Psyence Group Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2024

Expressed in Canadian Dollars

(CAD $)

Management's Responsibility for Financial Reporting

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

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

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

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

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

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

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

"Jody Aufrichtig"

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Executive Chairman

Toronto, Canada

August 29, 2024

(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Financial Position

As at June 30, 2024 and March 31, 2024

CAD $	Note	As at June 30, 2024	As at March 31, 2024
ASSETS			
Current assets			
Cash and cash equivalents	5	554,544	1,058,752
Restricted cash	5	40,529	50,123
Other receivables	6	172,015	237,223
Prepaids		314,164	442,269
Total current assets		1,081,252	1,788,367
Non-current assets			
Property and equipment	7	12,470	1,466,680
Intangible assets	8	16,793	17,422
Investment in Psyence Labs Ltd.	12	1,011,263	-
Total non-current assets		1,040,526	1,484,102
TOTAL ASSETS		**2,121,778**	**3,272,469**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	833,803	1,477,138
NCAC promissory note	14	2,017,814	1,997,617
Convertible note liability	16	7,236,741	10,375,773
Derivative warrant liabilities	17	216,060	1,221,678
Current portion of lease liabilities	15	-	575
Total current liabilities		10,304,418	15,072,781
Non-current liabilities			
Lease liabilities	15	-	33,273
Total non-current liabilities		10,304,418	33,273
TOTAL LIABILITIES		**10,304,418**	**15,106,054**
SHAREHOLDERS' DEFICIT			
Share capital	11	21,782,302	21,662,052
Options reserve	11	1,924,198	2,013,786
Warrants reserve	11	1,574,721	1,574,721
Foreign currency translation reserve		247,217	124,365
Accumulated Deficit		(49,157,657)	(49,256,893)
Non-controlling interest	13	15,446,581	12,048,384
TOTAL SHAREHOLDERS' DEFICIT		**(8,182,638)**	**(11,833,585)**
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		**2,121,780**	**3,272,469**

Nature of operations (note 1)

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 Unaudited Condensed Consolidated Interim Financial Statements.

(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss

For three months ended June 30, 2024 and June 30, 2023

CAD $	Note	2024	2023
Expenses			
Sales and marketing		66,184	1,952
Research and development		-	1,128,583
General and administrative		431,989	241,455
Professional fees and consulting fees		621,801	838,781
Depreciation and amortization	7,8	1,686	23,078
Loss before other items		**(1,121,660)**	**(2,233,849)**
Other items			
Other income		-	5,581
Interest income		134	1,320
Interest expense		(5)	-
Accretion expense	15	-	(277)
Foreign exchange gain/(loss)		20,605	(8,115)
Share of loss from joint venture	9	-	52,172
Loss on impairment of loan to joint venture	9	-	(52,172)
Loss on subsidiary disposal	12	(540,970)	-
Fair value loss on NCAC promissory note	14	(20,197)	-
Fair value gain on convertible note	16	1,967,367	-
Fair value gain on warrant liability	17	1,017,668	-
NET PROFIT/(LOSS)		**1,322,942**	**(2,235,340)**
Other comprehensive income/(loss)			
Foreign exchange gain/(loss) on translation		122,852	(46,310)
TOTAL COMPREHENSIVE PROFIT/(LOSS)		**1,445,794**	**(2,281,650)**
NCI share of gains	13	1,223,706	-
Parent share of profits/(losses)		99,236	(2,235,340)
Profit/(Loss) per share - basic and diluted	20	**0.01**	**(0.02)**
Weighted average number of outstanding shares - basic and diluted		**139,716,113**	**127,030,394**

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

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(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For three months ended June 30, 2024 and June 30, 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, 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	-	-	-	204,000	-	-	-	204,000
Shares issued for cash, net of issuance costs	11	7,775,964	748,785	165,616	-	-	-	-	914,401
Other comprehensive loss		-	-	-	-	(46,310)	-	-	(46,310)
Net loss		-	-	-	-	-	(2,235,340)	-	(2,235,340)
Balance, June 30, 2023		**131,730,152**	**21,148,840**	**1,572,398**	**1,766,373**	**(114,448)**	**(24,202,196)**	**-**	**170,967**
Opening balance as at April 1, 2024		139,106,226	21,662,052	1,574,721	2,013,786	124,365	(49,256,893)	12,048,384	(11,833,585)
Share based compensation	11	-	-	-	30,662	-	-	-	30,662
Exercise of RSU's	11	924,996	120,250	-	(120,250)	-	-	-	-
Increase in NCI ownership	13	-	-	-	-	-	-	2,174,491	2,174,491
Other comprehensive loss		-	-	-	-	122,852	-	-	122,852
Net gain		-	-	-	-	-	99,236	1,223,706	1,322,942
Balance, June 30, 2024		**140,031,222**	**21,782,302**	**1,574,721**	**1,924,198**	**247,217**	**(49,157,657)**	**15,446,581**	**(8,182,638)**

