

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

Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

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

Three Months Ended March 31, 2021

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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.

May 31, 2021

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

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

	March 31, 2021	December 31, 2020
Assets		
Current		
Cash and cash equivalents (note 5)	\$ 1,505,744	\$ 2,135,293
Short term investments (note 10)	5,285	5,285
Amounts receivable	27,549	17,314
Inventory	5,438	5,438
Prepaid expenses and deposits	759,941	867,821
	2,303,957	3,031,151
Property and Equipment (note 6)	22,659	23,114
Investment in Just Kush (note 7)	2,037,839	2,037,839
	\$ 4,364,455	\$ 5,092,104
Liabilities		
Current		
Accounts payable and accrued liabilities (note 11)	\$ 254,096	\$ 382,962
	254,096	382,962
Shareholders' Equity		
Share Capital (note 12)	48,298,316	48,298,316
Reserves (note 12)	7,359,398	7,341,282
Deficit	(51,547,355)	(50,930,456)
	4,110,359	4,709,142
	\$ 4,364,455	\$ 5,092,104

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 Months Ended March 31
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended Mar. 31, 2021		Three Months Ended Mar. 31, 2020	
Revenue	\$	-	\$	6,942
Cost of Goods Sold		(-)		(5,738)
Gross Profit		-		1,204
Expenses				
Accounting, legal and audit		4,309		1,276
Amortization (note 6)		456		1,705
Consulting fees (note 11)		231,860		37,900
Management fees (note 11)		49,500		49,500
Office and general		5,537		28,373
Share-based payments (note 11)		18,116		-
Shareholder communications and investor relations (note 11)		12,000		12,081
Transfer agent and filing fees		40,402		10,503
Research and development costs		255,269		-
Loss before Other Items		617,449		140,134
Loss on short term investments (note 9)		-		19,570
Interest Income		(550)		(3,220)
Equity loss from associate (note 7)		-		27,300
Net Loss and Comprehensive Loss	\$	616,899	\$	183,784
Basic and Diluted Loss Per Share	\$	0.01	\$	0.01
Basic and Diluted Weighted Average Number of Common Shares Outstanding		111,137,867		32,131,533

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

Nova Mentis Life Science Corp.
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Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the Nine Months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

	Number of Shares *	Share Capital	Reserves	Deficit	Total
Balance, December 31, 2019	32,131,533	\$ 27,494,138	\$ 6,447,195	\$ (27,681,468)	\$ 6,259,865
Net loss for the period	-	-	-	(183,784)	(183,784)
Balance, March 31, 2020	32,131,533	27,494,138	6,447,195	(27,865,252)	6,076,081
Shares issued on Nova Acquisition	28,750,002	7,475,000	-	-	7,475,000
Shares issued on Pilz Acquisition	50,006,332	13,251,678	-	-	13,251,678
Shares issued as compensation	250,000	77,500	-	-	77,500
Share options granted	-	-	894,087	-	894,087
Net loss for the period	-	-	-	(23,248,988)	(23,248,988)
Balance, December 31, 2020	111,137,867	48,298,316	7,341,282	(50,930,456)	4,709,143
Share options granted	-	-	18,116	-	18,116
Net loss for the period	-	-	-	(616,899)	(616,899)
Balance, March 31, 2021	111,137,867	\$ 48,298,316	\$ 7,359,398	\$ (51,547,355)	\$ 4,110,359

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

Nova Mentis Life Science Corp.
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Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended March 31
(Unaudited - Expressed in Canadian Dollars)

