



Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2023 and 2022



Three Months Ended March 31, 2023 and 2022

<u>INDEX</u>	<u>Page</u>
Notice of No Auditor Review	3
Consolidated Financial Statements	
Condensed Interim Consolidated Statements of Financial Position	4
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	5
Condensed Interim Consolidated Statements of Cash Flows	6
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity	7
Notes to the Condensed Interim Consolidated Financial Statements	8 - 21



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 interim consolidated 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 interim consolidated financial statements in accordance with standards established by the Chartered Public Accountants of Canada for a review of interim financial statements by an entity's auditor.

May 30, 2023



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

As at		March 31, 2023	December 31, 2022
Assets	Note	\$	\$
Current			
Cash and cash equivalents	4	113,940	266,519
Amounts receivable		9,131	7,754
Prepaid expenses and deposits		92,609	8,188
		215,680	282,461
Property and Equipment	6	13,589	14,324
Total assets		229,269	296,785
Liabilities			
Current			
Accounts payable and accrued liabilities	9	343,455	255,441
Total liabilities		343,455	255,441
Shareholders' (Deficiency) Equity			
Share Capital	10	50,185,112	50,065,571
Shares to be issued	10	-	8,400
Reserves	10	8,293,370	8,032,036
Deficit		(58,592,668)	(58,064,663)
Total shareholders' (deficiency) equity		(114,186)	41,344
Total liabilities and shareholders' equity		229,269	296,785

Nature of Business and Going Concern (note 1)

Subsequent event (note 14)

Approved on behalf of the Board:

"William Rascan"

..... Director

William Rascan

"Derek Ivany"

..... Director

Derek Ivany

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



Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)
(Expressed in Canadian Dollars)

For the period ended March 31,		2023	2022
	Note	\$	\$
Expenses			
Accounting, legal and audit		6,911	11,074
Amortization	6	735	948
Consulting fees		132,277	120,970
Management fees		49,500	55,500
Office and general		7,341	262,292
Share-based payments	10	273,375	167,943
Shareholder communications and investor relations		21,809	12,403
Transfer agent and filing fees		3,865	9,309
Research and development costs		32,194	21,679
Loss before Other Items		(528,007)	(662,118)
Accretion of loan receivable from Just Kush	7	-	35,184
Interest Income		2	-
Net Loss and Comprehensive Loss for the Year		(528,005)	(626,934)
Loss and Comprehensive Loss Per Share, Basic and Diluted		(0.00)	(0.01)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted		145,598,638	118,352,782

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



Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

For the period ended March 31,		2023	2022
Operating Activities	Note	\$	\$
Net loss for the year		(528,005)	(626,934)
Items not involving cash			
Amortization	6	735	948
Accretion of loan receivable from Just Kush	7	-	(35,184)
Share-based payments	10	273,375	167,943
Shares issued for services	10	80,000	-
Changes in non-cash working capital			
Amounts receivable		(1,377)	(26,639)
Prepaid expenses		(84,421)	18,412
Accounts payable and accrued liabilities		88,014	(70,475)
Cash Used in Operating Activities		(171,679)	(571,929)
Financing Activities			
Shares issued for cash, net of issue costs	10	-	1,483,000
Proceeds from exercise of warrants	10	14,100	-
Proceeds from exercise of options	10	5,000	-
Cash Provided by Financing Activities		19,100	1,483,000
Net change in cash		(152,579)	911,071
Cash, Beginning of the Year		266,519	218,733
Cash, End of the Year		113,940	1,129,804

Supplemental Disclosures with Respect to Cash Flows (note 11)

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



Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency) (Unaudited)
 Three months ended March 31, 2023 and 2022
 (Expressed in Canadian Dollars)

