

**Nova Mentis Life Science Corp.**  
**(formerly Liberty Leaf Holdings Ltd.)**

**Condensed Consolidated Interim Financial Statements**

Three and Six Months Ended June 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

Nova Mentis Life Science Corp.  
(formerly Liberty Leaf Holdings Ltd.)

Three and Six Months Ended June 30, 2020

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## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor Smythe Ratcliffe LLP, Chartered Accountants has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

August 31, 2020

**Nova Mentis Life Science Corp.**  
**(formerly Liberty Leaf Holdings Ltd.)**

Condensed Consolidated Interim Statements of Financial Position  
(Unaudited - Expressed in Canadian Dollars)

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 475,671	\$ 87,005
Short term investments (note 10)	896,344	760,411
GST receivable	11,642	6,576
Inventory	13,258	18,108
Prepaid expenses and deposits	204	8,220
	1,397,119	880,320
<b>Property and Equipment</b> (note 6)	26,524	29,934
<b>Investment in Associate</b> (note 8)	5,964,054	5,674,681
	\$ 7,387,697	\$ 6,584,935
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 11)	\$ 262,031	\$ 325,070
	262,031	325,070
<b>Shareholders' Equity</b>		
<b>Share Capital</b> (note 12)	34,969,138	27,494,138
<b>Reserves</b> (note 12)	6,447,195	6,447,195
<b>Deficit</b>	(34,290,667)	(27,681,468)
	7,125,666	6,259,865
	\$ 7,387,697	\$ 6,584,935

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Approved on behalf of the Board:

*"William Rascan"*

..... Director  
William Rascan

*"Steven Feldman"*

..... Director  
Steven Feldman

**Nova Mentis Life Science Corp.**  
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Condensed Consolidated Interim Statements of Comprehensive Loss  
For the Three and Six Months Ended June 30  
(Unaudited - Expressed in Canadian Dollars)

	<b>Three Months Ended June 30, 2020</b>	Three Months Ended June 30, 2019	<b>Six Months Ended June 30, 2020</b>	Six Months Ended June 30, 2019
<b>Revenue</b>	\$ 1,687	\$ -	\$ 8,629	\$ -
<b>Cost of Goods Sold</b>	<b>(1,144)</b>	-	<b>(6,882)</b>	-
<b>Gross Profit</b>	<b>543</b>	-	<b>1,747</b>	-
<b>Expenses</b>				
Accounting, legal and audit (note 6)	4,035	39,011	5,311	62,167
Amortization (note 6)	1,705	2,449	3,410	4,899
Consulting fees (note 11)	32,099	219,606	69,999	335,631
Management fees (note 11)	49,500	45,500	99,000	89,000
Office and general	4,991	17,259	33,364	42,835
Rent	-	5,000	-	12,500
Share-based payments (note 11)	-	-	-	83,509
Shareholder communications and investor relations (note 11)	12,000	17,662	24,081	33,938
Transfer agent and filing fees	16,980	15,038	27,483	31,542
<b>Loss before Other Items</b>	<b>120,767</b>	361,525	<b>260,901</b>	696,021
Loss (gain) on short term investments (note 10)	(9,555)	80,000	10,015	60,000
Interest Income	-	(6,000)	(3,220)	(12,000)
Gain on settlement of prepaid	(19,427)	-	(19,427)	-
Consideration paid in excess of net assets acquired from Nova (note 9)	6,268,583	-	6,268,583	-
Equity loss from associate (note 8)	65,048	35,000	92,348	59,643
<b>Net Loss and Comprehensive Loss</b>	<b>\$ 6,425,416</b>	\$ 470,525	<b>\$ 6,609,200</b>	\$ 803,664
<b>Basic and Diluted Loss Per Share</b>	<b>\$ 0.19</b>	\$ 0.01	<b>\$ 0.20</b>	\$ 0.03
<b>Basic and Diluted Weighted Average Number of Common Shares Outstanding</b>				
	<b>33,243,411</b>	31,859,380	<b>33,243,411</b>	31,859,380

