

Novamind Inc.
Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2021
(Expressed in Canadian Dollars)
(Unaudited)

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

	September 30, 2021	June 30, 2021
Assets		
Current Assets		
Cash	5,969,673	5,426,286
Accounts receivable	500,530	500,502
Interest receivable (note 9)	-	156,504
Prepaid expenses	165,140	180,948
Marketable securities (note 5)	2,018,971	2,975,329
Convertible debenture receivable (note 9)	-	1,763,880
Total Current Assets	8,654,314	11,003,449
Property and equipment (note 6)	1,138,926	846,420
Right-of-use-asset (note 7)	5,044,960	3,494,194
Intangible assets (note 8)	611,992	634,699
Goodwill (note 8)	1,205,333	1,172,506
Total Assets	16,655,525	17,151,268
Liabilities and Shareholders' Equity		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	948,702	857,178
Loan payable to related party (note 15)	252,312	49,576
Lease liabilities (note 10)	619,289	415,264
Total Current Liabilities	1,820,303	1,322,018
Deferred tax liability	162,000	167,000
Lease liabilities (note 10)	4,878,789	3,401,668
Total Liabilities	6,861,092	4,890,686
Shareholders' Equity		
Share capital (note 11)	17,712,088	17,464,514
Obligation to issue shares (note 3)	-	230,625
Warrants (note 12)	1,257,433	1,257,433
Contributed surplus (note 13)	2,610,929	2,085,230
Accumulated other comprehensive loss	(99,896)	(193,971)
Deficit	(11,686,121)	(8,583,249)
Total Shareholders' Equity	9,794,433	12,260,582
Total Liabilities and Shareholders' Equity	16,655,525	17,151,268

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

Nature of Operations and Going Concern (note 1)

Contingent Liability (note 18)

Subsequent Event (note 19)

On Behalf of the Board:

"Yaron Conforti"
Director

"Sruli Weinreb"
Director

Novamind Inc.

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

	Three months Ended September 30, 2021	Three months Ended September 30, 2020
Revenues		
Service fee income	1,813,106	871,598
Clinical trial income	44,644	1,683
	1,857,750	873,281
Cost of services (note 16)	975,063	479,654
Gross margin	882,687	393,627
Expenses		
Consulting fees (note 15)	388,054	65,123
Amortization (notes 6 and 8)	84,617	38,751
Interest expense and bank charges	105,245	59,369
Professional fees	249,385	276,041
Office and general	500,153	200,293
Advertising and promotion	110,353	101,063
Share-based compensation (notes 13 and 15)	525,699	-
Filing fees	3,750	5,650
Salaries and wages (note 15)	1,648,833	214,174
Software license fees	112,286	44,695
Sub-contract fees (note 15)	-	8,412
Total Expenses	3,728,375	1,013,571
Other Income (Expense)		
Foreign exchange	(114,545)	34,462
Unrealized (loss) gain of marketable securities and convertible debentures (note 5 and 9)	(944,409)	43,527
Realized gain on settlement of convertible debenture (note 9)	479,321	-
Realized gain on disposition of marketable securities (Note 5)	317,449	-
Interest income (note 9)	-	32,069
Loss before income taxes	(3,107,872)	(509,886)
Income tax recovery	(5,000)	(16,272)
Net loss for the period	(3,102,872)	(493,614)
Other comprehensive loss		
Foreign currency translation adjustment	94,075	(10,451)
Net loss and comprehensive loss for the period	(3,008,797)	(504,065)
Basic and diluted net loss per share	(0.07)	(0.02)
Weighted average number of common shares outstanding	42,527,017	27,614,239

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

Novamind Inc.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**
(Expressed in Canadian Dollars - Unaudited)

	<u>Share Capital</u>					Accumulated other comprehensive loss		
	Number	Amount	Obligation to issue shares	Warrant reserves	Contributed surplus		Deficit	Total
Balance, June 30, 2020	23,426,250	4,334,505	727,500	123,601	-	-	(1,329,494)	3,856,112
Shares issued in private placements	2,640,000	1,056,000	(727,500)	-	-	-	-	328,500
Share issuance costs	-	(67,957)	-	38,578	-	-	-	(29,379)
Shares issued and to be issued in the Cedar Acquisition	2,062,500	825,000	943,125	-	-	-	-	1,768,125
Net loss and comprehensive loss for the period	-	-	-	-	-	(10,451)	(493,614)	(504,065)
Balance, September 30, 2020	28,128,750	6,147,548	943,125	162,179	-	(10,451)	(1,823,108)	5,419,293
Balance, June 30, 2021	41,540,287	17,464,514	230,625	1,257,433	2,085,230	(193,971)	(8,583,249)	12,260,582
Shares issued for consulting services	14,364	16,949	-	-	-	-	-	16,949
Shares issued in the Cedar Acquisition	1,281,250	230,625	(230,625)	-	-	-	-	-
Stock-based compensation	-	-	-	-	525,699	-	-	525,699
Net loss and comprehensive loss for the period	-	-	-	-	-	94,075	(3,102,872)	(3,008,797)
Balance, September 30, 2021	42,835,901	17,712,088	-	1,257,433	2,610,929	(99,896)	(11,686,121)	9,794,433