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

(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Cash Flows

For three months ended June 30, 2024 and June 30, 2023

	Note	June 30, 2024	June 30, 2023
Net profit/(loss)		1,322,942	(2,235,340)
Non-cash adjustments:			
Depreciation and amortization	7,8	1,686	23,078
Foreign exchange		112,197	(1,536)
Share based compensation	11, 13	244,777	204,000
Accretion expense	15	-	277
Share of (gain)/loss from joint venture	9	-	(52,172)
Impairment on loan to joint venture	9	-	52,172
Loss on subsidiary disposal	12	540,970	-
Fair value loss on NCAC promissory note	14	20,197	-
Fair value gain on convertible note liability	16	(1,967,367)	-
Fair value gain on derivative warrant liabilities	17	(1,017,668)	-
Changes in working capital:			
Other receivables		65,209	65,333
Prepaids		128,106	87,086
Accounts payable and accrued liabilities		(643,335)	(752,812)
Cash used in operating activities		**(1,192,286)**	**(2,609,914)**
Additions to property and equipment	7	(6,016)	(917)
Decrease in restricted cash	5	9,594	-
Cash used in investing activities		**3,578**	**(917)**
Repayment of lease liabilities	15	-	(752)
Proceeds from shares issuance, net of issuance costs	11	-	914,401
Proceeds from convertible note liability	16	684,500	-
Cash provided from financing activities		**684,500**	**913,649**
Change in cash and cash equivalents		(504,208)	(1,697,182)
Cash and cash equivalents, beginning of period		1,058,752	2,383,352
Cash and cash equivalents, end of period		**554,544**	**686,170**

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

Notes to the Condensed Consolidated Interim Financial Statements

1. Nature of operations and going concern

Psyence Group Inc. (the **"Company"** or **"PGI"**) is a life science biotechnology company 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 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).

An additional USD $500,000 had been received for Tranche 2 of the convertible note financing as of June 30, 2024.

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 June 30, 2024.

Disposal of Entities

On April 1, 2024, the Company disposed fully of its interests in Mind Health (Pty) Ltd, Psyence South Africa (Pty) Ltd, Psyence UK Group Ltd, and its 50% shareholding in Good Psyence (Pty) Ltd in exchange for 1,000 shares (11% shareholding as at April 1, 2024) in Psyence Labs Ltd. As a result, these entities are no longer part of the Company's condensed consolidated interim financial statement.

Going concern

These Unaudited Condensed Consolidated Interim 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 June 30, 2024, the Company had not yet achieved profitable operations, has accumulated losses of $49,157,657 (March 31, 2024 - $49,256,893) 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

These Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("**IASB**"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the IASB have been condensed or omitted and these Unaudited Condensed Consolidated Interim Financial Statements should be read in conjunction with the Company's audited Consolidated Financial Statements for the year ended March 31, 2024.

The Unaudited Condensed Consolidated Interim Financial Statements were authorized for issue on August 29, 2024 by the directors of the Company.

Basis of measurement

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

Functional and presentation currency

These Unaudited Condensed Consolidated Interim Financial Statements are presented in Canadian Dollars (**"CAD $"**), which is also PGI's functional currency. The functional currency of PGI's subsidiaries: Psyence Therapeutics Corp ("**PTC"**) is Canadian Dollars; 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 $"**).

3. Material accounting policies

Basis of consolidation

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

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

The entities included in PGI Unaudited Condensed Consolidated Interim Financial Statements as of June 30, 2024 are as follows:

Name of entity	Place of incorporation	% Ownership	Accounting method
Psyence Therapeutics Corp.	Ontario	100%	Consolidation
Psyence Jamaica	Jamaica	100%	Consolidation
Psyence Biomedical Ltd.	Ontario	32%	Consolidation
Psyence Australia (Pty) Ltd.	Australia	32%	Consolidation
Psyence Biomed II Corp.	Ontario	32%	Consolidation
Newcourt Acquistion Corp.	Cayman Islands	32%	Consolidation

Inter-company balances and transactions are eliminated upon consolidation.