	Note	Number of Shares	Share Capital	Shares to be Issued	Reserves	Deficit	Total
			\$	\$	\$	\$	\$
Balance, December 31, 2021		111,503,077	48,368,156	-	7,689,723	(55,598,777)	459,102
Share-based payments	12	29,670,000	1,483,500	-	-	-	1,483,500
Share issuance cost	12	-	(500)	-	-	-	(500)
Share-based payments	12	-	-	-	167,943	-	167,943
Shares issued for settlement of debt	8	1,056,583	63,395	-	-	-	63,395
Issuance of warrants	12	-	(475,784)	-	475,784	-	-
Net loss for the year		-	-	-	-	(626,934)	(626,934)
Balance, March 31, 2022		142,229,660	49,438,767	-	8,333,450	(56,225,711)	1,546,506
Share-based payments	12	-	-	-	160,510	-	160,510
Issuance of warrants	12	-	475,784	-	(452,924)	-	22,860
RSU settlement	12	150,000	9,000	-	(9,000)	-	-
Shares issued for services	12	2,739,000	142,020	-	-	-	142,020
Exercise of warrants	12	-	-	8,400	-	-	8,400
Net loss for the period		-	-	-	-	(1,838,952)	(1,838,952)
Balance, December 31, 2022		145,118,660	50,065,571	8,400	8,032,036	(58,064,663)	41,344
Share-based payments	12	-	-	-	273,375	-	273,375
RSU settlement	12	150,000	9,000	-	(9,000)	-	-
Shares issued for services	12	1,400,000	80,000	-	-	-	80,000
Exercise of options	12	100,000	8,041	-	(3,041)	-	5,000
Exercise of warrants	12	300,000	22,500	(8,400)	-	-	14,100
Net loss for the year		-	-	-	-	(528,005)	(528,005)
Balance, March 31, 2023		147,068,660	50,185,112	0	8,293,370	(58,592,668)	(114,186)

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



Nova Mentis Life Science Corp.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Nova Mentis Life Science Corp. (the "Company") is a company based in Vancouver, British Columbia, and 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.

These condensed interim consolidated financial statements ("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, 2023 of \$528,005 (March 31, 2022 - \$626,934). As at March 31, 2023, the Company has an accumulated deficit of \$58,592,668 (December 31, 2022 - \$58,064,663), has limited resources, and no sources of operating cash flow. There are 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 consolidated 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.

2. BASIS OF PRESENTATION

a) Statement of compliance

These Interim Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. Accordingly, they do not include all of the information required for full interim financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

Nova Mentis Life Science Corp.



Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

b) Basis of measurement

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

c) Principles of consolidation

The Interim Financial Statements of the Company consolidate the accounts of the Company and its wholly-owned subsidiaries as at March 31, 2023 and December 31, 2022:

	Country	Principal Activity	Ownership interest
Nova Mentis Biotech Corp.	Canada	Psilocybin research & development	100%
SwabAi Diagnostics Inc. ¹	Canada	Psilocybin research & development	100%

¹ Formerly, Pilz Bioscience Corp.

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 consolidated financial statements

The Interim Financial Statements of the Company for the three months ended March 31, 2023 were approved and authorized for issue by the Board of Directors on May 29, 2023.

e) Use of estimates and judgments

The preparation of these Interim Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated 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 consolidated 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 consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

- Research and development expenditures

Costs to develop products that will be sold 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 assessed 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 product development costs as at March 31, 2023 and December 31, 2022.

Nova Mentis Life Science Corp.



Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)

- 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 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.

The key estimates applied in the preparation of the consolidated 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. In instances where common shares issued are subject



Nova Mentis Life Science Corp.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)

to internally imposed hold periods, management applies a discount to the value of the shares. A discount rate of 4.8% was applied to certain shares issued in accordance with the acquisition of Pilz which were subject to a voluntary pooling agreement.

- 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 consolidated financial statements, as appropriate.

- Loan receivable from Just Kush Enterprises Ltd.

The loan is recorded at the estimated recoverable amount. Management applies judgment in estimating the recoverable amount as well as the timing of receipt of cash.

Management also uses estimation in determining the effective interest rate used to measure the loan. Management applies judgment in determining an appropriate discount rate based on the debtor's credit worthiness.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied by the Company consistently throughout the period for purposes of these Interim Financial Statements. Additional details regarding Nova's accounting policies, the critical judgments, estimates and assumptions, and how they are applied in the preparation of these Interim Financial Statements, are reflected in note 3 of the Company's Annual Financial Statements for the years ended December 31, 2022 and 2021.

- Standards, amendments and interpretations issued and effective for the year ended December 31, 2023

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

IAS 1 – In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023. Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.



