



Psyence Group Inc.

Unaudited Condensed Consolidated Interim Financial Statements
For the three and nine months ended December 31, 2022

Expressed in Canadian Dollars

(\$)

Management's Responsibility for Financial Reporting

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

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

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

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

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

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

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

Neil Maresky (signed)
Chief Executive Officer
Toronto, Canada
March 1, 2023

Warwick Corden-Lloyd (signed)
Chief Financial Officer

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
December 31, 2022
(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Financial Position

	Note	As December 31, 2022 \$ (Unaudited)	As at March 31, 2022 \$ (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	5	1,867,261	3,494,638
Restricted cash	5	40,000	40,000
Other receivables	6	130,723	141,557
Prepays		51,717	123,047
Total current assets		2,089,701	3,799,242
Non-current assets			
Loan to joint venture	9,15	111,429	21,757
Property and equipment	7	1,598,441	511,171
Intangible assets	8	20,563	22,463
Total non-current assets		1,730,433	555,391
TOTAL ASSETS		3,820,134	4,354,633
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	487,350	315,124
Current portion of lease liabilities	14	2,116	2,227
Convertible debt	12	1,223,887	1,273,243
Derivative Liability	12	31,850	-
Total current liabilities		1,745,203	1,590,594
Non-current liabilities			
Lease liabilities	14	47,687	52,824
Total non-current liabilities		47,687	52,824
TOTAL LIABILITIES		1,792,890	1,643,418
SHAREHOLDERS' EQUITY			
Share capital	11	17,096,124	16,023,565
Shares to be issued	11	944,316	-
Options reserve	11	1,478,107	1,215,776
Warrants reserve	11	1,393,590	1,329,640
Foreign currency translation reserve		314,860	26,798
Deficit		(19,199,753)	(15,884,564)
TOTAL SHAREHOLDERS' EQUITY		2,027,244	2,711,215
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,820,134	4,354,633

Nature of operations and going concern (Note 1)

Approved on behalf of the Board.

“Dr. Neil Maresky”

Chief Executive Officer and Director

“Jody Aufrichtig”

Executive Chairman and Director

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

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
December 31, 2022
(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss

For three and nine months ended December 31, 2022 and December 31, 2021

	Note	Three months Ending December 31, 2022	Three months Ending December 31, 2021	Nine months Ending December 31, 2022	Nine months Ending December 31, 2021
Income					
Revenue		-	-	5,541	-
Expenses					
Sales and marketing		46,444	34,532	265,747	90,105
Research and development		263,244	22,773	554,502	34,778
General and administrative	11,15	157,643	220,537	582,750	597,850
Professional fees and consulting fees	11,15	589,470	924,086	1,735,879	2,717,870
Depreciation and amortization	7,8	26,858	14,616	66,276	37,473
Loss before other items		(1,083,659)	(1,216,544)	(3,199,613)	(3,478,076)
Other items					
Interest income		2,691	-	5,856	-
Interest expense	12	(35,607)	-	(46,444)	-
Accretion expense	14	(303)	(334)	(935)	(1,050)
Foreign exchange gain/(loss)		8,542	(1,894)	(965)	10,381
Share of loss from joint venture	9	(19,543)	(10,521)	(73,088)	(63,619)
NET LOSS		(1,127,879)	(1,229,293)	(3,315,189)	(3,532,364)
Other comprehensive/(loss) income					
Foreign exchange gain/(loss) on translation		384,515	(26,561)	288,062	(33,243)
TOTAL COMPREHENSIVE LOSS		(743,364)	(1,255,854)	(3,027,127)	(3,565,607)
Loss per share - basic and diluted	17	(0.01)	(0.01)	(0.04)	(0.04)
Weighted average number of outstanding shares - basic and diluted		87,249,422	85,528,931	86,104,513	85,528,931

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

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
December 31, 2022
(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Changes in Equity

