Psyence Group Inc.

Consolidated Financial Statements

Years ended March 31, 2024 and March 31, 2023

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.

"Jody Aufrichtig"

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Executive Chairman

Toronto, Canada

July 29, 2024

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, 2024 and March 31, 2023, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

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, 2024 and March 31, 2023, 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, 2024, 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.

Control Assessment of Psyence Biomedical Ltd. ("PBM")

Key Audit Matter Description	*Audit Response*
As described in Note 3, 4 and 13 of the consolidated financial statements, as at March 31, 2024, the Company had a 37% ownership interest in PBM. This investment was consolidated on the basis of control in accordance with IFRS 10, Consolidated Financial Statements. We considered this to be a key audit matter due to the significant judgment required by management in determining whether the Company controls PBM. This in turn led to a high degree of auditor subjectivity, judgment and effort in performing procedures relating to the control assessment. The key considerations used in management's control assessment of PBM included the significant ownership interests held by the Company in PBM's voting rights, together with other factors described in Note 4.	We responded to this matter by performing procedures in relation to the control assessment of PBM. Our audit work in relation to this included, but not restricted to, the following: • Assessing the reasonableness of the Company's ownership and voting rights of PBM. • Verifying the shareholders of PBM to determine the size and dispersion of shareholdings of the other shareholders. • Evaluating the existence of other facts and circumstances supporting control under IFRS 10, including an assessment of substantive potential voting rights held by the Company and other parties. • Considering PBM's key management roles, including evaluation of related party transactions. • Assessing composition of PBM's board members and appointment rights of the Board of Directors. • Assessing the appropriateness of the disclosures relating to the control assessment of PBM in the notes to the consolidated financial statements.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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 29, 2024

Chartered Professional Accountants
Licensed Public Accountants

(Expressed in Canadian Dollars)

Consolidated Statements of Financial Position

As at March 31, 2024 and March 31, 2023

CAD $	Note	As at March 31, 2024	As at March 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents	5	1,058,752	2,383,352
Restricted cash	5	50,123	40,000
Other receivables	6	237,223	245,243
Prepaids	7	442,269	107,870
Total current assets		1,788,367	2,776,465
Non-current assets			
Prepaids	7	-	579,043
Property and equipment	7	1,466,680	626,049
Intangible assets	8	17,422	19,942
Total non-current assets		1,484,102	1,225,034
TOTAL ASSETS		**3,272,469**	**4,001,499**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	1,477,138	2,620,209
NCAC promissory note	14	1,997,617	-
Convertible note liability	16	10,375,773	-
Derivative warrant liabilities	17	1,221,678	-
Current portion of lease liabilities	25	575	2,034
Total current liabilities		15,072,781	2,622,243
Non-current liabilities			
Lease liabilities	25	33,273	45,040
Total non-current liabilities		33,273	45,040
TOTAL LIABILITIES		**15,106,054**	**2,667,283**
SHAREHOLDERS' DEFICIT			
Share capital	11	21,662,052	20,400,055
Options reserve	11	2,013,786	1,562,373
Warrants reserve	11	1,574,721	1,406,782
Foreign currency translation reserve		124,365	(68,138)
Accumulated Deficit		(49,256,893)	(21,966,856)
Non-controlling interest	13	12,048,384	-
TOTAL SHAREHOLDERS' DEFICIT		**(11,833,585)**	**1,334,216**
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		**3,272,469**	**4,001,499**

Nature of operations (note 1)
Subsequent events (note 26)

Approved on behalf of the Board of Directors.

"Jody Aufrichtig"	"Warwick Corden-Lloyd"
Executive Chairman and Director	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, 2024 and March 31, 2023

CAD $	Note	2024	2023
Expenses			
Sales and marketing		152,162	253,621
Research and development		1,579,253	2,297,703
General and administrative		1,132,680	763,642
Professional fees and consulting fees		2,297,951	2,558,981
Depreciation and amortization	7,8	97,929	92,269
Loss before other items		**(5,259,975)**	**(5,966,216)**
Other items			
Other income	15	1,191,807	5,449
Interest income		3,572	7,586
Interest expense	15,24	(71,388)	(121,909)
Accretion expense		(1,238)	(1,231)
Foreign exchange gain/(loss)		8,965	(9,049)
Share of loss from joint venture	9	-	(134,769)
Loss on impairment of loan to joint venture	9	-	(53,084)
Reversal of impairment of loan to joint venture	9	8,101	-
Gain on settlement of debt	11,12	598,249	5,931
Listing expense	12	(55,943,552)	-
Transaction expense	12	(2,529,275)	-
Fair value loss on NCAC promissory note	14	(81,901)	-
Fair value loss on convertible note	16	(6,955,644)	-
Fair value loss on warrant liability	17	(413,031)	
Gain on fair value change in derivative liability	24	-	185,000
NET LOSS		**(69,445,310)**	**(6,082,292)**
Other comprehensive income/(loss)			
Foreign exchange gain/(loss) on translation		192,503	(94,936)
TOTAL COMPREHENSIVE LOSS		**(69,252,807)**	**(6,177,228)**
NCI share of losses	13	(41,591,243)	-
Parent share of losses		(27,854,067)	(6,177,228)
Loss per share - basic and diluted	21	**(0.52)**	**(0.07)**
Weighted average number of outstanding shares - basic and diluted		**133,336,848**	**89,007,181**

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

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(Expressed in Canadian Dollars)

<u>Consolidated Statements of Changes in Shareholders' Equity</u>

For years ended March 31, 2024 and March 31, 2023

	Note	Number of shares	Share capital ($)	Warrants reserve ($)	Options reserve ($)	Foreign currency translation reserve ($)	Deficit ($)	Non-controlling interest ($)	Total shareholders' equity ($)
Opening balance as at April 1, 2022		85,528,931	16,023,565	1,329,640	1,215,776	26,798	(15,884,564)	-	2,711,215
Share based compensation	11	-	-	-	449,437	-	-	-	449,437
Issuance of warrants	24	-	-	77,142	-	-	-	-	77,142
Conversion of convertible debt	24	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**
Opening balance as at April 1, 2023		123,954,188	20,400,055	1,406,782	1,562,373	(68,138)	(21,966,856)	-	1,334,216
Share based compensation	11	-	-	-	566,284	-	-	-	566,284
Shares issued for cash, net of issuance costs	11	10,188,215	1,029,527	167,939	-	-	-	-	1,197,466
Exercise of RSU's	11	978,570	114,871	-	(114,871)	-	-	-	-
Shares issued on settlement of debt	11	3,985,253	117,599	-	-	-	-	-	117,599
Net assets transferred to NCI	13	-	-	-	-	-	-	54,203,657	54,203,657
Net assets acquired in RTO	13	-	-	-	-	-	564,030	(564,030)	-
Other comprehensive loss		-	-	-	-	192,503	-	-	192,503
Net loss		-	-	-	-	-	(27,854,067)	(41,591,243)	(69,445,310)
Balance, March 31, 2024		**139,106,226**	**21,662,052**	**1,574,721**	**2,013,786**	**124,365**	**(49,256,893)**	**12,048,384**	**(11,833,585)**