Nova Mentis Life Science Corp.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)

IAS 8 – In February 2021, the IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

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.

The Company is currently assessing the impact of these standards.

4. CASH AND CASH EQUIVALENTS

On March 31, 2023, cash and cash equivalents include \$113,940 (December 31, 2022 - \$266,519) in the operating bank accounts held with major Canadian financial institutions.

5. FINANCIAL INSTRUMENTS

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

- a) Credit risk;
- b) Liquidity risk; and
- c) 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 cash equivalents, by placing cash with major Canadian financial institutions. As at March 31, 2023, the Company is therefore exposed to credit risk with respect to cash and cash equivalents of \$113,940 (December 31, 2022 - \$266,519). Furthermore, the Company is exposed to credit risk associated with the Loan Receivable from Just Kush. Management assesses the credit worthiness of entities it advances loans to prior to and on a periodic basis. If it is determined that the counterparty is undergoing financial difficulty management estimates a recoverable amount and books an allowance for expected credit losses.

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

Nova Mentis Life Science Corp.



Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

incurring unacceptable losses or risking damage to the Company's reputation. As of March 31, 2023, the Company has cash and cash equivalents of \$113,940 (December 31, 2022 - \$266,519) to meet contractual financial liabilities of \$343,455 (December 31, 2022 - \$255,441). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of March 31, 2023.

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 March 31, 2023, management considers the Company's market risk to be low as it held no short-term investments at the period-end date (December 31, 2022 - \$nil).

6. PROPERTY AND EQUIPMENT

	Computer Equipment	Office Equipment	Total
Cost	\$	\$	\$
Balance, December 31, 2021	16,173	39,880	56,053
Additions	-	-	-
Balance, December 31, 2022	16,173	39,880	56,053
Additions	-	-	-
Balance, March 31, 2023	16,173	39,880	56,053
Accumulated Amortization			
Balance, December 31, 2021	15,691	22,246	37,937
Amortization	265	3,527	3,792
Balance, December 31, 2022	15,956	25,773	41,729
Amortization	30	705	735
Balance, March 31, 2023	15,986	26,478	42,464
Net Book Value			
Net Book Value, December 31, 2022	217	14,107	14,324
Net Book Value, March 31, 2023	187	13,402	13,589

7. LOAN RECEIVABLE FROM JUST KUSH

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

Pursuant to the agreement, the Company had advanced amounts to Just Kush to assist them in building out a facility to carry out operations under its ACMPR license.

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



Nova Mentis Life Science Corp.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)

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. In accordance with the rescission agreement, shares involved in the original purchase agreement were returned to capital, and Just Kush had was required to repay a principal sum of \$2,037,839 representing advances made by the Company to Just Kush under the original purchase agreement.

Just Kush had agreed repay the principal 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. Just Kush failed to commence repayment of the loan. On May 1, 2022, Nova entered into a forbearance agreement with Just Kush to waive its rights to enforce the rescission agreement with respect to Just Kush's default, and to grant Just Kush the right to delay the repayment of the loan, and they may request, in writing, additional three-month extensions together with an extension fee of \$40,000 for each extension to be added to its indebtedness to Nova. On each of July 31, 2022 and October 31, 2022, Just Kush submitted a written request to extend repayment of the loan to November 1, 2022, and February 1, 2023, respectively. Extension fees of \$80,000 were added to the principal of the loan included on the Statements of Financial Position as at December 31, 2022.

At December 31, 2021, the fair value of the loan based on the principal sum of \$2,117,839, and using an effective interest rate of 29%, was \$535,271. During the three months ended March 31, 2023, the Company recognized accretion on the loan receivable of \$nil (March 31, 2022 – \$35,184). At December 31, 2022, management believed that the future recoverability of the loan was uncertain. As such, during the year ended December 31, 2022, Nova recorded an impairment loss of \$764,776 on the fair value of the loan.

8. SHARES FOR SERVICES

Marketing

In March 2023, the Company entered into an agreement with Octagon Media Corp., doing business as Wall Street Reporter ("WSR"), whereby WSR shall provide marketing services for a period of four (4) months commencing on March 27, 2023, in consideration of 1,400,000 common shares in the capital of the Company (the "Shares") at a deemed price of approximately \$0.057 per Share. The Shares are subject to a statutory hold period of four months and one day from the date of issuance.