For nine months ended December 31, 2022 and December 31, 2021

\$	Note	Number of shares	Share capital	Shares to be issued	Warrants reserve	Options reserve	Foreign currency translation reserve	Deficit	Total shareholders' equity
Opening balance as at April 1, 2022		85,528,931	16,023,565	-	1,329,640	1,215,776	26,798	(15,884,564)	2,711,215
Share based compensation	11	-	-	-	63,950	262,331	-	-	326,281
Other comprehensive income		-	-	-	-	-	288,062	-	288,062
Share Issuance		9,310,893	1,072,559	-	-	-	-	-	1,072,559
Private Placements		-	-	944,316	-	-	-	-	944,316
Net loss		-	-	-	-	-	-	(3,315,189)	(3,315,189)
Balance, December 31, 2022		94,839,824	17,096,124	944,316	1,393,590	1,478,107	314,860	(19,199,753)	2,027,244

\$	Note	Number of shares	Share capital	Shares to be issued	Warrants reserve	Options reserve	Foreign currency translation reserve	Deficit	Total shareholders' equity
Opening balance as at April 1, 2021		85,528,931	16,023,565	-	1,329,640	358,723	10,788	(11,283,798)	6,438,918
Share based compensation	11	-	-	-	-	800,515	-	-	800,515
Other comprehensive income		-	-	-	-	-	(33,243)	-	(33,243)
Net loss		-	-	-	-	-	-	(3,532,364)	(3,532,364)
Balance, December 31, 2021		85,528,931	16,023,565	-	1,329,640	1,159,238	(22,455)	(14,816,162)	3,673,826

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

PSYENCE GROUP INC.
Condensed Consolidated Interim Financial Statements (unaudited)
December 31, 2022
(Expressed in Canadian Dollars)

Condensed Consolidated Interim Statements of Cash Flows

For nine months ended December 31, 2022 and December 31, 2021

	Note	2022 \$	2021 \$
Net loss		(3,315,189)	(3,532,364)
Non-cash adjustments			
Depreciation and amortization	7,8	66,276	37,473
Accretion expense	14	935	1,050
Interest expense	12	46,444	
Foreign exchange		385,682	(6,937)
Share based compensation	11	326,281	800,515
Share of loss from joint venture	9	73,088	63,619
Changes in non-cash working capital			
Other receivables		10,834	134,114
Prepaid		71,330	(11,821)
Accounts payable and accrued liabilities		172,226	50,691
Due to related parties		-	(7,581)
Cash used in operating activities		(2,162,093)	(2,471,241)
Additions to property and equipment	7	(1,168,100)	(122,660)
Investment in joint venture	9	-	(4)
Investment in guaranteed investment certificate			(40,000)
Loan to joint venture	9	(170,054)	(79,213)
Cash used in investing activities		(1,338,154)	(241,877)
Repayment of lease liabilities	14	(1,669)	(2,495)
Proceeds from convertible debt to be issued		-	249,986
Proceeds from share issuance		930,223	-
Proceeds from shares to be issued		944,316	-
Cash from financing activities		1,872,870	247,491
Change in cash and cash equivalents		(1,627,377)	(2,465,627)
Cash and cash equivalents, beginning of period		3,494,638	6,096,074
Cash and cash equivalents, end of period		1,867,261	3,630,447

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

Notes to the Condensed Consolidated Interim Financial Statements

1. Nature of operations and going concern

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

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

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

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

On April 12, 2021, Psyence South Africa (Pty) Ltd (“**Psyence South Africa**”) was incorporated in South Africa as a subsidiary of PBC.

On May 5, 2021, a South African-based special purpose vehicle (“**SPV**”) called Good Psyence (Pty) Ltd (“**Good Psyence**”) was incorporated. The SPV is a 50/50 joint venture between the Company, via its subsidiary PBC, and The Goodleaf Company (Pty) Ltd, a private company incorporated in South Africa. The Company launched its functional mushroom brand, “GOODMIND”, through the SPV and it will be responsible for the production, commercialization and sale of the products.

On May 11, 2021, Psyence Jamaica Limited (“**Psyence Jamaica**”) was incorporated in Jamaica as a wholly owned subsidiary of PBC. The Company has ceased operations in Jamaica and is in process of liquidation.

On September 9, 2021, the Company through PBC entered into a subscription and shareholders agreement with Pure Extracts Technologies Corp. through its subsidiary Pure Mushrooms Corp. (“**Pure Mushrooms**”), whereby the Company and Pure Mushrooms each acquired a 50% share and voting rights in newly incorporated entity by the name of Pure Psyence Corp. for a nominal amount of cash. Pure Psyence Corp is in the process of liquidation.

Pure Psyence Corp. has remained inactive with amounts totaling \$nil recognized in the consolidated statements of net loss and comprehensive loss.