\* Weighted average number of common shares outstanding – Basic and Diluted and Basic and Diluted Loss per Share reflect the 4 to 1 share consolidation detailed in Note 15.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
For the Six Months ended June 30, 2020 and 2019  
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	Number of Shares *	Share Capital	Reserves	Deficit	Total
<b>Balance, December 31, 2018</b>	<b>31,819,033</b>	<b>\$ 27,258,306</b>	<b>\$ 6,266,817</b>	<b>\$ (26,283,381)</b>	<b>\$ 7,241,742</b>
Shares issued on the exercise of share options	165,000	91,000	-	-	91,000
Fair value of share options exercised	-	40,209	(40,209)	-	-
Share options granted	-	-	83,509	-	83,509
Net loss for the period	-	-	-	(803,664)	(803,664)
<b>Balance, June 30, 2019</b>	<b>31,984,033</b>	<b>27,389,515</b>	<b>6,310,117</b>	<b>(27,087,044)</b>	<b>6,612,588</b>
Shares issued on the exercise of share options	147,500	59,000	-	-	59,000
Fair value of share options exercised	-	45,623	(45,623)	-	-
Share options granted	-	-	182,701	-	182,701
Net loss for the period	-	-	-	(594,424)	(594,424)
<b>Balance, December 31, 2019</b>	<b>32,131,533</b>	<b>27,494,138</b>	<b>6,447,195</b>	<b>(27,681,468)</b>	<b>6,259,865</b>
Shares issued on Nova Acquisition	28,750,000	7,475,000	-	-	7,475,000
Net loss for the period	-	-	-	(6,609,200)	(6,609,200)
<b>Balance, June 30, 2020</b>	<b>60,881,533</b>	<b>\$ 34,969,138</b>	<b>\$ 6,447,195</b>	<b>\$ (34,290,667)</b>	<b>\$ 7,125,666</b>

\* Number of Shares reflect the 4 to 1 share consolidation detailed in Note 9.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Condensed Consolidated Interim Statements of Cash Flows  
For the Six Months Ended June 30  
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	2020	2019
<b>Operating Activities</b>		
Net loss for the period	\$ (6,609,200)	\$ (803,664)
Items not involving cash		
Amortization	3,410	4,899
Consideration paid in excess of net assets acquired from Nova (note 9)	6,262,010	
Share-based payments	-	83,509
Loss (gain) on short term investments	19,570	60,000
Interest accrued on short term investments	(3,220)	(12,000)
Equity loss from associate (note 8)	92,348	59,643
Changes in non-cash working capital		
GST receivable	(5,066)	38,597
Inventory	4,850	-
Prepaid expenses	8,016	27,872
Accounts payable and accrued liabilities	(63,038)	51,913
<b>Cash Used in Operating Activities</b>	<b>(290,320)</b>	<b>(489,231)</b>
<b>Investing Activities</b>		
Advances to associate (note 8)	(381,721)	(295,406)
Short term investments (note 10)	(152,283)	-
Proceeds on sale of short term investments	-	468,758
Proceeds from Nova Mentis Acquisition (note 9)	1,212,990	-
<b>Cash Provided by (Used in) Investing Activities</b>	<b>678,986</b>	<b>173,352</b>
<b>Financing Activities</b>		
Shares issued for cash, net of issue costs	-	91,000
<b>Cash Provided by Financing Activities</b>	<b>-</b>	<b>91,000</b>
<b>Inflow (Outflow) of Cash</b>	<b>388,666</b>	<b>(224,879)</b>
<b>Cash, Beginning of the Period</b>	<b>87,005</b>	<b>402,393</b>
<b>Cash, End of the Period</b>	<b>\$ 475,671</b>	<b>\$ 177,514</b>

Supplemental Disclosures with Respect to Cash Flows (note 13)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# **Nova Mentis Life Science Corp. (formerly Liberty Leaf Holdings Ltd.)**

Notes to the Condensed Consolidated Interim Financial Statements  
For the Six Months ended June 30, 2020  
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## **1. NATURE OF OPERATIONS**

Nova Mentis Life Science Corp. is a Vancouver, British Columbia, based company incorporated in the province of British Columbia. The Company is listed on the Canadian Securities Exchange (the "Exchange") under the symbol "NOVA". The Company was previously known as Liberty Leaf Holdings Ltd. and was previously listed on the Canadian Securities Exchange (the "Exchange") under the symbol "LIB". Effective June 26, 2020, the shares of the Company commenced trading on the Canadian Securities Exchange on a consolidated basis under the name "Nova Mentis Life Science Corp." and stock symbol "NOVA". More information regarding the transaction is provided in note 9.