There has been no activity recorded for Psyence Jamaica.

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
Other receivables (excluding sales tax receivable)	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
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.

4. Critical accounting estimates and judgements

The preparation of Unaudited Condensed Consolidated Interim Financial Statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. Actual results may differ from these estimates. The Company's management reviews these estimates, judgments, and assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised. The following are deemed to be critical accounting policies by management for the period ended June 30, 2024 as these require a high level of subjectivity and judgement and could have a material impact on PGI's Unaudited Condensed Consolidated Interim Financial Statements.

Going concern

These Unaudited Condensed Consolidated Interim Financial Statementss 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 June 30, 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.

Control

The Group holds a 32% equity interest in PBM, which has been included in the Unaudited Condensed Consolidated Interim 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 Unaudited Condensed Consolidated Interim 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.

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 $554,544 unrestricted cash held with chartered banks and;
- an amount of $40,529 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 condensed consolidated interim statement of financial position.

6. Other receivables

Other receivables include the following amounts.

	March 31, 2024 $	March 31, 2024 $
Other receivables	92,209	14,112
Sales tax receivable	79,806	223,111
Total	**172,015**	**237,223**

7. Property and equipment

$	Computer equipment	Buildings	Right-of-use asset	Production equipment	Furniture & fixtures	Bulk infra-structure	Total
Cost							
Opening Balance	9,273	603,081	52,728	38,316	20,578	57,124	781,100
Additions	9,692	952,318	-	25,449	591	-	988,320
Disposals	-	-	(15,672)	-	(238)	-	(15,910)
Foreign Exchange	(558)	(45,250)	(3,167)	(2,595)	(1,287)	(3,567)	(56,424)
At March 31, 2024	18,407	1,510,149	33,889	61,170	19,644	53,557	1,696,816
Additions	6,016	-	-	-	-	-	6,016
Disposals	(10,977)	(1,556,995)	(34,941)	(63,068)	(20,253)	(55,218)	(1,741,452)
Foreign exchange	411	46,846	1,052	1,898	609	1,661	52,477
At June 30, 2024	**13,857**	**-**	**-**	**-**	**-**	**-**	**13,857**
Accumulated Depreciation							
Opening Balance	6,383	87,151	7,863	14,960	14,817	23,877	155,051
Charge for the period	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
Charge for the period	1,058	-	-	-	-	-	1,058
Disposals	(8,776)	(150,803)	(191)	(26,255)	(19,463)	(31,453)	(236,941)
Foreign exchange	269	4,537	6	789	586	947	7,134
At June 30, 2024	**1,387**	**-**	**-**	**-**	**-**	**-**	**1,387**
Carrying Value							
At March 31, 2024	9,571	1,363,883	33,704	35,704	767	23,051	1,466,680
At June 30, 2024	**12,470**	**-**	**-**	**-**	**-**	**-**	**12,470**

(Expressed in Canadian Dollars)

8. Intangible assets

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

Intangible Assets	$
Cost:	
Opening Balance	25,212
Additions	-
At March 31, 2024	25,212
Additions	-
At June 30, 2024	25,212
Accumulated Amortization:	
Opening Balance	(5,270)
Charge for the period	(2,520)
At March 31, 2024	(7,790)
Charge for the period	(629)
At June 30, 2024	(8,419)
Carrying amount:	
At March 31, 2024	17,422
At June 30, 2024	**16,793**

9. Investment in Joint Venture

Good Psyence (Pty) Ltd.

The Company had an investment in a joint venture which it disposed of on April 1, 2024. It was disposed to Psyence Labs Ltd (Refer note 12).The loan to the joint venture prior to disposal was fully impaired. Prior to disposal, the Company had extended amounts of $265,036 (June 30, 2023: $273,137) to Good Psyence, which was 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. This loan was fully impaired at the date of disposal and as at June 30, 2023.