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, 2024 and March 31, 2023

	Note	March 31, 2024	March 31, 2023
Net loss		(69,445,310)	(6,082,292)
Non-cash adjustments:			
Depreciation and amortization	7,8	97,929	92,269
Foreign exchange		231,513	(41,488)
Share based compensation - options	11	566,283	449,437
Accretion expense	14	1,238	1,231
Interest expense	12	-	121,909
Share of loss from joint venture	9	-	134,769
Impairment on loan to joint venture	9	-	53,084
Impairment reversal	9	(8,101)	-
Gain on settlement of debt	11,12	(598,249)	(5,931)
Listing expense	12	55,943,552	-
Transaction expense	12	1,348,673	-
Change in ROU assets	7	(17,716)	-
Fair value loss on NCAC promissory note	14	81,901	-
Fair value loss on convertible note liability	16	6,955,644	-
Fair value loss on derivative warrant liabilities	17	413,031	-
Gain on fair value change in derivative liability	24	-	(185,000)
Changes in working capital:			
Other receivables		8,020	(67,686)
Prepaids		244,645	(563,866)
Accounts payable and accrued liabilities		(739,534)	2,452,421
Cash used in operating activities		**(4,916,481)**	**(3,641,143)**
Additions to property and equipment	7	(988,050)	(264,094)
Loan to joint venture	9	8,101	(166,096)
Increase in restricted cash	5	(10,123)	-
Cash used in investing activities		**(990,072)**	**(430,190)**
Repayment of lease liabilities	14	(3,013)	(3,188)
Proceeds from shares issuance, net of issuance costs	11	1,197,466	2,997,536
Proceeds from convertible note liability	16	3,387,500	
Debt issuance costs	24	-	(34,301)
Proceeds from loan	15	970,533	-
Settlement of loan	15	(970,533)	-
Cash provided from financing activities		**4,581,953**	**2,960,047**
Change in cash and cash equivalents		(1,324,600)	(1,111,286)
Cash and cash equivalents, beginning of year		2,383,352	3,494,638
Cash and cash equivalents, end of year		**1,058,752**	**2,383,352**

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

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.

On June 29, 2023, Psyence Biomedical Ltd. ("**PBM**") was incorporated in Ontario, Canada as a subsidiary of PGI.

On June 29, 2023, Psyence Biomed II Corp. ("**Psyence Biomed II**") was incorporated in Ontario, Canada as a subsidiary of PGI.

On July 26, 2023, Psyence (Cayman) Merger Sub was incorporated in Cayman Islands as a subsidiary of PBM.

Business Combination Agreement and PBM NASDAQ listing

On January 9, 2023, the Comapny entered into a definitive business combination agreement (the "**Business Combination Agreement**") with Newcourt Acquisition Corp. (NASDAQ: NCAC), a special purpose acquisition company ("**SPAC**"). The agreement aimed to create a public company leveraging natural psilocybin for palliative care treatment. The Company contributed its clinical trial activities to Psyence Biomedical Ltd. as described below.

The transaction concluded on January 25, 2024, with PBM's listing on NASDAQ. This transaction involved PBM acquiring the SPAC through a merger, thereby making the SPAC a wholly-owned subsidiary of PBM.

Transaction Overview:

On January 25, 2024 (the "**Closing Date**"), PBM, a corporation organized under the laws of Ontario, Canada, completed the previously announced business combination (the "**RTO Transaction**") as per the Amended and Restated Business Combination Agreement (the "**BCA**"), dated July 31, 2023. The parties involved in the BCA included:

- Psyence Group Inc.
- Newcourt Acquisition Corp., a Cayman Islands exempted company.
- Newcourt SPAC Sponsor LLC, a Delaware limited liability company ("**NCAC Sponsor**").
- Psyence (Cayman) Merger Sub, a Cayman Islands exempted company and a wholly owned subsidiary of Psyence Group.
- Psyence Biomed Corp., a corporation organized under the laws of British Columbia, Canada ("**Original Target**").
- Psyence Biomed II Corp., a corporation organized under the laws of Ontario, Canada.

*Key Transactions (collectively, the "**Business Combination**"):*

Formation of Subsidiaries: Prior to the execution of the BCA, the Company formed two wholly owned subsidiaries: Psyence Biomed II and PBM.

Amalgamation: Prior to the Closing Date, the Company amalgamated with the Original Target. Consequently, the Company transferred shares of Psyence Australia Pty Ltd. and related business assets previously owned by the Original Target to Psyence Biomed II.

Share Exchange: the Company contributed Psyence Biomed II to PBM in a share-for-share exchange (the "**Company Exchange**").

Merger: Following the Company Exchange, Psyence (Cayman) Merger Sub merged with Newcourt Acquisition Corp., with Newcourt Acquisition Corp. being the surviving entity. Each outstanding ordinary share of Newcourt Acquisition Corp. was converted into the right to receive one common share of PBM.

Warrant Conversion: Each outstanding warrant to purchase Newcourt Acquisition Corp. Class A ordinary shares was converted into warrants to acquire one common share of PBM on substantially the same terms as the original warrants.

On January 15, 2024 and January 23, 2024, the parties to the Business Combination Agreement entered into letter agreements (the "**Closing Letter Agreements**") pursuant to which, among other things, PBM, the Company, Original Target and Merger Sub (collectively, the "**Psyence Parties**") agreed, on a conditional basis, to waive the closing conditions contained in the BCA that, at or prior to the closing of the Business Combination (the "**Closing**"), (i) Newcourt SPAC shall have no less than $20,000,000, net of liabilities, as of the Closing (the "**Minimum Cash Condition**") and (ii) the PIPE (Private Investment in Public Equity) Investment in the PIPE Investment Amount shall have occurred or shall be ready to occur substantially concurrently with the Closing (the "**PIPE Investment Condition**") and (iii) to waive certain deliverables of the Business Combination Agreement (the "**Closing Deliverables**"). Upon the Closing, the Psyence Parties waived in full the Minimum Cash Condition, the PIPE Investment Condition and the Closing Deliverables.

Convertible Note Financing

On January 15, 2024, in connection with the Business Combination, PBM entered into a securities purchase agreement (the "**Securities Purchase Agreement**") by and among (i) PBM, (ii) Psyence Biomed II, (iii) NCAC Sponsor and (iv) certain investors (the "**Investors**") relating to up to four senior secured convertible notes (collectively, the "**Notes**" and the transactions pursuant to the Securities Purchase Agreement, the "**Financing**"), obligations under which will be guaranteed by certain assets of PBM and Psyence Biomed II, issuable to the Investors at or after the Closing, as the case may be, for the aggregate principal amount of up to USD $12,500,000 in exchange for up to USD $10,000,000 in cash subscription amounts.

The Note for the first tranche of the Financing (the "**First Tranche Note**"), for a total of USD $3,125,000 of principal in exchange for a total of USD $2,500,000 in subscription amounts and was issued to the Investors substantially concurrently with, and contingent upon, the Closing. The Financing closed immediately prior to the Business Combination (Refer to Note 16).

Merger Consideration

As consideration for all the issued and outstanding Psyence Biomed II common shares that PBM received in the Company Exchange, PBM issued to the Company, 5,000,000 Common Shares. As a result, the Company is the largest shareholder of PBM as at March 31, 2024.

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, 2024, the Company had not yet achieved profitable operations, has accumulated losses of $49,256,893 (March 31, 2023 - $21,966,856) 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 29, 2024 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: 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 Australia (Pty) Ltd, is the Australian Dollar (**"AUD $"**); Psyence Biomedical Ltd, Psyence Biomed II Corp. and Newcourt Acquisition Corp., is the United States Dollar (**"USD $"**); and Psyence UK is the Great British Pound ("**GBP"**).