Clinical Research

On November 17, 2022, Nova announced that it had entered into a research services agreement (the "Agreement") with KGK Sciences Inc. ("KGK") whereby KGK shall provide Clinical Research Organization services to oversee Nova's Health Canada Phase 2A Clinical Trial.

Pursuant to the Agreement, KGK shall provide the services in consideration of the Company issuing units of the Company (the "Units") upon certain performance milestones being met, in the aggregate amount of up to \$488,951. Each Unit shall consist of one common share in the capital of the Company (the "Shares") and one-half of one warrant to purchase common shares in the capital of the Company ("Warrants"). The Units shall be issued at a deemed price equal to the greater of (a) \$0.05 and (b) the closing market price of the Company's Shares on the Canadian Securities Exchange ("CSE") less the maximum allowable discount under the policies of the CSE, at the time of issuance. The Warrants shall be valid for a term of two (2) years from issuance and each whole warrant shall be exercisable at a price equal to the greater of (a) \$0.075 and (b) the

Nova Mentis Life Science Corp.



Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

closing market price of the Company's Shares on the CSE, at the time of issuance. The Units shall be subject to a four month and one day hold period commencing on the day of issuance.

On November 23, 2022, the Company issued 1,143,000 units (the "Units") in connection with the Agreement at a deemed price of \$0.05 per Unit. A total of 1,143,000 shares and 571,500 warrants were issued in connection with this issuance for a total deemed value of \$57,150. The fair value of the shares on the date of issuance was \$0.03 per share and \$34,290 was added to share capital on the statement of financial position for the year ended December 31, 2022. The residual value \$22,860 was assigned to the warrants and added to reserves on the statement of financial position.

On December 28, 2022, the Company issued 1,596,000 units (the "Units") in connection with the Agreement at a price of \$0.0675 per Unit for a deemed value of \$107,730. A total of 1,596,000 shares and 798,000 warrants were issued in connection with this issuance. The fair value of the shares at the time of issuance was \$0.09 leaving a residual value of nil assigned to the warrants.

9. RELATED PARTY TRANSACTIONS

Related parties as defined by IAS 24 - *Related Party Disclosures* include members of the Board of Directors, key management personnel, and any companies controlled by these individuals. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling activities of the Company being directors and executive management, comprising of the Chief Executive Officer and the Chief Financial Officer.

The transactions noted below are in the normal course of business and are approved by the Board of Directors in adherence to conflict-of-interest laws and regulations.

These amounts of key management compensation and other related party transactions are included in the amounts shown on the consolidated statements of loss and comprehensive loss for the three months ended March 31, 2023 and 2021:

For the three months ended March 31,	2023	2022
	\$	\$
Consulting fees	45,000	30,000
Management fees	55,500	55,500
Shareholder communications	-	7,500
Share-based payments	197,550	120,000

As at March 31, 2023, accounts payable and accrued liabilities included \$181,439 (December 31, 2022 - \$136,578) 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.

Nova Mentis Life Science Corp.



Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

a) Issued share capital

During the period ended March 31, 2023

In December 2022, the Company received proceeds of \$8,400 for the exercise of 112,000 warrants at an exercise price of \$0.075 per warrant. These shares were issued in January 2023.

On January 9, 2023, 188,000 shares were issued in connection with warrants that were exercised at a price of \$0.075 for proceeds of \$14,100.

On January 18, 2023, 150,000 shares were issued to settle RSUs.

On February 14, 2023, 100,000 shares were issued for an options exercise at a price of \$0.05 for proceeds of \$5,000.

On March 30, 2023, 1,400,000 shares were issued for services related to marketing (note 8).

During the year ended December 31, 2022

On January 13, 2022, the Company issued 1,056,583 common shares in settlement of debt to a consultant of the Company. These shares were fair valued at \$0.06 to settle \$63,395 in debt (note 8).