Summarized financial information of Good Psyence included in the condensed consolidated interim financial statements is presented below, on a 100% basis:

Selected information as at	June 30, 2024 $	March 31, 2024 $
Total assets	-	35,818
Total liabilities	-	486,708
Net deficit	-	450,887

For the three months ended	June 30, 2024 $	June 30, 2023 $
Revenues	-	16,509
Cost of Sales	-	(14,494)
Administrative expenses	-	104,826
Other Comprehensive Loss	-	(2,497)
Net loss and comprehensive loss	-	104,344

(Expressed in Canadian Dollars)

During the three months ended June 30, 2024, the Company recognized amounts totalling $nil (June 30, 2023: $52,172) in the consolidated statements of net loss and comprehensive loss related to the Company's share of gain from the joint venture and an impairment of $nil (June 30, 2023: $52,172) in the consolidated statements of loss and comprehensive loss. As at disposal date, the loan receivable balance held in loan to joint venture on the consolidated statements of financial position totaled $nil (June 30, 2023: $nil).

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts:

	June 30, 2024 $	March 31, 2024 $
Trade payables	463,624	926,122
Accrued liabilities	204,377	296,498
Provisions	165,802	254,518
Total	833,803	1,477,138

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	139,106,226	21,662,052	123,954,188	20,400,055
Issuance of shares in private placement	-	-	7,775,964	767,500
Issuance of shares for RSUs exercise	924,996	120,250	-	-
Share issuance costs	-	-	-	(18,715)
Balance as at June 30,	140,031,222	21,782,302	131,730,152	21,148,840

Common shares,

Private placements

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 $767,500. The fair value of the warrants was determined to be $165,616.

In relation to the private placement, the Company incurred share issuance costs of $18,715. The share issuance costs were comprised of $18,715 of cash settled issuance costs.

(Expressed in Canadian Dollars)

RSU exercise

On Ay 1, 2024, the Company issued 924,996 shares for the exercise of RSU's by various consultants of the Company. Upon exercise, amounts totalling $120,250 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.

Stock Options

The changes in stock options outstanding during the periods ended June 30, 2024 and June 30, 2023 are as follows:

	Period ended June 30, 2024	
	Number of options	Weighted average exercise price ($)
Outstanding, at beginning of period	6,059,043	0.09
Options outstanding, ending	6,059,043	0.09
Options exercisable, ending	5,920,154	0.09

	Period ended June 30, 2023	
	Number of options	Weighted average exercise price ($)
Outstanding, at beginning of period	9,555,825	0.25
Granted (i)	150,000	0.14
Cancelled / forfeited (ii)	(287,547)	0.30
Options outstanding, ending	9,418,278	0.25
Options exercisable, ending	4,590,041	0.26

(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) During the period ended June 30, 2023, a total of 287,547 options were forfeited due to the termination of services from a consultant of the Company. In connection with the options forfeited, previous share-based payment expenses totalling $22,144 were reversed under professional fees and consulting fees in the condensed consolidated interim statements of net loss and comprehensive loss.

The following stock options are outstanding at June 30, 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	1.50	200,000
December 31, 2025	3,887,377	0.06	1.50	3,887,377
December 31, 2027	416,666	0.06	2.50	277,777
March 31, 2028	1,405,000	0.14	3.75	1,405,000
May 25, 2028	150,000	0.14	3.90	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:

(Expressed in Canadian Dollars)

	Options granted on May 25, 2023
Numbers issued	150,000
Share price	0.13
Expected dividend yield	Nil
Exercise price	0.14
Risk-free interest rate	3.52%
Expected life	5.00
Expected volatility	100%
Expiry date	May 25, 2028

For the three-month period ending June 30, 2024, $925 (June 30, 2023 – $95,382) was expensed and recorded as share based payments under professional fees and consulting fees and general and administrative in the condensed consolidated interim statements of net loss and comprehensive loss based on the vesting terms and forfeiture of the options.

Warrants

The changes in warrants outstanding during the period ended June 30, 2024 and 2023 are as follows:

	Period ended June 30, 2024	
	Number of warrants	Weighted average exercise price ($)
Outstanding, at beginning of period	6,010,073	0.20
Warrants outstanding, ending	6,010,073	0.20
Warrants exercisable, ending	6,010,073	0.20

	Period ended June 30, 2023	
	Number of warrants	Weighted average exercise price ($)
Outstanding, at beginning of period	10,714,689	0.30
Granted	3,887,982	0.15
Cancelled / forfeited	-	-
Warrants outstanding, ending	14,602,671	0.26
Warrants exercisable, ending	14,602,671	0.26

On May 25, 2023 the Company issued 3,887,982 warrants in a private placement. The fair value was determined to be $165,616 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%.