The Company is in the development phase to become a licensed producer of medical marijuana as regulated by the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). On December 6, 2017, the Company signed an agreement to acquire shares of Just Kush Enterprises Ltd. ("Just Kush") (note 8).

The principal address of the Company is located at 700 – 838 West Hastings Street, Vancouver, British Columbia, Canada, V6C 0A6.

## **2. GOING CONCERN**

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions cast significant doubt on the validity of this assumption. The Company incurred an operating loss during the six months ended June 30, 2020 of \$6,609,200 (2019 - \$803,664) and as at that date has a deficit of \$34,290,667 (December 31, 2019 - \$27,681,468), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to fund its investment in associate (note 8) or enter into agreements with other cannabis-related businesses. Management is actively engaged in the review and due diligence on opportunities of merit in the cannabis sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these condensed consolidated interim financial statements then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used. Such adjustments could be material.

## **3. BASIS OF PRESENTATION**

### **a) Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS"). As such, certain disclosures required by IFRS have been condensed or omitted.

These condensed consolidated interim financial statements of the Company should be read in conjunction with the Company's 2019 annual consolidated financial statements, which have been prepared in accordance with IFRS.

### **b) Basis of measurement**



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These condensed consolidated interim financial statements have been prepared using the historical cost basis, except for certain financial instruments, which are measured at fair value. These condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Principles of consolidation

The condensed consolidated interim financial statements of the Company consolidate the accounts of the Company and its wholly owned subsidiaries, North Road, a British Columbia, Canada company and Signature Cannabis Retail, a British Columbia, Canada company. All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

d) Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements of the Company for the six months ended June 30, 2020 were approved and authorized for issue by the Board of Directors on August 31, 2020.

e) Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

The key areas of judgment applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

- Control

Management consolidates all subsidiaries and entities which it is determined that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.

- Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

- Significant influence

Where the Company holds the largest shareholding in an investment and has the power to exercise significant influence through common officers and board members, such an investment is treated as an associate. The Company has determined it can exercise significant influence over Just Kush (note 8).

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**3. BASIS OF PRESENTATION (Continued)**

e) Use of estimates and judgments (Continued)

Treatment of license costs

License costs are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assesses based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any license costs as at June 30, 2020.

The key estimates applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- The inputs used in assessing the recoverable amount of deferred tax assets;
- Assumptions used as inputs to calculate share-based payments; and
- Fair value of equity issuances for non-cash consideration.

Actual results could differ from those estimates. Key judgments and estimates made by management with respect to those areas noted previously have been disclosed in the notes to the condensed consolidated interim financial statements, as appropriate.

**4. ADOPTION OF NEW ACCOUNTING STANDARDS**

i) Standards, amendments and interpretations not yet effective

The Company will be required to adopt the following standards and amendments issued by the IASB as described below.

*IFRS 17 Insurance Contracts*

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, Insurance Contracts, and related interpretations.

Effective for the Company's annual period beginning January 1, 2021. The Company has yet to assess the impact of IFRS 17 on its condensed consolidated interim financial statements.

**5. FINANCIAL INSTRUMENTS**

The Company classifies its financial instruments as follows:

- Cash is classified as financial asset at FVTPL;
- Short-term investments as financial assets classified as FVTPL;
- Accounts payable and accrued liabilities are classified as financial liabilities at amortized cost.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and

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- Market risk.

**5. FINANCIAL INSTRUMENTS (Continued)**

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash and certain short term investments, by placing cash with major Canadian financial institutions. The Company is therefore exposed to credit risk with respect to cash of \$475,671 (December 31, 2019 - \$87,005) and short-term investments of \$896,344 (December 31, 2019 - \$711,486) as at June 30, 2020.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As of June 30, 2020, the Company has cash and short term investments of \$1,372,015 (December 31, 2019 - \$847,416) to meet contractual financial liabilities of \$262,031 (December 31, 2019 - \$325,070). All of the liabilities presented as accounts payable are due within 90 days of June 30, 2020.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

As at June 30, 2020, the Company is exposed to market risk with respect to short term investments of \$21,140 (December 31, 2019 - \$48,925) representing the Company's investment in common shares of Sire Bioscience Inc. ("SIRE", formerly Blox Labs Inc. ("BLOX")).