Psyence UK Group Ltd. (“**Psyence UK**”) is a private corporation incorporated under the laws of England and Wales on March 18, 2022. Psyence UK is a wholly owned subsidiary of PBC. The entity has remained inactive.

Going concern

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

As at December 31, 2022 the Company had not yet achieved profitable operations, has accumulated losses of \$19,199,753 since its inception, has negative working capital and expects to incur further

losses in the development of its business, all of which indicate that a material uncertainty exists that casts significant doubt about the Company's ability to continue as a going concern.

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

2. Basis of presentation

Statement of compliance

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

The Unaudited Condensed Consolidated Interim Financial Statements were authorized for issue on March 1, 2023 by the directors of the Company.

Basis of measurement

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

Functional and presentation currency

These Unaudited Condensed Consolidated Interim Financial Statements are presented in Canadian Dollars ("CAD \$"), which is also PGI's functional currency. The functional currency of PGI's subsidiaries, PBC, and PTC is Canadian Dollars, MHL is the Lesotho Loti ("LSL"), Psyence South Africa is South African Rand ("ZAR") and Psyence Jamaica is Jamaican Dollars ("JMD"). The functional currency for Psyence UK is the British Pound Sterling ("GBP"). The functional currency for Good Psyence is ZAR and Pure Psyence Corp is CAD \$.

3. Significant accounting policies

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

Basis of consolidation

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

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

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The subsidiaries of PGI that have been consolidated as of December 31, 2022 are as follows:

Name of entity	Place of incorporation	% Ownership	Accounting method
Mind Health (Pty) Ltd.	Lesotho	100%	Consolidation
Psyence Biomed Corp.	British Columbia	100%	Consolidation
Psyence Therapeutics Corp.	Ontario	100%	Consolidation
Psyence South Africa	South Africa	100%	Consolidation
Psyence Jamaica	Jamaica	100%	Consolidation
Psyence UK	England & Wales	100%	Consolidation

As at December 31, 2022, the Company holds 50% ownership in Good Psyence (Pty) Ltd. and 50% ownership in Pure Psyence Corp., both of which are jointly controlled and accounted for under the equity method.

Inter-company balances and transactions are eliminated upon consolidation.

There was no activity recorded for Psyence Jamaica, Psyence UK and Pure Psyence Corp.

Joint Arrangements

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

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

Share-based payments

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

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

4. Critical accounting estimates and judgements

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

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

5. Cash and cash equivalents

Cash and cash equivalents include the following amounts:

- An amount of \$1,862,034 unrestricted cash held with chartered banks.
- an amount of \$5,227 held in trust by a brokerage firm as security for foreign currency exchanges.
- an amount of \$40,000 in a guaranteed investment certificate with a bank as collateral for a credit facility agreement with a leading chartered bank in Canada. Amounts are held in restricted cash on the consolidated statement of financial position.

6. Other Receivables

Other receivables include the following amounts:

	December 31, 2022	March 31, 2022
	\$	\$
Other receivables	1,653	78,137
Sales tax receivable	129,070	63,420
Total	130,723	141,557

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

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

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7. Property, plant and equipment

\$	Computer equipment	Buildings	Right-of-use asset	Production equipment	Furniture & fixtures	Bulk infrastructure	Total
<u>Cost</u>							
Opening Balance	7,677	257,900	58,708	10,023	21,797	60,544	416,649
Additions	1,678	153,637	-	4,952	1,107	3,038	164,412
Foreign Exchange	85	4,203	461	147	187	518	5,601
At March 31, 2022	9,440	415,740	59,169	15,122	23,091	64,100	586,662
Additions	888	239,606	-	927,606	-	-	1,168,100
Foreign exchange	(620)	(24,022)	(3,971)	13,986	(1,549)	(4,301)	(20,477)
At December 31, 2022	9,708	631,324	55,198	956,714	21,542	59,799	1,734,285
<u>Accumulated Depreciation</u>							
Opening Balance	1,233	9,350	2,553	1,216	6,109	3,783	24,244
Charge for the period	3,095	27,019	3,071	3,970	2,248	10,942	50,345
Foreign exchange	60	387	85	68	121	181	902
At March 31, 2022	4,388	36,756	5,709	5,254	8,478	14,906	75,491
Charge for the period	1,1831	40,630	2,144	7,493	4,157	8,121	64,376
Foreign exchange	(264)	(1,809)	(347)	(231)	(502)	(869)	(4,023)
At December 31, 2022	5,955	75,577	7,506	12,516	12,132	22,158	135,844
<u>Carrying Value</u>							
At March 31, 2022	5,052	378,984	53,460	9,868	14,613	49,194	511,171
At December 31, 2022	3,753	555,747	47,692	944,198	9,410	37,641	1,598,441