	2021	2020
Operating Activities		
Net loss for the period	\$ (616,899)	\$ (183,784)
Items not involving cash		
Amortization	456	1,705
Consideration paid in excess of net assets acquired from Nova (note 8)	-	-
Share-based payments	18,116	-
Loss (gain) on short term investments	-	19,570
Interest accrued on short term investments	(550)	(3,220)
Equity loss from associate (note 7)	-	27,300
Changes in non-cash working capital		
Amounts receivable	(10,235)	(4,452)
Inventory	-	3,650
Prepaid expenses	107,880	6,417
Accounts payable and accrued liabilities	(128,317)	(54,022)
Cash Used in Operating Activities	(629,549)	(186,386)
Investing Activities		
Advances to associate (note 7)	-	(290,761)
Short term investments (note 9)	-	464,054
Cash Provided by (Used in) Investing Activities	-	173,293
Financing Activities		
Shares issued for cash, net of issue costs	-	-
Cash Provided by Financing Activities	-	-
Inflow (Outflow) of Cash	(629,549)	(13,543)
Cash, Beginning of the Period	2,135,293	87,005
Cash, End of the Period	\$ 1,505,744	\$ 73,462

Supplemental Disclosures with Respect to Cash Flows (note 12)

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 Three Months ended March 31, 2021
(Unaudited - Expressed in Canadian Dollars)

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 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 three months ended March 31, 2021 of \$616,899 (2019 - \$183,784) and as at that date has a deficit of \$51,547,355 (December 31, 2020 - \$50,930,456), 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 subsidiaries or enter into agreements with other medicinal psychedelic-related businesses. Management is actively engaged in the review and due diligence on opportunities of merit in the medicinal psychedelic 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

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 2020 annual consolidated financial statements, which have been prepared in accordance with IFRS.

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b) Basis of measurement

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:

	Country	Principal Activity	Ownership interest
North Road Ventures Ltd.	Canada	Cannabis product development	100%
Nova Mentis Biotech Corp.	Canada	Psilocybin research & development	100%
Pilz Bioscience Corp.	Canada	Psilocybin research & development	100%
Signature Cannabis Retail Ltd.	Canada	Cannabis accessories retail	100%

A subsidiary is consolidated from the date upon which control is acquired by the Company and all material intercompany transactions and balances have been eliminated on consolidation. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

d) Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements of the Company for the three months ended March 31, 2021 were approved and authorized for issue by the Board of Directors on May 31, 2021.

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

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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 a significant 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. Management applies judgment to determine when the Company loses significant influence over an investee by assessing whether it has lost the power to participate in the financial and operating policy decisions of that investee.

- Determination of control in business acquisitions

The determination of the acquirer in business acquisitions is subject to judgment and requires the Company to determine which party obtains control of the combining entities. Management applies judgment in determining control by assessing the following three factors: whether the Company has power; whether the Company has exposure or rights to variable returns; and whether the Company has the ability to use its power to affect the amount of its returns. In exercising this judgment, management reviewed the representation on the Board of Directors and key management personnel, the party that initiated the transaction, and each of the entities' activities.

The assessment of whether an acquisition constitutes a business is also subject to judgment and requires the Company to review whether the acquired entity contains all three elements of a business, including inputs, processes and the ability to create output. Management has had to apply judgments relating to the asset purchase transaction with the acquisitions of NOVA (Note 9) and Pilz (Note 10) with respect to whether the acquisition was a business combination or an asset acquisition.

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

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

- Share-based payments

The value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

- Fair value of equity issuances for non-cash consideration.

In instances where the fair value of assets received, or services rendered cannot be reliably measured management estimates the fair value of common shares issued as non-cash consideration by reference to the closing trading price of its shares in active markets.

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3. BASIS OF PRESENTATION (Continued)

e) Use of estimates and judgments (Continued)

- Fair value of investment in Just Kush Enterprises Ltd.

The Company determined the fair value of its interest in its investment in Just Kush on the date that significant influence was lost. The determination of fair value requires management to make estimates regarding the future cash flows expected to flow to the entity from its investment.

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.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include \$629,090 (2020 - \$1,259,189) in the operating bank accounts and \$876,654 (2020 - \$876,104) in a redeemable short-term investment certificate with a maturity date of June 26, 2021. The short-term investment earns interest at approximately 0.25% per annum. The investment is redeemable at any time before the maturity date. Interest earned on the investment is included in interest income.