**6. PROPERTY AND EQUIPMENT**

	Computer Equipment	Office Equipment	Total
<b>Cost</b>			
Balance, December 31, 2018	\$ 16,173	\$ 39,880	\$ 56,053
Additions	-	-	-
Balance, December 31, 2019	\$ 16,173	\$ 39,880	\$ 56,053
Additions	-	-	-
Balance, June 30, 2020	\$ 16,173	\$ 39,880	\$ 56,053
<b>Accumulated Amortization</b>			
Balance, December 31, 2018	\$ 10,884	\$ 5,437	\$ 16,321
Amortization	2,909	6,889	9,798
Balance, December 31, 2019	\$ 13,793	\$ 12,326	\$ 26,119
Amortization	654	2,756	3,410
Balance, June 30, 2020	\$ 14,447	\$ 15,082	\$ 29,529
Net Book Value, December 31, 2019	\$ 2,380	\$ 27,554	\$ 29,934
Net Book Value, June 30, 2020	\$ 1,726	\$ 24,798	\$ 26,524

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**7. NORTH ROAD VENTURES LTD.**

On April 28, 2016, as amended July 4, 2016 and September 9, 2016, the Company entered into an agreement to purchase all of the shares of North Road, a company which has submitted a ACMPR application to Health Canada.

Under the terms of the agreement, as the ACMPR license application progresses the Company will pay to the shareholders of North Road compensation for meeting certain milestones described in cash or the equivalent dollar value of common shares of the Company as follows: \$150,000 upon North Road completing the “Security Clearance” phase; \$350,000 upon North Road completing the “Pre-license Inspection” phase; and \$1,000,000 upon North Road receiving an approved ACMPR license. As at June 30, 2020 North Road has not achieved any additional milestones and has not received approval of its ACMPR license.

**8. INVESTMENT IN ASSOCIATE**

On December 6, 2017, the Company signed an agreement to acquire shares of Just Kush Enterprises Ltd. (“Just Kush”), a private British Columbia company with an in process ACMPR license.

Pursuant to the agreement, the Company has advanced payment to Just Kush and the amount pertains to the build out expenditures incurred at the Just Kush facility to further Just Kush’s ACMPR application. These amounts have been paid by the Company and are owed to the Company by Just Kush.

The capital of Just Kush consists of 100 Class A voting shares and 100 class B common shares. The Company acquired 45 Class A voting shares and 24 Class B common shares of Just Kush, representing approximately 34.5% equity interest in Just Kush.

As consideration, the Company paid \$150,000 and issued 500,000 common shares of the Company upon execution of the agreement at a fair value based on market prices of \$840,000. In addition, the Company may acquire a further 36 Class B common shares pursuant to the milestones below. The Company issued a further 750,000 common shares at a fair value based on market prices of \$2,670,000 on January 15, 2018 to be held in escrow and to be released upon the following milestones:

- i. Within two days of receipt of written notice from Just Kush indicating that Just Kush passed the Security Clearance pursuant to the ACMPR application, the Company shall issue 250,000 common shares of the Company to shareholders of Just Kush in exchange for 12 Class B shares.
- ii. Within two days of receipt of written notice from Just Kush indicating that Just Kush received its License to Produce pursuant to the ACMPR application, the Company shall issue 125,000 common shares of the Company to shareholders of Just Kush in exchange for 6 Class B shares.
- iii. Within two days of receipt of written notice from Just Kush indicating that Just Kush completed its Introduction Inspection pursuant to the ACMPR application, the Company shall issue 125,000 common shares of the Company to shareholders of Just Kush in exchange for 6 Class B shares.
- iv. Within two days of receipt of written notice from Just Kush indicating that Just Kush completed its Pre-Sales Inspection pursuant to the ACMPR application, the Company shall issue 125,000 common shares of the Company to shareholders of Just Kush in exchange for 6 Class B shares.
- v. Within two days of receipt of written notice from Just Kush indicating that Just Kush received its License to Sell, pursuant to the ACMPR application, the Company shall pay \$600,000 to the shareholders of Just Kush, and issue 125,000 common shares of the Company to shareholders of Just

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Kush. The \$600,000 is payable in cash and/or issuance of shares of the Company (based on a 20-day VWAP at the option of Company), in exchange for 6 Class B shares of Just Kush.