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	\$
<u>Cost:</u>	
Opening Balance	18,324
Additions	6,888
At March 31, 2022	25,212
Additions	-
At December 31, 2022	25,212
<u>Accumulated Amortization:</u>	
Opening Balance	(458)
Charge for the period	(2,291)
At March 31, 2022	(2,749)
Charge for the period	(1,900)
At December 31, 2022	(4,649)
<u>Carrying amount:</u>	
At March 31, 2022	22,463
At December 31, 2022	20,563

9. Investment in Joint Venture

Good Psyence (Pty) Ltd.

On April 7, 2021, the Company through PBC entered into a subscription and shareholders agreement (**the “Joint Arrangement”**) with Goodleaf, whereby the Company and Goodleaf each acquired a 50% share and voting rights in a South African-based SPV called “Good Psyence (Pty) Ltd” incorporated on May 5, 2021. The 50% stake was acquired in exchange for an initial investment of ZAR 50 (CAD \$4) from each party.

The investment in Good Psyence was accounted for as of the effective date of incorporation on May 5, 2021 as a joint venture as the subscription and shareholders agreement establishing joint control was effective from that date.

Under the terms of the Joint Arrangement, each party also agreed to extend an initial ZAR 499,950 (CAD \$43,136) to Good Psyence through a non-interest-bearing loan that is due and payable on demand. This loan was provided by way of cash for the Company and by way of services for Goodleaf.

On August 11, 2021, the Company and Goodleaf agreed to extend up to an additional ZAR 1,250,000 (CAD \$103,952) to Good Psyence under the same terms as the original loan, provided by way of cash for both parties.

On September 29, 2022, the Company agreed to extend up to an additional CAD \$134,722 to Good Psyence under the same terms as the original loan, provided by way of cash and purchases of raw material on behalf of the JV. As at December 31, 2022, of the additional amount, CAD \$124,335 has been extended to the JV.

As of December 31, 2022, a total of ZAR 3,380,956 (CAD \$269,800) has been extended to Good Psyence by the Company. This balance is held in loan to joint venture on the consolidated statements of financial position which continues to remain outstanding, non-interest bearing and payable on demand. Due to the level of uncertainty associated with the Company's ability to recover its non-interest-bearing loans extended to Good Psyence in the short-term, the total amounts outstanding of ZAR 3,380,956 have been deemed to form part of the Company's net investment in the joint venture. The investment in the joint venture has further been reduced by the Company's share of losses.

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

Selected information as at December 31, 2022		\$
Total assets		239,983
Total liabilities		545,279
Net deficit		305,296
For the period ended December 31, 2022		\$
Revenues		76,869
Cost of Sales		(62,434)
Administrative expenses		(160,611)
Net loss and comprehensive loss		146,176

During the three and nine month periods ended December 31, 2022, the Company recognized amounts totaling \$19,544 and \$73,088 respectively (December 31, 2021 – \$10,521 and \$63,619) in the condensed consolidated interim statements of net loss and comprehensive loss related to the Company's share of loss from the joint venture, of which \$73,088 was deducted from the Company's loan receivable held in loan to joint venture. As at December 31, 2022, the loan receivable balance held in loan to joint venture on the consolidated statements of financial position totaled \$111,429. This balance includes losses from prior periods of \$85,288.

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following amounts:

	December 31, 2022	March 31, 2022
	\$	\$
Trade payables	86,639	91,869
Accrued liabilities	400,711	223,255
Total	487,350	315,124

11. Share capital

Authorized share capital

Unlimited number of voting common shares without par value.