3. Material 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 entities included in PGI consolidated financial statements as of March 31, 2024 are as follows:

Name of entity	Place of incorporation	% Ownership	Accounting method
Mind Health (Pty) Ltd.	Lesotho	100%	Consolidation
Psyence Therapeutics Corp.	Ontario	100%	Consolidation
Psyence South Africa	South Africa	100%	Consolidation
Psyence Jamaica	Jamaica	100%	Consolidation
Psyence Biomedical Ltd.	Ontario	37%	Consolidation
Psyence Australia (Pty) Ltd.	Australia	37%	Consolidation
Psyence Biomed II Corp.	Ontario	37%	Consolidation
Newcourt Acquistion Corp.	Cayman Islands	37%	Consolidation
Psyence UK	England & Wales	100%	Consolidation
Good Psyence (Pty) Ltd	South Africa	50%	Equity method

As at March 31, 2024, the Company holds 50% ownership in Good Psyence (Pty) Ltd. which is jointly controlled and accounted for under the equity method. Pure Psyence Corp which was a joint venture was dissolved on March 2, 2023.

Inter-company balances and transactions are eliminated upon consolidation.

There has been no activity recorded for Psyence Jamaica and Pure Psyence Corp.

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, 2024 and March 31, 2023 are anti-dilutive.

Financial instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Summary of the Company's classification and measurements of financial assets and liabilities:

Financial Assets and Liabilities	Classification	Measurement
Cash and cash equivalents	Amortized cost	Amortized cost
Restricted cash	Amortized cost	Amortized cost
Loan to joint venture	Amortized cost	Amortized cost
Other receivables (excluding sales tax receivable)	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Derivative liability	FVTPL	Fair value
Derivative warrant liability	FVTPL	Fair value
Convertible note liability	FVTPL	Fair value
NCAC promissory note	FVTPL	Fair value

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value through profit or loss (**"FVTPL"**); ii) those to be measured subsequently at fair value through other comprehensive income (**"FVOCI"**); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in net loss or other comprehensive income (loss).

The Company reclassifies financial assets only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets to collect contractual cash flows that meet the sole payments of principal and interest ("SPPI") criterion. Financial assets classified in this category are measured at amortized cost using the effective interest method.

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has irrevocably elected, at initial recognition or transition, to classify at FVTPL. This category would also include debt instruments of which the cash flow characteristics fail the solely payments of principal and interest ("SPPI") criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in net loss. The Company records its financial liabilities including derivatives, convertible loans and promissory notes at FVTPL. Derivatives are mandatorily recorded at FVTPL, whereas the Company has elected to record convertible loans and promissory notes at FVTPL.

Financial assets at fair value through other comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through other comprehensive income (loss) instead of through net loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments.

Financial assets at fair value through other comprehensive income/(loss) are initially measured at fair value and changes therein are recognized in other comprehensive income/(loss).

Compound financial instrument and derivative liability

The Company determined that the warrants, including public warrants and the private warrants are derivative instruments and should be classified as a financial liability and are measured at FVTPL. Derivative and financial liabilities designated at FVTPL are carried subsequently at fair value with gains or losses recognized in net loss.

Each embedded derivative is measured and presented separately unless the whole hybrid financial instrument is designated as at FVTPL.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in net loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through net loss or other comprehensive income/(loss) (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value are recorded in profit and loss, except where changes in fair value are attributable to changes in own credit risk which is recorded in other comprehensive income.

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.

Foreign currency translation

The consolidated financial statements are presented in CAD $ which is PGI's functional currency. The functional currencies of the operating subsidiaries of the Company are the USD, the AUD $, 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	20 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 years ended March 31, 2024 and March 31, 2023, 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.

Restricted cash

Restricted cash comprises a collateral agreement with a major chartered bank in Canada with regards to a credit card facility against which the Company deposited in a guaranteed investment certificate with the bank.

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 value 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.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in the statements of net loss and comprehensive loss as incurred.

Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to complete development and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are expensed as incurred. Research and development expenses include all direct and indirect operating expenses supporting the products in development. The costs incurred in establishing and maintaining patents are expensed as incurred.

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, 2024 and March 31, 2023 as these require a high level of subjectivity and judgement and could have a material impact on PGI's consolidated financial statements.

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

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

Judgement is required in determining if the Company's has sufficient cash reserves, together with all other available information, to continue as a going concern for a period of at least twelve months.

As at March 31, 2024 the Company has concluded that a material uncertainty exists that casts significant doubt about the Company’s ability to continue as a going concern.

Reverse takeover transaction

The determination of fair values of consideration paid and net assets acquired is subject to significant estimation. The Company treated the RTO Transaction as a capital transaction equivalent to the issue of shares of PBM in exchange for the net monetary assets of NCAC. The Company was the acquiror and NCAC was the acquiree in the RTO Transaction.

The Company has determined the RTO Transaction did not constitute a business combination as defined under IFRS 3, Business Combinations, as NCAC is a non-operating entity that does not meet the definition of a business under IFRS 3. The excess of the consideration paid over the net liability acquired together with any transaction costs incurred for the Transaction is expensed as a listing expense in accordance with IFRS 2 Share-Based Payments. The fair value of the consideration paid was estimated by the closing trading price ($4.79/share) of the NCAC’s common shares listed on the NASDAQ on January 25, 2024.

Control

The Group holds a 37% equity interest in PBM, which has been included in the consolidated financial statements. Despite holding less than a majority share, the Group has concluded that it exercises control over PBM and, therefore, consolidates its financial results. This determination is based on the following key considerations.

The Company has the power to direct the relevant activities of PBM. This power is derived from various sources including, but not limited to, rights arising from contractual arrangements, representation on the board of directors, and involvement in key decision-making processes. The Company is exposed to variable returns from its involvement with PBM. These returns may be in the form of dividends, potential capital appreciation, and other financial benefits resulting from its equity interest. The Company has the ability to use its power over PBM to affect the amount of the investor’s returns. This ability is evidenced by the Group’s active participation in the strategic and operational decision-making processes of PBM.

The assessment of whether the Company controls PBM involves significant judgement and the use of estimates. Key factors considered in this assessment include:

Board Appointments: The Company has the ability to appoint 3 out of the 5 board members of PBM, giving it significant influence over the subsidiary's decision-making processes.

Management Structure: The management of PBM is substantially the same as that of the parent company, indicating a close integration of operations and strategic direction.

Shareholder Voting Power: The Group is the single largest shareholder, and other shareholders are unlikely to be able to form a larger voting bloc to override the Group’s decisions.

Given the complexity and the subjectivity involved in these judgements, any changes in these estimates and assumptions could significantly impact the consolidated financial statements. Management reviews these estimates and assumptions periodically and adjusts them as necessary based on changes in facts and circumstances.

Convertible instruments

The valuation of convertible debt instruments is subject to significant management estimation. Convertible notes are compound financial instruments which have been designated as a FVTPL classification.

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent remeasurement. As the Company has designated the entire convertible financial instrument as FVTPL given the embedded derivate liability that was contained by the convertible financial instrument, the debentures have not been separated into debt and derivative components. The determination of the fair value of the instrument used a combined discount cash flow approach and a Monte Carlo simulation.

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.

The rebate over the tax claim is subject to inherent uncertainty and could be subject to being denied and clawed back by the Australian Tax office at a future date. The Company expects that a claw back of the rebate is highly unlikely.

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.

Inputs when using Black-Scholes valuation model

The estimates used in determining the private warrant fair values, utilizes estimates made by management in determining the appropriate input variables in the Black-Scholes valuation model. Inputs subject to estimates include volatility, estimated lives and market rates.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Government grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to them and the government grants will be received. Grants are recognized as income when they are received. The Company has recognized the government grant received during the period as research and development grants as other income in the consolidated statements of loss and comprehensive loss.