6. FINANCIAL INSTRUMENTS

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

- Credit risk;
- Liquidity risk; and
- Market risk.

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. As at March 31, 2021, the Company is therefore exposed to credit risk with respect to cash and cash equivalents of \$1,505,744 (2020 - \$2,135,293) and short-term investments of \$5,285 (2020 - \$5,285).

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 March 31, 2020, the Company has cash and short term investments of \$1,511,029 (2020 - \$2,140,578) to meet contractual financial liabilities of \$254,096 (2020 - \$382,962). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of March 31, 2021.

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

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market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

As at March 31, 2021, the Company is exposed to market risk with respect to short term investments of \$5,285 (2020 - \$5,285) representing the Company's investment in common shares of PlantFuel Life Inc. "FUEL".

6. PROPERTY AND EQUIPMENT

	Computer Equipment	Office Equipment	Total
Cost			
Balance, December 31, 2019	\$ 16,173	\$ 39,880	\$ 56,053
Additions	-	-	-
Balance, December 31, 2020	\$ 16,173	\$ 39,880	\$ 56,053
Additions	-	-	-
Balance, December 31, 2021	\$ 16,173	\$ 39,880	\$ 56,053
Accumulated Amortization			
Balance, December 31, 2019	\$ 13,793	\$ 12,326	\$ 26,119
Amortization	1,309	5,511	6,820
Balance, December 31, 2020	\$ 15,102	\$ 17,837	\$ 32,939
Amortization	180	276	456
Balance, December 31, 2021	\$ 15,282	\$ 18,113	\$ 33,395
Net Book Value, December 31, 2020	\$ 1,071	\$ 22,043	\$ 23,114
Net Book Value, March 31, 2021	\$ 891	\$ 21,767	\$ 22,659

7. INVESTMENT IN JUST KUSH

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 Company previously determined it had significant influence over Just Kush and accounted for its investment using the equity method. The following is a summary of the investment in associate as at December 31, 2019:

	2019
Shares issued	\$ 4,350,000
Cash consideration	\$ 150,000
Advances	\$ 1,378,418
Equity loss from associate	\$ (203,737)
Impairment	\$ -
Investment in associate	\$ 5,674,681

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Due to deteriorating market conditions in the cannabis industry and a general disagreement between the stakeholders involved regarding terms of the original purchase agreement and whether the Company had an obligation to contribute capital to Just Kush, the Company entered into a rescission agreement dated March 19, 2021 with Just Kush such that the original purchase agreement is null and void.

Concurrent with the rescission agreement, the Company entered into a loan agreement whereby Just Kush has agreed to repay a principle sum of \$2,037,839 representing advances made by the Company to Just Kush in addition to the cash consideration of the original purchase agreement. Terms of the loan are as follows:

Just Kush shall repay the principle amount on or before March 30, 2027 in monthly installments commencing on March 30, 2022, of the greater of \$15,000 or 10% of the borrower's gross revenue for the immediately preceding calendar month. The loan does not accrue interest. In the event that on or before March 30, 2026, the borrower has repaid an aggregate of \$800,000 of the principle, the Company shall forgive the remaining balance on the loan to Just Kush.

During the year ended December 31, 2020, the Company determined that it no longer had significant influence over Just Kush and determined that the net realizable value of any such investment is the value of the loan receivable. Accordingly, the Company incurred an impairment loss on the investment of \$4,071,263 in accordance with level 3 of the fair value hierarchy and classified its investment in Just Kush as FTVPL.

8. ACQUISITION OF NOVA MENTIS BIOTECH CORP.

On June 26, 2020, the Company completed a share purchase agreement with Nova Mentis Biotech Corp. ("NOVA"), pursuant to which the Company acquired all of the issued and outstanding shares in the capital of NOVA in exchange for 28,750,002 common shares in the capital of the Company.

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.