Issued and outstanding

Common shares	2022		2021	
	Number	Amount (\$)	Number	Amount (\$)
Opening balance April 1	85,528,931	16,023,565	85,528,931	16,023,565
Issuance of shares in private placement	7,751,859	930,223	-	-
Issuance of shares for RSU exercise	372,900	-	-	-
Issuance of shares for debt settlement	1,186,134	142,336	-	-
Balance as at December 31	94,839,824	17,096,124	85,528,931	16,023,565

Common shares

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 December 14, 2022 the Company issued 372,900 shares for the exercise of RSU's by various consultants of the Company. The share price was \$0.12 at date of exercise.

On December 14, 2022 the Company issued 1,186,134 shares with a subscription price of \$0.12 in a private placement for the settlement of debt in lieu of consulting fees to the value of \$142,336.

No shares were issued in the comparative nine months.

Shares to be issued

Gross proceeds of \$944,316 was received in a private placement announced on November 10, 2022. The Company will issue shares with a subscription price of \$0.12 subject to CSE approvals. The shares will be issued upon closing of the private placement.

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Stock Options

The changes in stock options outstanding during the period ended December 31, 2022 are as follows:

	Period ended December 31, 2022	
	Number of options	Weighted average exercise price (\$)
Outstanding, at beginning of period	7,958,583	0.30
Granted (i)	220,000	0.20
Cancelled / forfeited (ii)	(1,483,659)	0.30
Options outstanding, ending	6,694,924	0.30
Options exercisable, ending	3,999,349	0.30

	Period ended December 31, 2021	
	Number of options	Weighted average exercise price (\$)
Outstanding, at beginning of period	7,432,055	0.30
Granted (iii)(iv)	2,000,000	0.30
Cancelled / forfeited (v)	(1,079,245)	0.30
Options outstanding, ending	8,352,810	0.30
Options exercisable, ending	2,490,270	0.30

- (i) On May 1, 2022, the Company granted 220,000 options to a consultant of the Company with each option exercisable into one common share of the Company at a price of \$0.20 per share until April 30, 2027. Options are to vest 17% 3 months from the date of grant, 17% 12 months from the date of grant, 33% 24 months from the date of grant and 33% 36 months from the date of grant. The fair value of the options was determined to be \$11,846 on the date of grant using the Black-Scholes option pricing model.
- (ii) During the period ended December 31, 2022, a total of 1,483,659 options were forfeited due to the termination of services from various employees and consultants of the Company. In connection with the options forfeited, previous share-based payment expenses totaling \$58,338 were reversed under professional fees and consulting fees in the condensed consolidated interim statements of net loss and comprehensive loss.
- (iii) On July 1, 2021, the Company granted 1,800,000 options to an officer of the Company with each option exercisable into one common share of the Company at a price of \$0.30 per share until June 30, 2026. Options are to vest 17% 3 months from the date of grant, 17% 12 months from the date of grant, 33% 24 months from the date of grant and 33% 36 months from the date of grant. The fair value of the options was determined to be \$338,716 on the date of grant using the Black-Scholes option pricing model.
- (iv) On September 17, 2021, the Company granted 200,000 options to a consultant of the Company with each option exercisable into one common share of the Company at a price of \$0.30 per share until December 31, 2025. Options are to vest in three equal tranches on September 30, 2021, January 22, 2022 and July 23, 2023. The fair value of the options was determined to be \$19,217 on the date of grant using the Black-Scholes option pricing model.
- (v) During the period ended December 31, 2021, a total of 1,079,245 options were forfeited due to the termination of services from various employees and consultants of the Company.

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In connection with the options forfeited, previous share-based payment expenses totaling \$91,914 were reversed under professional fees and consulting fees in the condensed consolidated interim statements of net loss and comprehensive loss.

The following stock options are outstanding as at December 31, 2022:

Expiry date	Number of options outstanding	Exercise price	Weight average remaining life (years)	Number of options exercisable
December 31, 2025	3,722,488	\$ 0.30	3.00	2,714,992
December 31, 2025	752,436	0.30	3.00	501,624
December 31, 2025	200,000	0.30	3.00	133,333
June 30, 2026	1,800,000	0.30	3.55	612,000
April 30, 2027	220,000	0.20	4.33	37,400
	6,694,924	\$ 0.30	3.18	3,999,349