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.

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 $1,058,752 unrestricted cash held with chartered banks and;
- an amount of $50,123 in a guaranteed investment certificate with a bank as collateral for a credit card facility agreement with a leading chartered bank in Canada. Amounts are held in restricted cash on the consolidated statement of financial position.

6. Other receivables

Other receivables include the following amounts.

	March 31, 2024 $	March 31, 2023 $
Other receivables	14,112	36,642
Sales tax receivable	223,111	208,601
Total	**237,223**	**245,243**

The Company estimated the expected credit loss on other receivables to be nominal during the year ended March 31, 2024 and March 31, 2023.

7. Property and equipment

$	Computer equipment	Buildings	Right-of-use asset	Production equipment	Furniture & fixtures	Bulk infra-structure	Total
Cost							
Opening Balance	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
Additions	9,692	952,318	-	25,449	591	-	980,326
Disposals	-	-	(15,672)	-	(238)	-	(50,072)
Foreign exchange	(558)	(45,250)	(3,167)	(2,595)	(1,287)	(3,567)	(56,187)
At March 31, 2024	18,407	1,510,149	33,889	61,170	19,644	53,557	1,696,816
Accumulated Depreciation							
Opening Balance	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
Charge for the year	2,871	65,075	2,482	11,531	5,263	8,186	95,408
Disposals	-	-	(9,727)	-	(238)	-	(9,965)
Foreign exchange	(418)	(5 960)	(433)	(1 025)	(965)	(1 557)	(10 358)
At March 31, 2024	**8,836**	**142,266**	**185**	**25,466**	**18,877**	**30,506**	**230,136**
Carrying Value							
At March 31, 2023	2,890	515,930	44,865	23,356	5,761	33,247	626,049
At March 31, 2024	**9,571**	**1,363,883**	**33,704**	**35,704**	**767**	**23,051**	**1,466,680**

As at March 31, 2024 amounts totalling $0 (March 31, 2023 - $1,906) held in buildings were not yet available for use.

(Expressed in Canadian Dollars)

As of March 31, 2024 amounts totalling $0 (March 31, 2023 - $579,043) was recognised in prepaids on the consolidated statement of financial position for a deposit on the purchase of equipment.

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	25,212
Additions	-
At March 31, 2023	25,212
Additions	-
At March 31, 2024	25,212
Accumulated Amortization:	
Opening Balance	(2,749)
Charge for the year	(2,521)
At March 31, 2023	(5,270)
Charge for the year	(2,520)
At March 31, 2024	(7,790)
Carrying amount:	
At March 31, 2023	19,942
At March 31, 2024	**17,422**

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.

(Expressed in Canadian Dollars)

As of March 31, 2024, a total of $273,137 (March 31, 2023: $273,137) has been extended to Good Psyence by the Company. During the year, Good Psyence refunded $8,101 of the loan to 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 $265,036 (March 31, 2023 - $220,053) 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, 2024 has been fully impaired due to the uncertainty of the recoverability of the loan.

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

Selected information as at	March 31, 2024 $	March 31, 2023 $
Total assets	35,818	222,795
Total liabilities	486,708	662,901
Net deficit	450,887	440,106

For the year ended	March 31, 2024 $	March 31, 2023 $
Revenues	40,166	95,954
Cost of Sales	(34,960)	(67,169)
Administrative expenses	(43,776)	(323,389)
Other Comprehensive (Loss)/Income	307	25,066
Net loss and comprehensive loss	(38,263)	(269,538)

During the year ended March 31, 2024, the Company recognized amounts totaling $19,131 (March 31, 2023: $134,769) in the consolidated statements of net loss and comprehensive loss related to the Company's share of loss from the joint venture. However these losses were reversed as the loan to the joint venture was fully impaired. As at March 31, 2024, the loan receivable balance held in loan to joint venture on the consolidated statements of financial position totaled $nil (March 31, 2023: $nil) after recording an impairment of $27,232 (March 31, 2023: $53,081) 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, 2024 $	March 31, 2023 $
Trade payables	926,122	2,051,534
Accrued liabilities	296,498	568,675
Provisions	254,518	-
Total	1,477,138	2,620,209

For the year ended March 31, 2024 the Company recognized total provisions amounting to $254,518. Of this total, $83,869 has been allocated for amounts payable to advisors. The remaining balance of $170,649 has been set aside for audit fees. These provisions reflect the Company's obligation to settle these amounts in the future. The provisions are based on the best estimate of the expenditures required to settle the present obligations at the reporting date.

(Expressed in Canadian Dollars)

11. Share capital

Authorized share capital

Unlimited number of voting common shares without par value.

Issued and outstanding

Common shares	2024		2023	
	Number	Amount ($)	Number	Amount ($)
Opening balance April 1	123,954,188	20,400,055	85,528,931	16,023,565
Issuance of shares in private placement	10,188,215	1,054,647	25,351,701	3,042,203
Issuance of shares for RSUs exercise	978,570	114,871	828,375	102,840
Issuance of shares for debt settlement	3,985,253	120,018	1,186,134	136,405
Shares issued on conversion of convertible debt	-	-	11,059,047	1,103,709
Share issuance costs	-	(27,539)	-	(8,667)
Balance as at March 31,	139,106,226	21,662,052	123,954,188	20,400,055

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.

On May 25, 2023 the Company issued 7,775,964 units with a subscription price of $0.12 in a private placement. The Company received proceeds of $933,116. Each unit comprises 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.

The fair value of the shares was determined by allocating the gross proceeds to common shares and share purchase warrants using the relative fair market value method of each at the time of the issuance. The relative fair value of the shares was determined using the share price on the date of issuance and the relative fair value of the warrants was determined in accordance with the Black-Scholes valuation model. The fair value of the shares was determined to be $765,177. The fair value of the warrants was determined to be $167,939.

On August 21, 2023 the Company issued 1,056,441 shares with a subscription price of $0.12 in a private placement. The Company received proceeds of $126,773.

On October 30, 2023 the Company issued 1,355,810 shares with a subscription price of $0.12 in a private placement. The Company received proceeds of $162,697.

In relation to the private placements aforementioned, the Company incurred share issuance costs of $27,539. The share issuance costs were comprised of $25,416 of cash settled issuance costs and $2,123 in equity 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.

(Expressed in Canadian Dollars)

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.

On August 21, 2023 the Company issued 483,570 shares for the exercise of RSU’s by various consultants and an employee of the Company. Upon exercise, amounts totalling $65,371 was transferred from contributed surplus to share capital, determined by reference to the original fair value of the RS’'s determined on the date of grant.

On October 30, 2023 the Company issued 495,000 shares for the exercise of RSU’s by various consultants and an employee of the Company. Upon exercise, amounts totalling $49,500 was transferred from contributed surplus to share capital, determined by reference to the original fair value of the RS’'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 totalling $5,931 recognized in the consolidated statements of loss and comprehensive loss for the year ended March 31, 2023.

On August 21, 2023 the Company issued 17,691 shares in settlement of debt to the value of $2,123.

On October 30, 2023 the Company issued 2,299,518 shares in settlement of debt in lieu of an asset purchase to the value of $275,942. The shares issued were determined to have a fair value equal to $34,493 by reference to the trading price of the Company's shares on the date of settlement, resulting in a gain on settlement of debt totalling $241,449 recognized in the consolidated statements of loss and comprehensive loss for the year ended March 31, 2024.