On March 15, 2022, the Company announced the closing of a non-brokered private placement through the issuance of 29,670,000 units at \$0.05 per unit for total gross proceeds of \$1,483,500 (the "Placement"). Each unit is comprised of one common share of the capital of the Company and one common share purchase warrant. Insiders and parties related to the Company subscribed for 2,550,000 units for gross proceeds of \$127,500. In addition to this, 100,000 RSUs were settled through the issuance of 100,000 shares of the Company.

On November 23, 2022 and December 28, 2022, the Company issued 1,143,000 shares at a fair value of \$34,290, and 1,596,000 shares at a fair value of \$107,730, respectively, in connection with the research services agreement with KGK (note 10).

On December 13, 2022, 50,000 shares of the Company were issued to settle 50,000 RSUs.

b) Warrants

During the period ended March 31, 2023

In January 2023, 300,000 warrants were exercised at an exercise price of \$0.075

Nova Mentis Life Science Corp.



Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

During the year ended December 31, 2022

On March 15, 2022, the Company issued 29,670,000 warrants in connection with a non-brokered private placement unit financing (See note 10a). Each warrant entitles the holder to purchase one common share at a price of \$0.075 per share for a period of 18 months from the date of issue. The Company applied the residual value method to allocate the proceeds from the issuance of units between common shares and warrants. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. The fair value of the Company's common shares at the time of pricing the units was \$0.045, and the units were sold for \$0.05 per unit, leaving a residual value of \$0.005, or \$148,350, to be assigned to the warrants.

On November 23, 2022 and December 28, 2022, the Company issued 571,500 and 798,000 warrants, respectively, in connection with the research services agreement with KGK (note 8).

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

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, December 31, 2021	-	-
Issued	31,039,500	0.075
Balance, December 31, 2022	31,039,500	0.075
Exercised	(300,000)	0.075
Balance, March 31, 2023	30,739,500	0.075

The following warrants were outstanding as at March 31, 2023:

Expiry Date	Exercise Price	Number of Warrants Outstanding	Weighted Average Remaining Life (yrs)
September 15, 2023	0.075	29,370,000	0.46
November 22, 2024	0.05	571,500	1.65
December 28, 2024	0.09	798,000	1.75
	0.075	30,739,500	0.52

c) 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

Nova Mentis Life Science Corp.



Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

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.

Option transactions and the number of options outstanding and exercisable are summarized as follows:

	Number of Options	Weighted Average Exercise Price
		\$
Balance at December 31, 2021	8,475,000	0.17
Granted	6,050,000	0.06
Expired	(4,950,000)	0.20
Balance at December 31, 2022	9,575,000	0.08
Expired	(1,375,000)	0.09
Exercised	(100,000)	0.05
Balance at March 31, 2023	8,100,000	0.08

During the period ended March 31, 2023

On February 14, 2023, 100,000 options were exercised at a price of \$0.05 for proceeds of \$5,000. The options had a fair value of \$3,041.

During the three months ended March 31, 2023, 1,375,000 options expired unexercised. The options had a weighted average exercise price of \$0.09.

During the year ended December 31, 2022

On March 22, 2022, 1,250,000 options were granted to consultants of the Company. The options have an exercise price of \$0.08. The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its options granted with the following weighted-average assumptions: risk-free interest rate of 1.99%; expected dividend yield of zero; expected share price volatility of 111%; and an expected life of 1 year. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was \$0.034. Accordingly, \$42,693 was recognized as share-based payment expense during the year ended December 31, 2022.

On May 11, 2022, 200,000 options were granted to a consultant of the Company. The options have an exercise price of \$0.085. The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its options granted with the following weighted-average assumptions: risk-free interest rate of 2.73%; expected dividend yield of zero; expected share price volatility of 142%; and an expected life of 2 years. The Company used historical volatility to estimate the volatility of the share price.



Nova Mentis Life Science Corp.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

The weighted average grant date fair value of each option was \$0.059. Accordingly, \$11,809 was recognized as share-based payment expense during the year ended December 31, 2022.

On September 28, 2022, 4,600,000 options were granted to officers, directors, and consultants of the Company. The options have an exercise price of \$0.05, and a range of expiry dates from one to five years. The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its options granted with the following weighted-average assumptions: risk-free interest rate of 3.29%; expected dividend yield of zero; expected share price volatility of 139%; and an expected life between one and five 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 \$0.029. Accordingly, \$133,826 was recognized as share-based payment expense during the year ended December 31, 2022.