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

	Options granted on December 31, 2020	Options granted on January 15, 2021	Options granted on July 1, 2021	Options granted on September 17, 2021	Options granted on May 1, 2022
Numbers issued	5,527,488	1,904,567	1,800,000	200,000	220,000
Share price	0.23	0.33	0.26	0.16	0.085
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Exercise price	0.30	0.30	0.30	0.30	0.20
Risk-free interest rate	0.39%	0.42%	0.96%	0.90%	2.79%
Expected life	5.00	4.96	5.00	4.25	5.00
Expected volatility	100%	100%	100%	100%	100%
Expiry date	December 31, 2025	December 31, 2025	June 30, 2026	December 31, 2025	April 30, 2027

For the three and nine month periods ending December 31, 2022, \$51,216 and \$129,456 (December 31, 2021 – \$176,571 and \$744,816) was expensed and recorded as share based payments under professional fees and consulting fees in the condensed consolidated interim statements of net loss and comprehensive loss based on the vesting terms and forfeiture of the options.

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Warrants

The changes in warrants outstanding during the period ended December 31, 2022 and 2021 are as follows:

Period ended December 31, 2022		
	Number of warrants	Weighted average exercise price (\$)
Outstanding, at beginning of period	8,710,553	0.30
Granted	2,122,091	0.30
Cancelled / forfeited	-	0.00
Warrants outstanding, ending	10,832,644	0.30
Warrants exercisable, ending	10,832,644	0.30

Period ended December 31, 2021		
	Number of warrants	Weighted average exercise price (\$)
Outstanding, at beginning of period	8,910,553	0.30
Cancelled / forfeited	(200,000)	0.30
Warrants outstanding, ending	8,710,553	0.30
Warrants exercisable, ending	8,710,553	0.30

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

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

The following warrants are outstanding as at December 31, 2022:

Expiry date	Number of warrants outstanding	Exercise price	Weight average remaining life (years)
January 15, 2023	117,955	\$ 0.33	0.04
December 31, 2023	6,734,731	0.30	1.00
December 31, 2023	1,857,867	0.30	1.00
September 3, 2024	2,122,091	0.30	1.68
	10,832,644	\$	1.12

The weighted average life remaining for the warrants outstanding at December 31, 2022 is 1.12 years (December 31, 2021 – 1.99 years)

During the period ended December 31, 2022 \$63,950 was transferred into warrants reserve from convertible debt. See Note 12.

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Escrow Securities

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

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

As of December 31, 2022, 8,539,764 common shares and 735,942 warrants are held in escrow.

Restricted stock units (RSUs)

The changes in RSUs outstanding during the period ended December 31, 2022 and 2021 are as follows:

	Period ended December 31, 2022
	Number of RSUs
Outstanding, at beginning of period	980,516
Issued during the period (i)(ii)	1,980,000
Exercised during period (iii)	(372,900)
RSUs outstanding, ending	2,587,616
RSUs exercisable, ending	455,475

	Period ended December 31, 2021
	Number of RSUs
Outstanding, at beginning of period	-
Issued during the period (iii)	980,516
RSUs outstanding, ending	980,516
RSUs exercisable, ending	166,688

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

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

The fair value of the RSUs was determined to be \$150,000 based on the fair value of the Company's share price on the date of the grant. Upon exercise, the Company shall settle RSUs by issuance of common shares in the number equal fair market value at exercise date equal to award value. The expiry date is December 31, 2025.

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

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

The fair value of the RSUs was determined to be \$40,800 based on the fair value of the Company's share price on the date of the grant. Upon exercise, the Company shall settle RSUs by issuance of common shares in the number equal fair market value at exercise date equal to award value. The expiry date is December 31, 2025.

- (iii) On December 14, 2022 consultants of the Company exercised 372,900 RSUs into common shares of the Company.

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

- 166,688 exercisable on October 1, 2021;
- 166,688 exercisable on July 1, 2022;
- 323,570 exercisable on July 1, 2023;
- 323,570 exercisable on July 1, 2024.

The fair value of the RSUs was determined to be \$156,883 based on the fair value of the Company's share price on the date of the grant. Upon exercise, the Company shall settle RSUs by issuance of common shares in the number equal fair market value at exercise date equal to award value. The expiry date is December 31, 2025.

The RSUs granted are accounted for as an equity instrument whereby share-based payments recognized in the consolidated statements of net loss and comprehensive loss are held in options reserve.