On March 11, 2024 the Company issued 1,668,044 shares debt in lieu of consulting fees to the value of $60,550. The shares issued were determined to have a fair value equal to $83,402 by reference to the trading price of the Company's shares on the date of settlement, resulting in a loss on settlement of debt totalling $22,852 recognized in the consolidated statements of loss and comprehensive loss for the year ended March 31, 2024.

Convertible debt

On March 31, 2023 the Company issued 11,059,047 shares upon conversion of its outstanding convertible debt note. See Note 24 for details.

Stock Options

The changes in stock options outstanding during the years ended March 31, 2024 and March 31, 2023 are as follows:

	Year ended March 31, 2024	
	Number of options	Weighted average exercise price ($)
Outstanding, at beginning of year	9,555,825	0.30
Granted (i)(ii)(iii)(iv)	6,254,043	0.06
Cancelled / forfeited (v)	(9,750,825)	0.13
Options outstanding, ending	6,059,043	0.09
Options exercisable, ending	5,920,154	0.09

(Expressed in Canadian Dollars)

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

(i) On May 25, 2023, the Company granted 150,000 options to a director 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 $14,504 on the date of grant using the Black-Scholes option pricing model.

(ii) On November 14, 2023, the Company granted 3,887,377 options to consultants and employees of the Company with each option exercisable into one common share of the Company at a price of $0.06 per share until December 31, 2025. Options are to vest at the grant date. The fair value of the options was determined to be $99,653 on the date of grant using the Black-Scholes option pricing model.

(iii) On November 14, 2023, the Company granted 1,800,000 options to an employee of the Company with each option exercisable into one common share of the Company at a price of $0.06 per share until December 31, 2025. Options are to vest 67% at the date of grant and 33% on July 1, 2024. The fair value of the options was determined to be $50,948 on the date of grant using the Black-Scholes option pricing model.

(iv) On November 14, 2023, the Company granted 416,666 options to a consultant of the Company with each option exercisable into one common share of the Company at a price of $0.06 per share until December 31, 2027. Options are to vest one third at the date of grant, one third on February 1, 2024 and one third on February 1, 2025. The fair value of the options was determined to be $13,578 on the date of grant using the Black-Scholes option pricing model.

(v) During the year ended March 31, 2024, a total of 4,063,448 options were forfeited due to the termination of services from consultants of the Company and a total of 5,687,377 options were cancelled by mutual consent with consultants of the Company. In connection with the options forfeited and cancelled, previous share-based payment expenses totaling $1,336 were reversed and accelerated under professional fees and consulting fees and general and administrative expenses in the condensed consolidated interim statements of net loss and comprehensive loss.

(vi) 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.

(vii) 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.

(Expressed in Canadian Dollars)

(viii) 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.

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

The following stock options are outstanding at March 31, 2024:

Expiry date	Number of options outstanding	Exercise price $	Weight average remaining life (years)	Number of options exercisable
December 31, 2025	200,000	0.30	1.75	200,000
December 31, 2025	3,887,377	0.06	1.75	3,887,377
December 31, 2027	416,666	0.06	2.75	277,777
March 31, 2028	1,405,000	0.14	4.00	1,405,000
May 25, 2028	150,000	0.14	4.15	150,000
	6,059,043		2.70	5,920,154

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

	Options granted on November 14, 2023	Options granted on November 14, 2023	Options granted on November 14, 2023	Options granted on May 25, 2023
Numbers issued	3,887,377	1,800,000	416,666	150,000
Share price	0.05	0.05	0.05	0.13
Expected dividend yield	Nil	Nil	Nil	Nil
Exercise price	0.06	0.06	0.06	0.14
Risk-free interest rate	4.39%	4.22%	3.76%	3.52%
Expected life	2.13	2.63	4.13	5.00
Expected volatility	100%	100%	100%	100%
Expiry date	December 31, 2025	June 30, 2026	December 31, 2027	May 25, 2028

(Expressed in Canadian Dollars)

	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

During the year ended March 31, 2024, $340,703 (March 31, 2023 - $280,727) 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.

Warrants

The changes in warrants outstanding during the years ended March 31, 2024 and March 31, 2023 are as follows:

	Year ended March 31, 2024	
	Number of warrants	Weighted average exercise price ($)
Outstanding, at beginning of year	10,714,689	0.30
Granted	3,887,982	0.15
Expired	(8,592,598)	0.30
Warrants outstanding, ending	6,010,073	0.20
Warrants exercisable, ending	6,010,073	0.20

	Year ended March 31, 2023	
	Number of warrants	Weighted average exercise price ($)
Outstanding, at beginning of year	8,710,553	0.30
Granted (Note 24)	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

On May 25, 2023 the Company issued 3,887,982 warrants in a private placement. The fair value was determined to be $167,939 using a relative fair value method. The assumptions used in the Black-Scholes calculation were as follows: Expected dividend yield – Nil; Exercise Price $0.15; Risk free interest rate – 2.45%; Expected life – 1.5 years and expected volatility of 100%.

On December 31, 2023, 8,592,598 warrants expired unexercised. The warrants were granted on December 31, 2020.

(Expressed in Canadian Dollars)

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

The following warrants are outstanding as at March 31, 2024:

Expiry date	Number of warrants outstanding	Exercise price ($)	Weight average remaining life (years)
September 2, 2024	2,122,091	0.30	0.43
November 25, 2024	3,887,982	0.15	0.65
	6,010,073		0.57

Restricted stock units (RSUs)

The changes in RSUs outstanding during the years ended March 31, 2024 and March 31, 2023 are as follows:

	Year ended March 31, 2024
	Number of RSUs
Outstanding, at beginning of year	5,907,141
Exercised during year	(978,570)
Cancelled during year (i)	(1,769,370)
RSUs outstanding, ending	3,159,200
RSUs exercisable, ending	924,996

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

(i) During the year ended March 31, 2024, a total of 1,769,370 RSUs were forfeited due to the termination of services from consultants and an employee of the Company. In connection with the RSUs forfeited and cancelled, previous share-based payment expenses totaling $148,635 were reversed under professional fees and consulting fees and general and administrative expenses in the condensed consolidated interim statements of net loss and comprehensive loss.

(ii) 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.

(iii) 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.

(iv) 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.

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, 2024, $225,580 (March 31, 2023 - $168,711) 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. Listing expense

On January 25, 2024 the Company's subsidiary PBM completed the RTO Transaction (See Note 1). As disclosed in Note 4, the RTO Transaction did not constitute a business combination as defined under IFRS 3, Business Combinations, as NCAC is a non-operating entity that does not meet the definition of a business under IFRS 3. The excess of the consideration paid over the net liability acquired together with any transaction costs incurred for the Transaction is expensed as a listing expense in accordance with IFRS 2 Share-Based Payments. The fair value of the consideration paid was determined by the closing trading price (CAD $6.46/share based on $USD $4.79/share) of the NCAC's common shares listed on the NASDAQ on January 25, 2024.

Accordingly, upon consummation of the BCA the Company subsidiary PBM issued 7,794,659 common shares in exchange for the outstanding ordinary shares held by NCAC stockholders.

(Expressed in Canadian Dollars)

The calculation of listing expenses is as follows:

		Listing Expense
Consideration paid:		
Shares issued to NCAC shareholders		7,794,659
Total consideration shares issued		7,794,659
Fair value of the common shares	$	6.46
Deemed consideration amount for the common shares issued	$	**50,353,497**
Net identifiable liabilities acquired:		
Cash and cash equivalent	$	274
Accounts payable and accrued liabilities	$	(2,881,447)
NCAC promissory note (Note 14)	$	(1,906,389)
Derivative warrant liabilities (Note 17)	$	(802,493)
Net liabilities acquired	$	**5,590,055**
Listing expense	$	**55,943,552**

The listing expense has been included in the consolidated statements of net loss and comprehensive loss.