**8. INVESTMENT IN ASSOCIATE (Continued)**

As of June 30, 2020, Just Kush had met milestones i – iv, however, management and Just Kush are currently clarifying the terms for the milestone payments of the original share purchase agreement to better reflect the new regulations that have replaced the ACMPR. The total consideration to be paid under the share purchase agreement has not changed. Accordingly no additional shares have been issued by either party. As such, the Company's investment in associate remains at 34.5% equity interest as at June 30, 2020.

In relation to this transaction, the Company paid a finder's fee of 250,000 common shares, which were valued at \$420,000 and compensation shares of 250,000 common shares, which were valued at \$420,000.

The Company has determined it has significant influence over Just Kush and accounts for its investment using the equity method. The following is a summary of the investment in associate:

	2020	2019
Shares issued	\$ 4,350,000	\$ 4,350,000
Cash consideration	\$ 150,000	\$ 150,000
Advances	\$ 1,760,139	\$ 1,378,418
Equity loss from associate	\$ (296,085)	\$ (203,737)
Investment in associate	\$ 5,964,054	\$ 5,674,681

Summarized financial information for Just Kush is as follows:

	2020	2019
Current assets	\$ 53,118	\$ 26,839
Non-current assets	\$ 1,289,864	\$ 1,146,381
Current liabilities	\$ 105,090	\$ 71,185
Non-current liabilities	\$ 2,391,607	\$ 2,009,886
Net loss	\$ 267,674	\$ 272,341

**9. NOVA MENTIS BIOSCIENCE**

On June 22, 2020, the Company entered into an agreement with Nova Mentis Biotech Corp. ("NOVA"), pursuant to which the Company acquired 100 per cent of the issued and outstanding shares in the capital of NOVA in exchange for 115,000,000 common shares in the capital of the Company (the "LIB Consideration Shares"). These 115,000,000 common shares were issued on June 23, 2020.

NOVA is a research and development driven company that is focused on investigating the anti-inflammatory effects of psilocybin in underexplored metabolic indications such as obesity and diabetes.

In connection with the Transaction, certain NOVA shareholders have agreed to a voluntary hold period pursuant to which 43,907,695 of the LIB Consideration Shares will be subject to trading restrictions. Specifically, 21,953,847 of the LIB Consideration Shares will be released on the three month anniversary of the closing the Transaction, and 21,953,848 of the LIB Consideration Shares will be released on the six month anniversary of closing the Transaction.

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On June 26, 2020, the Company consolidated all of the Company's issued and outstanding common shares on the basis of four pre-consolidated shares for every one post-consolidated share (the "Consolidation"). After giving effect to the Transaction and before the Consolidation, the Company had 243,526,132 common shares issued and outstanding. Upon completion of the Consolidation, the Company had 60,881,533 common shares issued and outstanding. Further, in connection with the Consolidation, effective June 26, 2020 the Company has changed its name to "Nova Mentis Life Science Corp." with a corresponding symbol change to "NOVA".

The acquisition constituted an asset acquisition as Nova Mentis Biotech Corp., at the time of the acquisition, did not meet the definition of a business, as defined in IFRS 3 'Business Combinations'. The consideration paid was allocated to the net assets and liabilities acquired with the excess included in net loss as consideration paid in excess of net assets acquired.

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Fair value of consideration – 115,000,000 common shares at \$0.065	\$	7,475,000
Transaction costs		8,181
		<u>7,483,181</u>
Net Assets Acquired:		
Cash	\$	1,247,500
Amounts receivable		1,608
Accounts payable and accrued liabilities		<u>(34,510)</u>
		<u>1,214,598</u>
Consideration paid in excess of net assets acquired	\$	<u>6,268,583</u>

## 10. SHORT TERM INVESTMENTS

On March 13, 2018, the Company invested \$1,500,000 in a redeemable short-term investment certificate with a maturity date of February 4, 2019. On February 4, 2019, the \$1,500,000 redeemable short-term investment certificate was renewed with a maturity date of February 4, 2020. During the year ended December 31, 2019, the Company redeemed \$800,000 of the short-term investment certificate. During the six months ended June 30, 2020, the Company redeemed \$714,501 of the short-term investment certificate. The Company invested \$875,000 on June 26, 2020. The short-term investment earns interest at approximately 1.2% per annum. The investment is redeemable at any time before the maturity date. Interest earned on the investment is included in gain on short term investments.