During the three month and nine month periods ended December 31, 2022, \$36,633 and \$132,874 (December 31, 2021 - \$19,076 and \$55,699) was expensed and recorded as share-based payments under professional and consulting fees and general and administrative in the consolidated statements of net loss and comprehensive loss on the vesting of RSUs.

12. Convertible Debt

On December 2, 2021, the Company announced the commencement of a non-brokered private placement offering (the “**Proposed Financing**”) of up to \$2,000,000 of unsecured convertible promissory units (the “**Units**”). Under the Proposed Financing, the terms contemplate that the Units shall be convertible at the option of the holder at any time and will be automatically converted upon the occurrence of certain events at a 20% discount to the market price of the Company’s common shares at the time of conversion, subject to a minimum conversion price of \$0.12 and a maximum conversion price of \$0.25. In addition, the lenders would also receive warrants of the Company on the basis of 1,667 warrants for every \$1,000 of convertible debenture purchased, each exercisable into one common share at a price of \$0.30 for a period of 24 months from the date of issuance. The terms also contemplate that the notes are to mature 24 months from the date of issuance and bear interest at a rate of 8% per annum.

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

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

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

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

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

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

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

See below for the movement in the loan liability:

Loan Liability	December 31, 2022	December 31, 2021
Opening Balance	-	-
Issuance	1,273,243	-
Fair Value assigned to Derivative Liability	(31,850)	-
Fair Value assigned to warrants reserve	(63,950)	-
Interest expense	46,444	-
Closing Balance	1,223,887	-

During the three month and nine month periods ended December 31, 2022, \$35,607 and \$46,444 was expensed and recorded as interest expense in the consolidated statements of net loss and comprehensive loss.

There was no movement in fair value of the Derivative Liability as at December 31, 2022.

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13. Segmented information

For the period ended December 31, 2022, management determined that the Company operated only in one segment: development of psilocybin medical and over-the-counter products.

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

Asset location (\$)	December 31, 2022	March 31, 2022
Canada	20,563	22,463
Southern Africa (Lesotho and South Africa)	1,709,870	532,928
Non-current segment assets	1,730,433	555,391

14. Leases

The Company has a lease for land for its production facility in Lesotho. The lease is reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability. The land has been used to erect manufacturing and processing facilities. The initial term of the lease is nine years beginning June 1, 2020 and ending May 21, 2029. Thereafter, the Company has the option to renew the lease for a further ten-year period for a maximum of five times total. The incremental borrowing rate and term length used in the calculation of the right-of-use asset and discounted lease liability amounts are 2.5% and 19 years, respectively.

Lease liability

The continuity of lease liability is as follows:

Lease liability (\$)	2022	2021
Opening Balance, April 1	55,051	56,776
Additions	-	-
Accretion expense	935	1,050
Lease payments	(1,669)	(2,495)
Foreign exchange	(4,514)	(3,628)
Closing Balance, December 31	49,803	51,703
Less: current portion	2,116	2,058
Non-current portion of lease liability	47,687	49,645

The following table presents the future undiscounted payments associated with the sole lease liability as of December 31, 2022 for the next five years and thereafter:

Future undiscounted payments	\$
2023	3,337
2024	3,365
2025	3,413
2026	3,464
2027	3,518
Thereafter	44,912
Total	62,009

15. Transactions with related parties

All related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments. The Company incurred the following transactions with related parties during the period ended December 31, 2022 and 2021:

Compensation to key management personnel

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

Key Management Personnel	Three months Ending December 31, 2022	Three months Ending December 31, 2021	Nine months Ending December 31, 2022	Nine months Ending December 31, 2021
Short term benefits	201,696	271,607	684,955	603,630
Share-based compensation	37,964	134,685	171,652	393,063
Total	239,660	406,292	856,607	996,693

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

Balances

As at December 31, 2022, the Company held amounts totaling \$111,429 (December 31, 2021 - \$15,598) in loan to joint venture. These amounts consisted of the loan to the joint venture Good Psyence.

As at December 31, 2022, the Company held amounts totaling \$17,792 (December 31, 2021 - \$nil) in accounts payable and accrued liabilities respectively. These are amounts owing to key management personnel.

As at December 31, 2022, the Company received proceeds totaling \$58,000 from related parties in connection with the convertible debt note.

On December 14, 2022 members of key management personnel exercised 247,500 RSUs.