Transaction expenses included in the consolidated statements of net loss and comprehensive loss are others costs of $2,529,275 in connection with the RTO Transaction composed of legal, banking and professional fees. Transaction expenses include an amount incurred between PGI and PBM of $855,569 which is eliminated upon consolidation.

Some payments to brokers and advisors were in the Company's subsidiary's shares upon RTO at the closing trading price on January 25, 2024.

Payments to advisors of NCAC was settled in the Company's subsidiary PBM's common shares upon RTO at the closing price. Accounts payable of $2,881,447 acquired from NCAC as part of the RTO transaction was settled through the issuance of 446,000 PBM shares at a fair value of $6.46 per share on January 25, 2024.

An amount of $1,348,673 owing by the Company for services provided in relation to the RTO transaction was settled through the issuance of 150,000 PBM's common shares at a fair value of $6.46. A gain on settlement of debt of $379,652 was included in the consolidated statements of net loss and comprehensive loss relating to this advisor settlement.

13. Non-controlling interest (NCI)

On January 25, 2024, the Company completed a transaction to list its subsidiary, PBM, on the NASDAQ. Following the transaction, the Company exchanged its shares in its subsidiaries performing clinical trials for 5,000,000 shares in the newly listed Psyence Biomedical Ltd, representing a 37% ownership stake. Despite this, the Company retained control over Psyence Biomedical Ltd.

Initial Consideration for NCI:

The initial consideration for the non-controlling interest, as described in Note 12, was $54,203,657, (7,794,659 shares to NCAC shareholders and 596,000 shares to advisors at a fair value of $6.46. The historic net liabilities were transferred to NCI.

Disposal of Net Liabilities:

As of the transaction date, the Company disposed of historic net liabilities amounting to $2,775,945. The fair value of the net liabilities acquired in Psyence Biomedical Ltd was $2,211,915. The difference between these figures $564,030 has been recognized in the statement of changes in equity.

Non-Controlling Interest:

As a result of the transaction, non-controlling shareholders hold a 63% interest in Psyence Biomedical Ltd. During the year, the share of losses attributable to non-controlling shareholders was $41,591,243. This figure has been recognized in the consolidated financial statements and impacts the equity attributable to non-controlling interest.

14. NCAC Promissory Note

On January 25, 2024, NCAC issued an unsecured convertible promissory note, prior to the closing of the RTO, to the NCAC Sponsor (the **"NCAC Replacement Note"**), in the principal amount of USD $1,615,501, which is equal to the total amount owed to Sponsor under certain existing promissory notes previously issued by NCAC to the Sponsor (the "Existing Notes"). The NCAC Replacement Note bears no interest, and (i) USD $100,000 of the principal balance of the NCAC Replacement Note became owing on the date of the Closing and (ii) USD $1,515,501 of the principal balance of the NCAC Replacement Note will be payable on the date that is the one-year anniversary after the Business Combination, or January 25, 2025. As at March 31, 2024 the Company's subsidiary PBM had not made payment of the USD $100,000 owing to the NCAC Sponsor. This note is convertible into shares of PBM at the option of NCAC Sponsor. The conversion price will be mutually agreed upon. Given that the conversion price is not fixed, the conversion feature has been determined to be an embedded derivative and thus the entire instrument has been designated as FVTPL.

The NCAC Replacement Note upon initial recognition at fair value was $1,915,716. At year end the fair value of the NCAC Replacement Note was $1,997,617. A fair value loss of $81,901 was included in the consolidated statements of net loss and comprehensive loss relating to the NCAC Replacement Note.

The fair value of the note was calculated using a credit adjusted market borrowing rate.

15. Other income

The Company received a research and development rebate of AUD $1,336,622 ($1,185,719) from the Australian Taxation office. The Company benefits from the Australian Federal Government's Research & Development tax incentive program, which provides up to a 43.5% rebate on research and development expenses in Australia.

This rebate represents a government grant aimed at supporting research and development activities. Therefore, in accordance with International Financial Reporting Standards (IFRS), the grant is recognized as income when there is a reasonable assurance that the grant will be received and that the Company will comply with the conditions attached to it. These conditions were satisfied when the Company received the rebate on October 5, 2023.

On August 21, 2023 the Company entered into a loan agreement via its Australian subsidiary Psyence Australia (Pty) Ltd (the "**Borrower**"), to borrow up to AUD $1,100,000 by way of a secured loan from RH Capital Finance Co., LLC. The Loan is secured by way of a General Security Agreement and company guarantee against the assets of the Borrower and the Company.

The loan was granted to the Borrower after it successfully registered its research and development activities with the Australian Federal Government. The Borrower benefits from the Australian Federal Government's Research & Development tax incentive program, which provides up to a 43.5% rebate on research and development expenses in Australia. The Loan bears interest at 16% per annum subject to a minimum interest chargeable period of 91 days and is repayable at the earlier of: (a) 21 business days after the notice of assessment (in respect of R&D refunds) is issued by the Australian Taxation Office to the Borrower for the financial year ended June 30, 2023 (b) an event of default and (c) 30 November 2023.

(Expressed in Canadian Dollars)

The loan with RH Capital Finance Co., LLC was repaid in full on October 5, 2023 when the Company received the research and development rebate from the Australian Taxation office, which was utilized to settle the loan payable.

$40,045 (March 31, 2023 - $nil) in interest expense was incurred during the year ended March 31, 2024, on this loan. The loan and all outstanding interest was repaid.

16. Convertible note liability

On January 15, 2024, in connection with the RTO Transaction (Note 12), the Company's subsidiaries: PBM and Psyence Biomed II entered into the Securities Purchase Agreement with the Investors and the NCAC Sponsor, relating to up to four senior secured convertible notes obligations under which are guaranteed by certain assets of PBM and Psyence Biomed II, issuable to the Investors at or after the Closing, as the case may be, for the aggregate principal amount of up to USD $12,500,000 in exchange for up to USD $10,000,000 in cash subscription amounts (the "**Convertible Note Financing**").

The First Tranche Notes, for an aggregate of USD $3,125,000 principal, were delivered by PBM to the Investors on January 25, 2024, in exchange for an aggregate of USD $2,500,000 in financing, which occurred substantially concurrently with the consummation of the RTO Transaction. On the original issuance date of the First Tranche Notes, interest began accruing at 8.0% per annum based on the outstanding principal amount of the First Tranche Notes and is payable monthly in arrears in cash or in common shares of PBM at the Conversion Price (as defined below). The maturity date of the First Tranche Note is January 25, 2027.

The price at which the Investors can convert the outstanding principal and interest to the common shares (the "Conversion Price") is determined as follows: The initial Conversion Price of the First Tranche Notes was $10.00; provided, however, that such Conversion Price is subject to certain adjustments according to the terms and reset dates included in the First Tranche Notes and may be reduced to a Conversion Floor of $1.00, until the First Reset Date (5 days prior the initial Registration Statement is effective), then to $0.50 on the Second Reset Date (3-month anniversary of Closing Date) and no floor thereafter. The Conversion Price is the lowest volume-weighted average price ("**VWAP**") of the shares up until conversion date subject to the conversion floor.