The following warrants are outstanding as at June 30, 2024:

Expiry date	Number of warrants outstanding	Exercise price ($)	Weight average remaining life (years)
September 2, 2024	2,122,091	0.30	0.18
November 25, 2024	3,887,982	0.15	0.41
	6,010,073		0.33

(Expressed in Canadian Dollars)

Restricted stock units (RSUs)

The changes in RSUs outstanding during the period ended June 30, 2024 and 2023 are as follows:

	Period ended June 30, 2024
	Number of RSUs
Outstanding, at beginning of period	3,159,200
Exercised during period	(924,996)
RSUs outstanding, ending	2,234,204
RSUs exercisable, ending	-

	Period ended June 30, 2023
	Number of RSUs
Outstanding, at beginning of period	5,907,141
RSUs outstanding, ending	5,907,141
RSUs exercisable, ending	160,000

During the three-month period ended June 30, 2024, $29,737 (June 30, 2023 - $108,617) was expensed and recorded as share-based payments under professional and consulting fees and general and administrative in the consolidated interim statements of net loss and comprehensive loss on the vesting of RSUs.

12. Disposal of entities

On April 1, 2024, the Company disposed fully of its interests in Mind Health (Pty) Ltd, Psyence South Africa (Pty) Ltd, Psyence UK Group Ltd, and its 50% shareholding in Good Psyence (Pty) Ltd in exchange for 1,000 shares (11% shareholding) in Psyence Labs Ltd. As a result, these entities are no longer part of the Company's condensed consolidated interim financial statements.

The Company's transferred its 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 Psyence Labs Ltd., a private company, which will be responsible for raising the private investment required and ongoing finance to continue the operations of the Non-Clinical Assets.

In exchange the Company received 1,000 shares each with a fair value of USD $745 (CAD1,011) at April 1, 2024. The fair value remained unchanged at June 30, 2024. The Company recognises the investment at fair value through profit and loss.

The calculation of loss on disposal is below:

	Loss on disposal
Fair value consideration received (1,000 shares in Psyence Labs Ltd.)	1,011,263
Net assets disposed	1,551,753
Loss on disposal	540,490

The net assets disposed, consisted of PPE with a carrying value of $1,459,244 and working capital with a value of $92,509.

(Expressed in Canadian Dollars)

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. The shares held represent a 32% ownership stake as at June 30, 2024. Despite this, the Company retained control over Psyence Biomedical Ltd.

NCI Balance reconciliation:

	NCI ($)
Balance at April 1, 2024	12,048,384
Increase in NCI ownership	2,174,491
NCI share of gains	1,223,706
Balance at June 30, 2024	15,446,581

Increase in NCI ownership:

During the three months ended, non-controlling shareholders increased their ownership in Psyence Biomedical Ltd to 68%. The consideration was $2,174,491. (2,473,884 shares to external shareholders with fair values in a range of $0.82 - $1.25). The shares were issued pursuant to the convertible note liability conversions and 178,000 (fair value - $214,115) shares were issued to third party advisors of the Company's subsidiary PBM.

Non-Controlling Interest:

During the period, the share of gains attributable to non-controlling shareholders was $1,223,706. This figure has been recognized in the Unaudited Condensed Consolidated Interim 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 Transaction, to the NCAC Sponsor (the **"NCAC Promissory 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 Promissory Note bears no interest, and (i) USD $100,000 of the principal balance of the NCAC Promissory t Note became owing on the date of the Closing and (ii) USD $1,515,501 of the principal balance of the NCAC Promissory Note will be payable on the date that is the one-year anniversary after the Business Combination, or January 25, 2025. As at June 30, 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 Promissory Note upon initial recognition at fair value was $1,915,716. At March 31, 2024 it was $1,9997,617. At June 30, 2024 the fair value of the NCAC Promissory Note was $2,017,814. A fair value loss of $20,197 was included in the consolidated statements of net loss and comprehensive loss relating to the NCAC Promissory Note.

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

(Expressed in Canadian Dollars)

15. Leases

During the prior period ended the Company had a lease for land for its production facility in Lesotho. The lease was reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability. The lease was disposed of on April 1, 2024. Refer to note 12.