The transaction is accounted for in accordance with guidance provided in IFRS 2 *Share-Based Payment* ("IFRS 2") and IFRS 3. As the NOVA did not qualify as a business according to the definition in IFRS 3, the acquisition does not constitute a business combination; rather, it is treated as an asset acquisition. 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.

Fair value of consideration – 28,750,002 common shares at \$0.26	\$	7,475,000
Transaction costs		8,181
		<hr/> 7,483,181
Net Assets Acquired:		
Cash	\$	1,247,500
Amounts receivable		1,608
Accounts payable and accrued liabilities		(34,510)
		<hr/> 1,214,598
Consideration paid in excess of net assets acquired	\$	<hr/> 6,268,583

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8. PILZ BIOSCIENCE CORP.

On November 30, 2020, the Company completed an agreement with Pilz Bioscience Corp. (“Pilz”), pursuant to which the Company acquired all of the issued and outstanding shares in the capital of Pilz in exchange for 50,006,332 common shares in the capital of the Company (the “Transaction”).

The Transaction was effected by way of a “three-cornered” amalgamation, in which: (a) The Company formed a subsidiary which amalgamated with Pilz to form an amalgamated company (“Amalco”); (b) all issued and outstanding shares of Pilz were then exchanged for common shares of the Company on a 1:1 basis; and (c) Amalco became a wholly-owned subsidiary of the Company and was renamed Pilz Bioscience Corp.

Of the shares exchanged, 12,250,000 are subject to a voluntary pooling agreement whereas certain former Pilz shareholders have agreed to resale restrictions on the shares of the Company received: 20% to be released upon closing of the Transaction, a further 40% to be released three months following closing, and the remaining 40% to be released six months following closing.

Pilz Bioscience Corp. (“Pilz”) is a biotechnology company developing medicinal psychedelics for neuroinflammatory conditions with a significant cognitive component and high unmet therapeutic needs.

The Transaction is accounted for in accordance with guidance provided in IFRS 2 and IFRS 3. As Pilz did not qualify as a business according to the definition in IFRS 3, the acquisition does not constitute a business combination; rather, it is treated as an asset acquisition. 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.

9. PILZ BIOSCIENCE (continued)

Fair value of consideration – 50,006,332 common shares at \$0.265	\$	13,251,678
Transaction costs – Cash		7,331
Transaction costs – Common shares		77,500
		<hr/>
		13,336,509
<hr/>		
Net Assets Acquired:		
Cash	\$	1,373,875
Prepaid expenses		879,815
Accounts payable and accrued liabilities		(22,500)
		<hr/>
		2,231,190
<hr/>		
Consideration paid in excess of net assets acquired	\$	11,105,319

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10. SHORT TERM INVESTMENTS

The Company holds common shares of PlantFuel Life Inc. "FUEL". During the year ended December 31, 2020, the Company sold 900,000 (2019 – 43,000) FUEL shares for \$17,770 in proceeds. As at March 31, 2021, the Company held 1,057,000 shares with a fair value of \$5,285 (2020 –\$5,285).

11. 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 three months ended March 31, 2021 and 2020:

	2021	2020
Consulting fees	\$ 18,000	\$ 17,500
Management fees	\$ 49,500	\$ 49,500
Shareholder communications	\$ 12,000	\$ 12,000
Share-based payments	\$ -	\$ -

These transactions were in the normal course of operations. During the three months ended March 31, 2021, the Company engaged:

- The Chief Executive Officer ("CEO"), to provide management services to the Company in consideration of \$37,500 (2020 - \$37,500);
- The CFO to provide management services in consideration of \$12,000 (2020 - \$12,000);
- A director to provide shareholder communication services for consideration of \$12,000 (2020 - \$12,000);
- Directors to provide consulting services for consideration of \$18,000 (2020 - \$7,500); and
- Immediate family members of the CEO to provide consulting services for consideration of \$nil (2020 - \$10,000)

As at March 31, 2021, accounts payable and accrued liabilities included \$28,627 (2020 - \$65,355) 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.

12. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the three months ended March 31, 2021

There were no changes to share capital.

During the year ended December 31, 2020

On June 26, 2020, the Company issued 28,750,002 common shares with a fair value of \$8,337,501 in the capital of the Company as part of the acquisition of NOVA detailed in note 8.

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On November 30, 2020, the Company issued 50,006,332 common shares with a fair value of \$13,251,678 in the capital of the Company as part of the acquisition of Pilz detailed in note 9.

will be released on the three month anniversary of the closing the transaction, and 4,900,000 of the consideration shares will be released on the six month anniversary of closing the transaction.

12. SHARE CAPITAL (Continued)

Certain former Pilz shareholders have agreed to a voluntary hold period pursuant to which 9,800,000 of the consideration shares will be subject to trading restrictions. Specifically, 4,900,000 of the consideration Shares

In connection with the transaction, the Company issued 250,000 common shares with a fair value of \$77,500 in the capital of the Company to a consultant.

Warrants

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

	March 31, 2021		December 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	-	-	672,086	\$ 2.40
Issued	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(672,086)	2.40
Outstanding, end of year	-	-	-	-

The following warrants are outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	March 31, 2021
nil	-	-	-
	-	-	-

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

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12. SHARE CAPITAL (Continued)

Options (Continued)

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 and exercisable are summarized as follows:

	March 31, 2021		December 31, 2020	
	Number of	Weighted	Number of	Weighted
	Options	Average	Options	Average
		Exercise		Exercise
		Price		Price
Outstanding and exercisable, beginning of year	6,800,000	\$ 0.23	2,387,500	\$ 1.23
Granted	125,000	0.23	6,225,000	0.21
Exercised	-	-	-	-
Expired	-	-	(1,812,500)	1.49
Outstanding and exercisable, end of year	6,925,000	\$ 0.23	6,800,000	\$ 0.23

During the three months ended March 31, 2021

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 0.18%; expected dividend yield of zero; expected share price volatility of 170%; and expected life of 2.00 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 \$0.17. Accordingly, \$18,116 was recognized as share-based payment expense during the three months ended March 31, 2021.

During the year ended December 31, 2020

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 0.24%; expected dividend yield of zero; expected share price volatility of 170%; and expected life of 1.82 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 \$0.14. Accordingly, \$894,087 was recognized as share-based payment expense during the year ended December 31, 2020.

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12. SHARE CAPITAL (Continued)

Options (Continued)

The following share options are outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	March 31, 2021	December 31, 2020
July 12, 2021	0.28	\$ 0.42	575,000	575,000
November 6, 2021	0.60	\$ 0.20	1,200,000	1,200,000
November 13, 2021	0.62	\$ 0.22	13,000	13,000
December 1, 2021	0.67	\$ 0.265	112,000	112,000
September 17, 2022	1.47	\$ 0.20	2,500,000	2,500,000
November 6, 2022	1.60	\$ 0.20	1,800,000	1,800,000
December 1, 2022	1.67	\$ 0.265	200,000	200,000
December 11, 2022	1.70	\$ 0.30	200,000	200,000
February 10, 2023	1.87	\$ 0.235	100,000	-
March 8, 2023	1.94	\$ 0.20	25,000	-
December 17, 2023	2.72	\$ 0.29	200,000	200,000
	1.30	\$ 0.23	6,800,000	6,800,000

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2020	2019
Fair value of shares issued on acquisition of NOVA	\$ 8,337,501	\$ -
Fair value of shares issued on acquisition of Pilz	\$ 13,251,678	\$ -
Fair value of shares issued as transaction costs on acquisition of Pilz	\$ 77,500	\$ -

14. 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. All of the Company's long-term assets are located in Canada.

15. 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

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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 three months ended March 31, 2021. The Company is not subject to external restrictions on its capital.

16. SUBSEQUENT EVENTS

There were no subsequent events.