected being non-interest bearing until such date that the Proposed Financing was completed on September 2, 2022. Amounts totaling $1,273,243 were classified as convertible debt to be issued, held at amortized cost on the consolidated statements of financial position as at March 31, 2022.

13. Segmented information

For the year ended March 31, 2023 and March 31, 2022, management determined that the Company operated only in one segment: development of psilocybin medical and nutraceutical products.

(Expressed in Canadian Dollars)

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

Asset location ($)	March 31, 2023	March 31, 2022
Canada	19,942	22,463
Southern Africa (Lesotho and South Africa)	1,205,092	532,928
Non-current segment assets	1,225,034	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 ($)	2023	2022
Opening Balance, April 1	55,051	56,776
Additions	-	-
Accretion expense	1,231	1,386
Lease payments	(3,188)	(3,535)
Foreign exchange	(6,020)	424
Closing Balance, March 31	47,074	55,051
Less: current portion	2,034	2,227
Non-current portion of lease liability	45,040	52,824

The following table presents the future undiscounted payments associated with the sole lease liability as of March 31, 2023 for the next five years and thereafter:

Future undiscounted payments	($)
2024	3,188
2025	3,225
2026	3,272
2026	3,322
2028	3,373
Thereafter	42,057
Total	58,437

During the year ended March 31, 2023, amounts totalling $26,324 (March 31, 2022 - $36,338) were included in the consolidated statements of net loss and comprehensive loss related to leases of a short-term nature.

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 year ended March 31, 2023 and March 31, 2022:

(Expressed in Canadian Dollars)

Compensation to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Directors.

Key Management Personnel	March 31, 2023	March 31, 2022
Short term benefits	1,178,352	1,173,188
Share-based compensation	366,997	624,338
Total	1,545,349	1,797,526

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

Balances

As at March 31, 2023, the Company held amounts totaling $nil and $nil (March 31, 2022 - $21,757 and $63,317) in loan to joint venture and other receivables respectively. These amounts consisted of the loan to the joint venture Good Psyence and other short-term receivables.

As at March 31, 2023, the Company held amounts totaling $22,881 (March 31, 2022 - $29,340) in accounts payable and accrued liabilities. These are amounts owing to key management personnel.

During the year ended March 31, 2023, interest totaling $3,640 was accrued in connection with the convertible debentures held by related parties. On conversion of the convertible debentures, the related parties received 677,616 common shares of the Company.

As at March 31, 2022, the Company received proceeds totaling $58,000 from related parties in connection with the convertible debt issued (Note 12).

Other Related Party Transactions

Transaction Type	March 31, 2023	March 31, 2022
Management fees	-	89,475
Total	-	89,475

Management fees relate to a management service agreement ("**MSA**") with a related party during the prior year. A key management personnel of the Company had control of the related party during the year. 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.

(Expressed in Canadian Dollars)

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 and cash equivalents, restricted cash, other receivables and loan to joint venture. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions. The Company also assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

As at March 31, 2023, the Company's financial liabilities consist of account payable, accrued liabilities, and lease liabilities.

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.

The following table illustrates the contractual maturities of financial liabilities as at March 31, 2023:

Financial Instrument Maturity ($)	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
Accounts payable and accrued liabilities	2,620,209	-	-	-	2,620,209
Lease liability	3,118	6,497	6,695	42,057	58,437
Total	2,623,327	6,497	6,695	42,057	2,678,646

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

A 10% adverse change in exchange rate would have resulted in a loss of $50,672 as at March 31, 2023.

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.

(Expressed in Canadian Dollars)

17. Loss per share

The calculation of basic and diluted loss per common share for the year ended March 31, 2023 was based on the net loss of $6,082,292 (March 31, 2021 - $4,600,766) and a weighted average number of common shares outstanding of 89,007,181 (March 31, 2021 – 85,528,931) calculated as follows:

Earnings per share ($)	March 31, 2023	March 31, 2022
Basic and diluted loss per share:		
Net loss	(6,082,292)	(4,600,766)
Average number of common shares outstanding	89,007,181	85,528,931
Loss per share – basic and diluted	(0.07)	(0.05)

The diluted weighted average number of common shares does not take into account the effects of stock options, warrants and convertible debentures as they would be anti-dilutive for the year ended March 31, 2023 and March 31, 2022.

18. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2022 – 26.5%) to the effective tax rate is as follows:

	2023	2022
Net Income/(Loss) before recovery of income taxes	(6,082,292)	(4,600,766)
Expected income tax (recovery)/expense	(1,611,807)	(1,219,203)
Difference in foreign tax rates	146,501	57,419
Tax rate changes and other adjustments	193,794	421
Non-deductible consulting fees	-	227,119
Other permanent expenses	51,817	-
Change in tax benefits not recognized	1,219,695	934,244
Income tax (recovery)/expense	-	-

Deferred tax

The following table summarizes the components of deferred tax:

Deferred tax	2023	2022
Deferred tax assets		
Lease liability	4,485	5,308
Deferred tax liabilities		
ROU asset	(4,485)	(5,308)
Net deferred tax asset	-	-

(Expressed in Canadian Dollars)

Unrecognized deferred tax asset

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

Unrecognized deferred tax	2023	2022
Property and equipment	141,629	64,657
Non-deductible reserves	140,500	97,500
Investment in Joint Venture	272,926	85,164
Loan liability	22,035	-
Intangible assets	150,215	2,749
Share issuance costs - 20(1)(e)	469,377	525,486
Non-capital losses carried forward-Canada	7,505,480	5,129,782
Non-capital losses carried forward-Lesotho	1,101,290	506,788
Non-capital losses carried forward-South Africa	193,749	104,204
Non-capital losses carried forward-Australia	1,699,257	-
Lease liability	2,208	1,966
	11,698,666	6,518,296

Share issuance and financing costs will be fully amortized in 2027.

The Company's non-capital loss carry forwards will expire as noted in the table below:

Year of expiry	Canada	South Africa	Lesotho	Australia
2041	1,121,798	-	-	-
2042	3,272,947	-	-	-
2043	3,110,735	-	-	-
Indefinite	-	193,749	1,101,290	1,699,257
Total	7,505,480	193,749	1,101,290	1,699,257

19. Capital management

The Company manages its cash and cash equivalents and the components of shareholders' equity 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.

20. Subsequent Events

On May 25, 2023, the Company granted 150,000 stock options to a director. Each option is exercisable at a price of $0.14 up until May 25, 2028. Options are to vest 50% at the date of grant and 50% 6 months from the date of grant.

Subsequent to year end, the Company entered into a subscription agreement to issue units of the Company, to be completed in two separate tranches, in exchange for gross proceeds of USD 1,393,750. As per the terms of the subscription agreement, the Company is to issue 7,775,964 units in the first tranche in exchange for gross proceeds of $933,116 (USD 696,875), and shall issue units in the second tranche equal to USD 696,875, the value of the units being determined by reference to the volume weighted average price of the Company's common shares over the previous five (5) trading days, less a discount of 20%, provided the subscription price shall not be less than $0.12 per unit. Each unit comprising one (1) common share and one-half (0.5) of a common share purchase warrant, with each whole warrant exercisable into an additional common share of the Company at a price of $0.15 per common share for a period of 18 months from the date of grant. In connection with issuance of units, the Company agreed to pay finders fees equal to 6% of the gross proceeds raised, as well as issue finders warrants equal to 6% of the units issued, each exercisable into a common share of the Company at the same price per share that the financing was completed at, exercisable for a term of 24 months from the date of closing.

On May 25, 2023, the Company issued 7,775,964 shares with a subscription price of $0.12 and 3,887,982 warrants with an exercise price of $0.15 and an 18 month expiry date in a private placement. The Company received gross proceeds of $933,116.

On July 12, 2023, the Company cancelled a total of 5,687,377 options previously granted that were exercisable into common shares of the Company at a price of $0.30 and had a weighted average remaining life of 2.59 years.

Subsequent to year end, a total of 287,547 stock options exercisable at a price of $0.30 and originally expiring on December 31, 2025 were forfeited and cancelled.

In July 2023, the Company received additional funds totalling $90,773 relating to its ongoing private placement for the issuance of shares of the Company at a price of $0.12 per share.