PBM is obligated to make a Make Whole Payment to Investors within thirty-five (35) Trading Days following a Conversion Date if the thirty (30) Day VWAP, starting from the first Trading Date after the conversion, is lower than the Conversion Price. The Make Whole Payment can be made in either cash or Common Shares, at the Company's discretion, subject to certain conditions.

If PBM elects to settle the Make Whole Payment in Common Shares, it will transfer to the Holder the number of Common Shares (the "Make Whole Shares") calculated as the difference between (A) the principal amount converted on the Conversion Date divided by the 30 Day VWAP, and (B) the principal amount converted divided by the Conversion Price on the Conversion Date. Alternatively, if PBM chooses to pay in cash, the payment will equal the number of Make Whole Shares multiplied by the 30 Day VWAP.

Total proceeds received were USD $2,500,000. The Company has designated the entire instrument as FVTPL instrument. The fair value of the convertible notes was estimated using a combined discounted cash flow approach and Monte Carlo simulation with the following assumptions as of March 31, 2024.

	Inputs
Share price	USD $1.14
Note principal amount	USD $3,125,000
Prepayment Amount	130%
Discount rate shares	4.43%
Discount rate cash	20.83%
Volatility annual	100%
Volatility daily	6.30%
Risk free annual	4.43%

(Expressed in Canadian Dollars)

The fair value was calculated to be $10,375,773 as of March 31, 2024. A fair value loss was recognized of $6,955,644 during the year end March 31, 2024 ($nil, March 31, 2023).

17. Derivative warrant liabilities

Prior to the RTO Transaction, NCAC had two classes of warrants outstanding, which were assumed by PBM upon completion of the RTO Transaction.

Public Warrants: which had resulted from NCAC's initial public offering (the "**NCAC IPO**") and entitled to registration on the Form F-4 filed in connection with the RTO Transaction. These warrants were listed on Nasdaq Capital Market under the symbol "PBMWW".

Private Warrants: which had resulted from NCAC's private placement prior to the NCAC IPO.

As at the Closing Date and March 31, 2024, there were 13,070,000 warrants issued and outstanding, comprised of 12,500,000 Public Warrants and 570,000 Private Warrants. Each warrant is exercisable to purchase one common share at a price of USD $11.50 per share. As a result of the potential cashless exercise feature included within the indenture of the warrants, the Company has classified the warrants as a liability measured at fair value through profit or loss as they failed to meet the "fixed-for-fixed" requirements prescribed by *IAS 32 – Financial Instruments: presentation.*

Since the Public Warrants are traded on Nasdaq, their price is observable. The Company valued the Public Warrants using the closing price of PBMWW to measure their fair value.

The Company utilizes a Black-Scholes options valuation model to value the private warrants at each reporting period, with changes in fair value recognized in the statement of net loss and comprehensive loss. The estimated fair value of the warrant liability is determined using Level 2 inputs. Inherent in a Black-Scholes pricing model are assumptions related to expected volatility of the Public Warrants, expected life, risk-free interest rate and dividend yield. The Company estimates the volatility of its ordinary shares based on industry historical volatility that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected remaining life of the warrants. The expected life of the warrants is assumed to be equivalent to their remaining contractual term. The dividend rate is based on the historical rate, which the Company anticipates remaining at zero.

The following table provides quantitative information regarding Level 2 fair value measurements at March 31, 2024:

	Warrant Inputs at January 25, 2024	Warrant Inputs at March 31, 2024
Share price	USD $4.79	USD $1.14
Expected dividend yield	Nil	Nil
Exercise price	USD $11.50	USD $11.50
Risk-free interest rate	4.01%	4.21%
Expected life	5.00	5.00
Expected volatility	17.67%	59.98%
Expiry date	January 25, 2029	January 25, 2029

At March 31, 2024 the fair value of the Public and Private Warrants was $1,185,625 (USD $0.07/warrant) (January 25, 2024 - $767,585) and $36,054 (USD $0.4668/warrant) (January 25, 2024 - $36,054), respectively. A fair value loss of $413,031 was recognized on the statement of net loss and comprehensive loss.

(Expressed in Canadian Dollars)

Warrant transactions and the number of warrants outstanding in the Company's subsidiary PBM are summarized as follows:

	Public Warrants		Private Warrants	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2023	-	USD $ -	-	USD $ -
Issued	12,500,000	11.50	570,000	11.50
Balance, March 31, 2024	12,500,000	$ 11.50	570,000	$ 11.50

The following warrants were outstanding and exercisable in the Company's subsidiary PBM at March 31, 2024:

Issue Date	Expiry Date	Exercise Price	Number of Warrants Outstanding	Number of Warrants Exercisable
January 25, 2024	January 25, 2029	USD $11.50	13,070,000	13,070,000
Balance, March 31, 2024		USD $11.50	13,070,000	13,070,000

18. Segmented information

For the year ended March 31, 2024 management determined that the Company operated in two segments: clinical trial activities and non-clinical trial activities.

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

Asset location ($)	March 31, 2024	March 31, 2023
Canada	17,422	19,942
United States of America	7,435	-
Southern Africa (Lesotho and South Africa)	1,459,244	1,205,092
Non-current segment assets	1,484,101	1,225,034

The following is segment analysis of clinical trials vs non-clinical trials:

Asset location ($)	Clinical Trials	Non-clinical trials	Total
Segment Assets			
Cash & cash equivalents	993,470	65,282	1,058,752
Restricted cash	40,123	10,000	50,123
Other receivables	56,567	180,657	237,223
Prepaids	436,480	5,788	442,268
PP&E	7,435	1,459,244	1,466,680
Intangible assets	-	17,422	17,422
Segment liabilities			
Accounts payable and other liabilities	(1,023,299)	(453,840)	(1,477,138)
Right of use asset - lease liability	-	(33,848)	(33,848)
Loans payable	(10,375,773)	-	(10,375,773)
NCAC promissory note	(1,997,617)	-	(1,997,617)
Derivative warrant liabilities	(1,221,678)	-	(1,221,678)

(Expressed in Canadian Dollars)

Expenses			
Sales & marketing	(108,708)	(43,454)	(152,162)
Research & development	(1,287,229)	(292,024)	(1,579,253)
General & administrative	(752,421)	(380,259)	(1,132,680)
Professional fees & consulting fees	(1,562,414)	(735,536)	(2,297,951)
Depreciation & amortization	(324)	(97,605)	(97,929)
Other income	1,185,719	6,088	1,191,807
Interest income	2,878	694	3,572
Interest expense	(71,388)	-	(71,388)
Interest expense on right-of-use asset	-	(1,238)	(1,238)
Foreign exchange gain (loss)	(3,636)	12,600	8,964
Gain / (loss) of joint venture	-	(19,131)	(19,131)
Loss on impairment of loan to JV	-	27,232	27,232
Gain on settlement of debt	379,652	218,597	598,249
Transaction expense	(58,472,827)	-	(58,472,827)
Fair value gain	(7,450,576)	-	(7,450,576)

19. 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, 2024 and March 31, 2023:

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, 2024	March 31, 2023
Short term benefits	574,831	1,178,352
Share-based compensation	387,687	366,997
Total	962,518	1,545,349

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

Balances

As at March 31, 2024, the Company held amounts totaling $nil and $nil (March 31, 2023 - $nil and $nil) in loan to joint venture and other receivables respectively. These amounts consisted of the loan to the joint venture Good Psyence and other short-term receivables.

As at March 31, 2024, the Company held amounts totaling $28,111 (March 31, 2023 - $22,881) in accounts payable and accrued liabilities. These are amounts owing to key management personnel.