Lease liability

The continuity of lease liability is as follows:

Lease liability ($)	2024	2023
Opening Balance, April 1	33,848	55,051
Additions/(Disposals)	(33,848)	-
Accretion expense	-	277
Lease payments	-	(752)
Foreign exchange	-	(3,670)
Closing Balance, June 30	-	42,929
Less: current portion	-	1,890
Non-current portion of lease liability	-	41,039

16. Convertible note liability

On January 15, 2024, 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. 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. The maturity date of the First Tranche Note is January 25, 2027.

A portion of the Second Tranche Notes, for an aggregate of USD $625,000 principal, were delivered by PBM to the Investors on May 31, 2024 ($312,500) and June 17, 2024 ($312,500), in exchange for an aggregate of USD $500,000 in financing. On the original issuance date of the Second 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. The maturity date of the First Tranche Note is May 31, 2027.

Conversions of First Tranche Notes, 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 PBM 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 PBM shares.

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 June 30, 2024.

(Expressed in Canadian Dollars)

	Inputs
Share price	USD $0.30
Note principal amount	USD $2,607,800
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%

The fair value was calculated to be $7,236,741 as of June 30, 2024. A fair value gain was recognized of $1,967,367 during the three months ended June 30, 2024 ($nil, June 30, 2023).

17. Derivative warrant liabilities

The Company's listed subsidiary has the following warrants outstanding as at June 30, 2024. 13,070,000 warrants issued and outstanding, comprised of 12,500,000 Public Warrants and 570,000 Private Warrants issued on January 25, 2024. 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 June 30, 2024
Share price	USD $0.30
Expected dividend yield	Nil
Exercise price	USD $11.50
Risk-free interest rate	4.21%
Expected life	5.00
Expected volatility	59.98%
Expiry date	January 25, 2029

At June 30, 2024 the fair value of the Public and Private Warrants was $179,642 (USD $0.01/warrant) (June 30, 2023 - $nil) and $36,418 (USD $0.4668/warrant) (June 30, 2023 - $nil), respectively. A fair value loss of $1,017,668 was recognized on the statement of net loss and comprehensive loss for the three months ended June 30, 2024 (June 30, 2023 - $nil).

(Expressed in Canadian Dollars)

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, June 30, 2023	-	USD $ -	-	USD $ -
Balance, June 30, 2024	12,500,000	USD $ 11.50	570,000	USD $ 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, June 30, 2024		USD $11.50	13,070,000	13,070,000

18. Transactions with related parties

All related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments. The Company incurred the following transactions with related parties during the three months ended June 30, 2024 and June 30, 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	June 30, 2024	June 30, 2023
Short term benefits	135,155	184,144
Share-based compensation	18,866	155,621
Total	154,021	339,765

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

Balances

As at June 30, 2024, the Company held amounts totalling $nil (June 30, 2023 - $27,457) in accounts payable and accrued liabilities. These are amounts owing to key management personnel.

(Expressed in Canadian Dollars)

19. Financial instruments and financial risk management

In the normal course of business, the Company is exposed to a variety of financial risks: credit risk, liquidity risk, foreign exchange risk and interest rate risk. These financial risks are subject to normal credit standards, financial controls, risk management as well as monitoring. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Credit risk

Credit risk arises from cash 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 June 30, 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 June 30, 2024:

Financial Instrument Maturity ($)	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 3 years
Accounts payable and accrued liabilities	833,803	833,803	833,803	-
Convertible note liability	7,236,741	3,740,383	299,231	3,441,153
NCAC promissory note	2,017,814	2,211,136	2,211,136	-
Total	10,088,358	6,785,322	3,344,170	3,441,153

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 $1,146 as at June 30, 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)

20. Loss per share

The calculation of basic and diluted profit/(loss) per common share for the period ended June 30, 2024 and June 30, 2023 was calculated as follows:

Earnings per share ($)	June 30, 2024	June 30, 2023
Basic and diluted loss per share:		
Net loss	1,322,942	(2,235,340)
Average number of common shares outstanding	139,716,114	127,030,394
Loss per share – basic and diluted	0.01	(0.02)

21. 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 period.

22. Subsequent Events

The Company's subsidiary PBM has received additional financing related to the Second Tranche of convertible notes:

- On July 15, 2024, 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.

This subsequent financing is part of the Convertible Note Financing arrangement entered into in connection with the RTO Transaction with the terms outlined in the Securities Purchase Agreement.

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.