Other Related Party Transactions

Transaction Type	Three months Ending December 31, 2022	Three months Ending December 31, 2021	Nine months Ending December 31, 2022	Nine months Ending December 31, 2021
Management Fees	-	-	-	89,475
Total	-	-	-	89,475

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

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In terms of the MSA, the entity providing services manages the design, construction, erection, commissioning, operation and maintenance of the production facility in Lesotho.

16. Financial instruments and financial risk management

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

Credit risk

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

Liquidity risk

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

As at December 31, 2022, the Company's financial liabilities consist of account payable and accrued liabilities and convertible debt to be issued which all have contractual maturity dates within one year.

The Company manages liquidity risk through an ongoing review of future commitments and cash balances available. Historically, the Company's main source of funding has been the issuance of shares for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity or debt funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company operates internationally and is exposed to foreign exchange risk from the LSL, ZAR, GBP and USD. Foreign exchange risk arises from transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

As at December 31, 2022, the Company is exposed to currency risk through the following financial assets and liabilities denominated in ZAR, LSL, GBP and USD:

Foreign exchange risk			
	December 31, 2022		
	GBP	LSL, ZAR	USD
Cash	58,710	196,370	959,197
Other receivables	-	798,974	-
Accounts payable and accrued liabilities	-	360,519	-
Loan to joint venture	-	1,396,357	-

Foreign exchange risk			
	March 31, 2022		
	GBP	LSL, ZAR	USD
Cash	-	1,618,111	315
Other receivables	-	836,366	-
Accounts payable and accrued liabilities	-	640,313	-
Loan to joint venture	-	252,943	-

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A 10% change in exchange rate would have resulted in a loss of \$155,775 as at December 31, 2022 (March 31, 2022 - \$17,344).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant interest-bearing assets or liabilities and therefore its income and operating cash flows are substantially independent of changes in market interest rates.

17. Loss per share

The calculation of basic and diluted loss per common share for the six months ended December 31, 2022 was based on the net loss of \$3,315,189 (December 31, 2021 - \$3,532,364) and a weighted average number of common shares outstanding of 86,104,513 (December 31, 2021 – 85,528,931) and for three months ended December 31, 2022 was based on the net loss of \$1,127,879 (December 31, 2021 - \$1,229,293) and a weighted average number of common shares outstanding of 87,249,422 (December 31, 2021 – 85,528,931) calculated as follows:

Earnings per Share (\$)	Three months ending December 31, 2022	Three months ending December 31, 2021	Nine months ending December 31, 2022	Nine months ending December 31, 2021
Basic and diluted loss per share:				
Net loss	(1,127,879)	(1,229,293)	(3,315,189)	(3,532,364)
Average number of common shares outstanding	87,249,422	85,528,931	86,104,513	85,528,931
Loss per share – basic and diluted	(0.01)	(0.01)	(0.04)	(0.04)

The diluted weighted average number of common shares does not take into account the effects of stock options and warrants as they would be anti-dilutive for the period ended December 31, 2022 and 2021.

18. Capital management

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of natural health business, to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk level.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and short-term investments on hand.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. Management reviews 12-month forecasts on a regular basis to manage the Company's capital requirements.

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

19. Subsequent events

On January 9, 2023 the Company announced that it had entered into a definitive business combination agreement (the "**Business Combination Agreement**") with Newcourt Acquisition Corp (NASDAQ: NCAC), a special purpose acquisition company ("**SPAC**") formed for the purpose of acquiring or merging with one or more businesses ("**Newcourt**"). Newcourt has entered into the Business Combination Agreement with Psyence Biomed Corp., a wholly owned subsidiary of the Company, to create a public company leveraging natural psilocybin in the treatment of palliative care.

On January 16, 2023 an employee of the Company exercised 455,475 RSUs into common shares of the Company.

On January 31, 2023 the Company granted 1,220,901 stock options to a consultant. Each option is exercisable at a price of \$0.17 up until January 31, 2026 and shall vest as follows: 33% 12 months from the date of grant, 33% 24 months from the date of grant and 34% 36 months from the date of grant.

On February 15, 2023 the Company incorporated a wholly owned subsidiary called "Psyence Australia (Pty) Ltd." in Victoria, Australia.

Subsequent to December 31, 2022 the Company raised an additional \$82,500 in private placements relating to the private placement announced on November 10, 2022.