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**9. SHORT TERM INVESTMENTS (Continued)**

On June 20, 2018, the Company purchased 666,667 common shares of BLOX at \$0.075 per share. The investment was made pursuant to the terms of an agreement signed December 9, 2017, where the Company agreed to purchase a minimum of \$50,000 in shares of BLOX for investment purposes, when BLOX undertook its next equity financing. The investment is marked to market each reporting period and the gain or loss is reflected in gain/loss on short term investments in profit and loss. Common shares of BLOX underwent a three for one stock split on June 28, 2018. In September 2019, BLOX completed a change of business and name change to Sire Bioscience Inc. ("SIRE"). During the year ended December 31, 2019 the Company sold 43,000 SIRE shares for \$3,350 in proceeds. During the six months ended June 30, 2020 the Company sold 900,000 SIRE shares for \$17,770 in proceeds. As at June 30, 2020, these 1,057,000 shares were valued at \$0.02 per share for a market value of \$21,140 (December 31, 2019 - \$48,925), with a corresponding loss recognized during the period of \$10,015 (December 31, 2019 – loss of \$27,725).

**10. RELATED PARTY TRANSACTIONS**

These amounts of key management compensation and other related party transactions are included in the amounts shown on the condensed consolidated interim statements of comprehensive loss for the six months ended June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Consulting fees	\$ 27,500	\$ 10,000
Management fees	\$ 99,000	\$ 89,000
Accounting fees	\$ -	\$ 9,575
Shareholder communications	\$ 24,000	\$ 24,000
Share-based payments	\$ -	\$ -

These transactions were in the normal course of operations. The Company engaged the Chief Executive Officer ("CEO"), to provide management services to the Company in consideration of \$75,000 during the six months ended June 30, 2020 (2019 - \$75,000). The Company engaged the CFO to provide management services in consideration of \$24,000 (2019 - \$14,000). The Company engaged a director to provide shareholder communication services for consideration of \$24,000 during the six months ended June 30, 2020 (2019 - \$24,000). The Company engaged a director to provide consulting services for consideration of \$8,750 during the six months ended June 30, 2020 (2019 - \$10,000). The Company engaged a relative of the CEO to provide consulting services for consideration of \$11,250 during the six months ended June 30, 2020 (2019 - \$nil). The Company engaged a relative of the CEO to provide consulting services for consideration of \$7,500 during the six months ended June 30, 2020 (2019 - \$nil).

As at June 30, 2020, accounts payable and accrued liabilities included \$62,791 (December 31, 2019 - \$35,402) due to officers and directors or companies controlled by current or former officers and directors. The amounts due are non-interest-bearing, unsecured and without stated terms of repayment.

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**11. SHARE CAPITAL**

**Authorized share capital**

Unlimited number of common shares without par value.

**Issued share capital**

*During the six months ended June 30, 2020*

On June 23, 2020, the Company issued 115,000,000 common shares in the capital of the Company as part of the acquisition of Nova Mentis Biotech Corp. (“NOVA”) detailed in note 9. These 115,000,000 common shares were valued at \$0.065 resulting in an increase to share capital of \$7,475,000.

In connection with the Transaction, certain NOVA shareholders have agreed to a voluntary hold period pursuant to which 43,907,695 of the LIB Consideration Shares will be subject to trading restrictions. Specifically, 21,953,847 of the LIB Consideration Shares will be released on the three month anniversary of the closing the Transaction, and 21,953,848 of the LIB Consideration Shares will be released on the six month anniversary of closing the Transaction.

On June 26, 2020, the Company consolidated all of the Company’s issued and outstanding common shares on the basis of four pre-consolidated shares for every one post-consolidated share (the “Consolidation”). After giving effect to the Transaction and before the Consolidation, the Company had 243,526,132 common shares issued and outstanding. Upon completion of the Consolidation, the Company had 60,881,533 common shares issued and outstanding. Further, in connection with the Consolidation, effective June 26, 2020 the Company has changed its name to “Nova Mentis Life Science Corp.” with a corresponding symbol change to “NOVA”.

*During the year ended December 31, 2019*

During the year ended December 31, 2019, the Company issued 312,500 common shares of the Company for gross proceeds of \$150,000 on the exercise of 312,500 stock options. The Company transferred \$85,832 from reserves to share capital in conjunction with the exercises.