(Expressed in Canadian Dollars)

20. 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, 2024, 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, 2024:

Financial Instrument Maturity ($)	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 3 years
Accounts payable and accrued liabilities	1,447,138	1,447,138	1,447,138	-
Convertible note liability	10,375,773	5.250,625	338,780	4,911,875
NCAC promissory note	1,997,617	2,189,004	2,189,004	-
Total	13,820,528	8,886,727	3,974,892	4,911,875

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 $14,722 as at March 31, 2024.

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)

21. Loss per share

The calculation of basic and diluted profit/(loss) per common share for the year ended March 31, 2024 and March 31, 2023 was calculated as follows:

Earnings per share ($)	March 31, 2024	March 31, 2023
Basic and diluted loss per share:		
Net loss	(69,445,310)	(6,082,292)
Average number of common shares outstanding	133,336,848	89,007,181
Loss per share – basic and diluted	(0.52)	(0.07)

The diluted weighted average number of common shares does not take into account the effects of stock options and warrants as they would be anti-dilutive for the year ended March 31, 2024 and March 31, 2023.

22. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2023 – 26.5%) to the effective tax rate is as follows:

	2024	2023
Net Income/(Loss) before recovery of income taxes	(69,445,310)	(6,082,292)
Expected income tax (recovery)/expense	(18,403,007)	(1,611,807)
Difference in foreign tax rates	103,521	146,501
Tax rate changes and other adjustments	-	193,794
Listing expense	14,825,460	-
Other permanent expenses	2,718,801	51,817
Change in tax benefits not recognized	755,225	1,219,695
Income tax (recovery)/expense	-	-

Deferred tax

The following table summarizes the components of deferred tax:

Deferred tax	2024	2023
Deferred tax assets		
Lease liability	-	4,485
Deferred tax liabilities		
ROU asset	-	(4,485)
Net deferred tax asset	-	-

Unrecognized deferred tax asset

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

(Expressed in Canadian Dollars)

Unrecognized deductible temporary differences	2024	2023
Property and equipment	265,515	141,629
Non-deductible reserves	-	140,500
Investment in Joint Venture	264,822	272,926
Loan liability	21,468	22,035
Intangible assets	140,509	150,215
Share issuance costs - 20(1)(e)	285,799	469,377
Non-capital losses carried forward-Canada	8,823,244	7,505,480
Non-capital losses carried forward-Lesotho	1,594,883	1,101,290
Non-capital losses carried forward-South Africa	235,512	193,749
Non-capital losses carried forward-Australia	223,389	1,699,257
Non-capital losses carried forward-UK	122,966	-
Promissory note	146,730	-
Lease liability	-	2,208
	12,124,637	11,698,666

Share issuance and financing costs will be fully amortized in 2028.

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

Year of expiry	Canada	South Africa	Lesotho	UK	Australia
2041	314,280	-	-	-	-
2042	3,266,780	-	-	-	-
2043	3,103,086	-	-	-	-
2044	2,139,098	-	-	-	-
Indefinite	-	235,312	1,594,883	122,966	223,389
Total	8,823,244	235,312	1,594,883	122,966	223,389

23. 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.

24. 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.

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:

(Expressed in Canadian Dollars)

Convertible Debt	March 31, 2024	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 totalling $185,000 was recognized in the consolidated statements of net loss and comprehensive loss for the year ended March 31, 2023.

25. 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 ($)	2024	2023
Opening Balance, April 1	55,051	55,051
Additions/(Disposals)	(19,747)	-
Accretion expense	1,238	1,231
Lease payments	(3,013)	(3,188)
Foreign exchange	320	(6,020)
Closing Balance, March 31	33,848	47,074
Less: current portion	575	2,034
Non-current portion of lease liability	33,273	45,040

The following table presents the future undiscounted payments associated with the sole lease liability as of March 31, 2024 for the next five years and thereafter:

Future undiscounted payments	($)
2024	3,014
2025	3,057
2026	3,103
2027	3,151
2028	3,201
Thereafter	37,023
Total	52,547

During the year ended March 31, 2024, amounts totalling $nil (March 31, 2022 - $26,324) were included in the consolidated statements of net loss and comprehensive loss related to leases of a short-term nature.

26. Subsequent Events

On May 1, 2024, 924,996 RSUs were exercised by consultants into ordinary common shares of the Company.

During April 2024, the Company entered a conditional transaction to restructure its non-clinical business. The conditional transaction involved the transfer of the Company's non-clinical subsidiaries Mind Health (Pty) Ltd and Psyence South Africa (Pty) Ltd, the vehicles housing the psilocybin cultivation, extraction, and production operations in Southern Africa, Psyence UK Group Ltd, the entity engaged in Active Pharmaceutical Ingredient and IP development, and the joint venture Good Psyence (Pty) Ltd which holds the functional mushroom brand GOODMINDTM to a third-party private company. which will be responsible for raising the private investment required and ongoing finance to continue the operations of the Non-Clinical Assets.

The Company’s subsidiary PBM has received additional financing of USD $1,000,000 related to the Second Tranche of convertible notes:

- On May 31, 2024, the Company’s subsidiary PBM received proceeds of USD $250,000 related to the issuance of the Second Tranche Notes. The principal amount of $312,250 was issued under the same terms as the First Tranche Notes, with interest accruing at 8.0% per annum from the issuance date. The Conversion Price remains subject to adjustment as per the terms outlined in the original Securities Purchase Agreement.

- On June 17, 2024, an additional USD $250,000 in proceeds was received by the Company’s subsidiary PBM for the issuance of the Second Tranche Notes. The principal amount issued was $312,250, also under the terms consistent with the First Tranche Notes. Interest accrues at 8.0% per annum from the date of issuance, with the Conversion Price subject to the same adjustment mechanisms detailed in the initial agreement.

- On July 15, 2024, an additional USD $500,000 in proceeds was received by the Company’s subsidiary PBM for the issuance of the Second Tranche Notes. The principal amount issued was $625,000, also under the terms consistent with the First Tranche Notes. Interest accrues at 8.0% per annum from the date of issuance, with the Conversion Price subject to the same adjustment mechanisms detailed in the initial agreement.

These subsequent financings are part of the Convertible Note Financing arrangement entered into in connection with the RTO Transaction.

The Company’s subsidiary PBM has received two conversion notices related to the First Tranche of convertible notes:

- On May 15, 2024, a conversion notice was received for a principal amount of USD $70,000. This amount converted at a VWAP of $0.5361 per share, resulting in the issuance of 130,572 shares.

- On June 20, 2024, a second conversion notice was received for a principal amount of USD $1,072,200. This converted at a VWAP of $0.5361 per share, leading to the issuance of 2,000,000 shares.

Concurrently, the Company’s subsidiary PBM issued 86,790 shares on May 15, 2024, and 78,522 shares on June 20, 2024, to cover outstanding interest on the outstanding principal at a VWAP of $0.5361 per share.

These conversions and interest issuances are in accordance with the terms outlined in the Securities Purchase Agreement and are related to the Convertible Note Financing arrangement initiated in connection with the RTO Transaction.

In July, 2024, the Company’s subsidiary PBM completed a warrant exchange agreement with an unaffiliated third-party investor of warrants to purchase the Company’s common shares, no par value per share, which warrants are currently trading on Nasdaq. Pursuant to the Warrant Exchange Agreement, the Company's subsidiary PBM issued to the Holder 660,000 Common Shares in exchange for the surrender and cancellation of 660,000 Public Warrants held by the Holder.

On May 16, 2024, the Company's subsidiary PBM issued an additional 178,000 shares to third-party consultants and legal advisors.