During the year ended December 31, 2022, 4,950,000 options expired unexercised. The options had a weighted average exercise price of \$0.20.

The following options were outstanding and exercisable as at March 31, 2023:

Expiry Dates	Exercise Price \$	Weighted Average Remaining Life (yrs)	Number of Options Outstanding	Number of Options Exercisable
July 14, 2023	0.12	0.29	950,000	950,000
August 17, 2023	0.14	0.38	100,000	100,000
September 28, 2023	0.05	0.50	200,000	200,000
December 17, 2023	0.29	0.72	200,000	200,000
May 11, 2024	0.085	1.12	200,000	200,000
September 28, 2024	0.05	1.50	300,000	300,000
October 22, 2024	0.09	1.56	250,000	250,000
July 14, 2026	0.12	3.29	1,900,000	1,900,000
September 28, 2027	0.05	4.50	4,100,000	4,100,000
	0.08	3.19	8,100,000	8,100,000

d) Restricted Share Units

During the period ended March 31, 2023

On January 17, 2023, 2,750,000 RSUs were granted to directors, officers, and consultants of the Company. The RSUs vest on the date of grant, and expire 24 months from the date of issue. The RSUs are governed by the Company's RSU Plan, which was approved by the Company's shareholders on December 22, 2020.

On January 18, 2023, 150,000 RSUs were settled through the issuance of 150,000 shares of the Company and the fair value of \$9,000 was transferred from Reserves to Share Capital on the Statements of Financial Position as at March 31, 2023.

On March 29, 2023, Nova announced that it had granted 500,000 RSUs to a consultant of the Company. The RSUs have a fair value of \$27,500 and are valid for a two-year term and are governed by the Company's



Nova Mentis Life Science Corp.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

RSU Plan, approved by the Company's shareholders on December 22, 2020. The RSUs are subject to a statutory hold period of four months and one day from the date of issuance.

During the year ended December 31, 2022

On January 11, 2022, the Company granted 2,350,000 Restricted Share Units ("RSUs") to directors, officers, and consultants of the Company. The RSUs expire 24 months from the date of grant. The RSUs are governed by the Company's RSU Plan, which was approved by the Company's shareholders on December 22, 2020.

The total fair value of the RSUs on the date of grant was \$141,000, which is based on the market price of the Company's shares on the date of grant. RSUs granted to directors and officers vested immediately, while RSUs granted to certain consultants of the Company will vest at 50% on July 11, 2022, and 50% on January 11, 2023.

Nova recognized \$140,125 in share-based payments on the Statement of loss and comprehensive loss year ended December 31, 2022 (2021 – \$nil) for RSUs that vested during the year then-ended.

On March 15, 2022, 100,000 RSUs were settled through the issuance of 100,000 shares of the Company and the fair value of \$6,000 was transferred from Reserves to Share Capital on the Statements of Financial Position as at December 31, 2022.

On December 13, 2022, 50,000 RSUs were settled through the issuance of 50,000 shares of the Company and the fair value of \$3,000 was transferred from Reserves to Share Capital on the Statements of Financial Position as at December 31, 2022.

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

For the three months ended March 31,	2023	2022
	\$	\$
Shares issued for services (note 8)	80,000	-
Shares issued to settle RSUs (note 10d)	9,000	-
Shares issued for settlement of debt	-	63,395

12. SEGMENTED DISCLOSURE AND SUBSIDIARIES

The Company currently operates in one industry segment, being research and development of psilocybin, and in one geographic area, being Canada, through its wholly-owned subsidiaries, Nova Mentis Biotech Corp., and SwabAi Diagnostics Inc. (formerly, "Pilz Bioscience Corp."). All of the Company's long-term assets are located in Canada.

13. 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,



Nova Mentis Life Science Corp.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

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 three months ended March 31, 2023. The Company is not subject to external restrictions on its capital.

14. SUBSEQUENT EVENT

- a) On May 15, 2023, 50,000 RSUs were settled through the issuance of 50,000 shares of the Company.