**Warrants**

Warrant transactions and the number of warrants outstanding are summarized as follows:

	June 30, 2020		December 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period *	672,086	\$ 2.40	826,086	\$ 2.12
Issued *	-	-	-	-
Exercised *	-	-	-	-
Expired *	(672,086)	2.40	(154,000)	0.80
Outstanding, end of period	-	-	672,086	\$ 2.40

\* Warrants reflect the 4 to 1 share consolidation detailed in Note 11.



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The following warrants are outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	June 30, 2020	December 31, 2019
January 22, 2020 *	0.06	\$ 2.40	-	657,436
April 5, 2020*, *	0.26	\$ 2.40	-	14,650
	0.06	\$ 2.40	-	672,086

\* Warrants reflect the 4 to 1 share consolidation detailed in Note 11.

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**11. SHARE CAPITAL (Continued)**

**Share options**

The Company has adopted a share option plan pursuant to which the Board of Directors of the Company may, from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of grant and the options are exercisable for a period not to exceed 10 years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised within 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, employment or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

Options granted to directors, employees and consultants vest immediately. Options granted to consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

Share option transactions and the number of share options outstanding are summarized as follows:

	<b>June 30, 2020</b>		<b>December 31, 2019</b>	
	Number of	Weighted	Number of	Weighted
	Options	Average	Options	Average
		Exercise		Exercise
		Price		Price
Outstanding, beginning of year **	2,387,500	\$ 1.23	1,937,500	\$ 1.40
Granted **	-	-	1,387,500	0.48
Exercised*, **	-	-	(312,500)	0.48
Expired **	(1,000,000)	2.08	(625,000)	1.20
Outstanding, end of year	1,387,500	\$ 0.62	2,387,500	\$ 1.23

\* weighted average share price for options exercised during the year ended December 31, 2019 was \$0.48

\*\* Options reflect the 4 to 1 share consolidation detailed in Note 11.

*During the six months ended June 30, 2020*

No share options were granted during the six months ended June 30, 2020.

*During the year ended December 31, 2019*

The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its share options granted with the following weighted-average assumptions: risk-free interest rate of 1.61%; expected dividend yield of zero; expected share price volatility of 108%; and expected life of 1.41 years. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was \$0.06. Accordingly, \$266,210 was recognized as share-based payment expense during the year ended December 31, 2019.

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**11. SHARE CAPITAL (Continued)**

**Share options (Continued)**

The following share options are outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	March 31, 2020	December 31, 2019
January 5, 2020 *	-	\$ 2.96	-	625,000
March 18, 2020 *	-	\$ 0.60	-	375,000
July 12, 2020 *	0.03	\$ 0.42	312,500	312,500
August 1, 2020 *	0.09	\$ 0.98	500,000	500,000
July 12, 2021 *	1.03	\$ 0.42	575,000	575,000
	0.47	\$ 1.23	1,387,500	2,387,500

\* Options reflect the 4 to 1 share consolidation detailed in Note 11.

**12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	2020	2019
Accounts payable settled with share capital	\$ -	\$ -
Subscriptions received	\$ -	\$ -
Shares issued for investment in associate	\$ -	\$ -

**13. SEGMENTED DISCLOSURE AND SUBSIDIARIES**

The Company currently operates in two industry segments, being development of cannabis products and research and development of psilocybin, and in one geographic area, being Canada through the following subsidiaries.

	Country	Principal Activity	Effective interest
North Road Ventures	Canada	Cannabis product development	100%
Nova Mentis Biotech	Canada	Psilocybin research & development	100%
Signature by Liberty Leaf	Canada	Cannabis product development	100%

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**14. CAPITAL MANAGEMENT**

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the 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 the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the six months ended June 30, 2020. The Company is not subject to external restrictions on its capital.

**15. SUBSEQUENT EVENTS**

a) Since June 30, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness.

To date, the COVID-19 pandemic has not had a material negative impact on the Company's results of operations. The Company's sales and distribution channels continue to operate during this period. However, the duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

b) On August 31, 2020, the Company announced that its wholly-owned subsidiary, Nova Mentis Biotech Corp. has signed a master service agreement with Physiogenex S.A.S., a leading preclinical contract research organization for metabolic disorders based in France. Under the terms of the agreement, Nova Mentis Biotech Corp. shall contract Physiogenex to conduct the first of two planned preclinical studies. The study covered in this agreement will determine the effect of a range of psilocybin doses on different inflammation markers in order to determine the effective dose to proceed with the planned metabolic study.