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

Novamind Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	Three months Ended September 30, 2021	Three months Ended September 30, 2020
Operating activities		
Net loss for the period	(3,102,872)	(493,614)
Items not affecting cash used in operating activities:		
Unrealized gain on marketable securities and convertible debenture receivable	944,409	(43,527)
Loss (gain) on foreign exchange	97,438	(26,523)
Amortization	295,548	119,683
Interest expense	103,932	58,969
Deferred income tax recovery	(5,000)	(16,272)
Stock-based compensation	525,699	-
Consulting fees	16,949	-
Gain on settlement of convertible debenture receivable	(479,321)	-
Gain on disposition of marketable securities	(317,449)	-
	(1,920,667)	(401,284)
Changes in non-cash working capital:		
Accounts receivable	(28)	14,868
Interest receivable	-	(32,869)
Prepaid expenses	15,808	18,698
Accounts payable and accrued liabilities	339,745	(73,588)
Cash flows used in operating activities	(1,565,142)	(474,175)
Investing activities		
Purchase of property and equipment	(713,956)	(59,426)
Proceeds from settlement of convertible debentures	1,757,400	-
Leasehold improvement allowance	403,534	-
Investment in convertible debentures	-	(232,320)
Cash obtained upon Cedar Acquisition	-	429,436
Cash paid for Cedar Acquisition	(250,000)	(500,000)
Proceeds from sale of marketable securities	874,265	-
Cash flows used in investing activities	2,071,243	(362,310)
Financing activities		
Shares issued in private placements, net of share issuance cost	-	360,368
Advance from related party	202,736	-
Payment on lease liabilities	(193,083)	(58,388)
Cash flows provided by financing activities	9,653	301,980
Change in cash	515,754	(534,505)
Impact of foreign exchange on cash	27,633	(2,351)
Cash, beginning of period	5,426,286	2,845,108
Cash, ending of period	5,969,673	2,308,252

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

Novamind Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended September 30, 2021

(Expressed in Canadian Dollars - Unaudited)

1. Nature of Operations and Going Concern

Novamind Inc. (the “Company”), incorporated under the Canada Business Corporations Act, is a mental health company enabling safe access to psychedelic medicine through a network of psychiatry clinics and clinical research sites. The Company’s common shares are listed under the symbol “NM” on the Canadian Securities Exchange. The head office and registered office of the Company is located at 10 Wanless Ave Suite 201, Toronto, ON, Canada, M4N 1V6.

On November 12, 2020, the Company entered into a business combination agreement with Novamind Ventures Inc. (“Novamind Ventures”), a private Ontario company incorporated on May 22, 2019, whereby the Company acquired all issued and outstanding shares of Novamind Ventures on December 22, 2020 by exchanging outstanding and issued shares of Novamind Ventures to the shares of the Company on a 4 to 1 ratio (the “RTO”) (note 4). The RTO was structured as a three-cornered amalgamation pursuant to which Novamind Ventures amalgamated with a wholly owned subsidiary of the Company, 2784326 Ontario Inc. to form an amalgamated entity. Novamind Ventures is deemed to be the acquirer for the accounting purposes. The consolidated financial statements are considered a continuation of Novamind Ventures. All reference to shares, per share amount, and warrants in these condensed interim consolidated financial statements have been retroactively restated to reflect the conversion ratio.

On July 22, 2020, the Company acquired 100% of the issued and outstanding shares of Cedar Psychiatry Inc. and Cedar Clinical Research Inc. (collectively “Cedar Group”) pursuant to a stock purchase agreement dated July 22, 2020 and amended on November 19, 2020 (the “Cedar Acquisition”) (note 3).

The condensed interim consolidated financial statements were prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. The Company has incurred losses since inception of its business and as of September 30, 2021, the Company’s accumulated deficit was \$11,686,121. These circumstances indicate that material uncertainties exist that may cast significant doubt about the Company’s ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern. The Company’s ability to continue as a going concern is dependent upon raising additional capital to meet its present and future commitments, the continued support of certain shareholders and trade creditors, and on achieving profitable commercial operations. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenue and expenses, and the condensed interim statement of financial position classification used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Novamind Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended September 30, 2021
(Expressed in Canadian Dollars - Unaudited)

2. Basis of Presentation

Statement of Compliance

The condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 – Interim Financial Reporting.

These condensed interim consolidated financial statements do not include all of the information required for full IFRS financial statements and therefore should be read in conjunction with the Company’s most recent audited consolidated financial statements for the year ended June 30, 2021, which were prepared in accordance with IFRS as issued by IASB.

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company’s most recent audited consolidated financial statements for the year ended June 30, 2021.

The preparation of these condensed interim consolidated financial statements in conformity with IFRS also requires management to make estimates and judgements that may have a significant impact on these condensed interim consolidated financial statements. Estimates are continuously evaluated and are based on management’s experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates. The critical accounting judgements and estimates were presented in the Company’s most recent audited consolidated financial statements for the year ended June 30, 2021 and are the same as those applied for the three months ended September 30, 2021.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 26, 2021.

Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and Novamind Ventures is the Canadian dollar. The functional currency of Cedar Psychiatry Inc. and Cedar Clinical Research Inc. is the US dollar.

Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and all of its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain variable benefits from its power over the entity’s activities. Subsidiaries are included in the condensed interim consolidated financial results of the Company from the effective date of acquisition of control up to the effective date of disposal or loss of control.

Details of the Company’s subsidiaries are as follows:

Entity	Country of Incorporation	Ownership interest
Novamind Ventures Inc.	Canada	100%
Cedar Psychiatry Inc.	USA	100%
Cedar Clinical Research Inc.	USA	100%

Novamind Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended September 30, 2021

(Expressed in Canadian Dollars - Unaudited)

3. Acquisition of Cedar Group

On July 23, 2020, the Company acquired 100% of the issued and outstanding shares of Cedar Group. The consideration in connection with the Cedar Acquisition consisted of (i) the issuance of 5,125,000 of the shares of the Company: 2,562,500 on closing of the Cedar Acquisition; 1,281,250 issued six months after the closing of the Cedar Acquisition; and 1,281,250 issued 12 months after the closing of the Cedar Acquisition, and (ii) cash payments totaling \$1,000,000 paid according to the following schedule: \$500,000 on closing of the Cedar Acquisition; \$250,000 six months after closing of the Cedar Acquisition; and \$250,000 paid 12 months after closing of the Cedar Acquisition. During the year ended June 30, 2021, the Company paid \$750,000 and issued 3,843,750 common shares for Cedar Acquisition. As at June 30, 2021, the Company recorded \$248,221 consideration payable which was included in accounts payable and accrued liabilities and recorded \$230,625 for the shares to be issued.

During the three months ended September 30, 2021, the Company paid \$250,000 and issued 1,281,250 common shares as final settlement of the consideration for the Cedar Acquisition.

The Company determined that the acquisition was a business combination under IFRS 3 - Business Combinations and was accounted for by applying the acquisition method, whereby the assets acquired and liabilities assumed were recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill.

The purchase price allocation calculation is as follows:

Consideration - cash	958,824
Consideration - shares	1,768,125

Total consideration paid	2,726,949
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Identifiable assets acquired

Cash	430,641
Accounts receivable	485,147
Prepaid expenses	14,352
Property and equipment	75,276
Right-of-use assets	1,470,892
Accounts payable	(92,852)
Lease liabilities	(1,470,892)
Deferred tax liability	(234,000)
Loan payable to related party	(53,563)
Government loan payable	(8,935)
Patient relationship	449,971
Brand name	393,993

Total identifiable assets acquired	1,460,030
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Total goodwill	1,266,919
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	2,726,949
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Novamind Inc.
Notes to the Condensed Interim Consolidated Financial Statements
Three Months Ended September 30, 2021
(Expressed in Canadian Dollars - Unaudited)

3. Acquisition of Cedar Group (continued)

The value of the share consideration was estimated using a combination of the Finnerty put option model and Chaffe model to estimate the discount related to the shares to be issued six and twelve months after the acquisition. The key assumptions used are as follows:

	Shares issued 6 months after acquisition	Shares issued 12 months after acquisition
Volatility	131%	111%
Risk-free rate	0.14%	0.12%
Term	0.5 years	1 year

The cash payments due six and twelve months after the closing of the acquisition are discounted using an effective interest rate of 12%.

The goodwill recognized on the acquisition is primarily attributed to the assembled workforce and the synergies which will contribute to operational efficiencies within the Company.

4. Reverse takeover

On December 22, 2020 ("RTO Date"), the Company completed a RTO with Novamind Ventures, whereby the Company acquired all the issued and outstanding common shares of Novamind Ventures in exchange for 38,628,749 shares of the Company. The Company did not constitute a business as defined under IFRS 3; therefore, the RTO is accounted under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as RTO transaction costs to net loss. The accounting for this transaction resulted in the following:

1. The condensed interim consolidated financial statements are issued under the legal parent, Novamind Inc., but are considered a continuation of the financial statements of the legal subsidiary, Novamind Ventures.
2. As Novamind Ventures is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the condensed interim consolidated financial statements at their historical carrying values.

The fair value of the consideration given and charged to listing expense was comprised of:

Consideration	
Fair value of shares issued (1,372,017 shares)	1,372,017
Fair value of warrants	338
Professional fees incurred for RTO	184,528
Total consideration	1,556,883

Identifiable assets acquired	
Cash	175,178
Accounts receivable	5,382
Accounts payable and accrued liabilities	(2,821)
Total identifiable assets acquired	177,739
Unidentifiable assets acquired	
RTO transaction cost	1,379,144
Total net identifiable assets and RTO transaction cost	1,556,883

Novamind Inc.

Notes to the Condensed Interim Consolidated Financial Statements Three Months Ended September 30, 2021 (Expressed in Canadian Dollars - Unaudited)

4. Reverse takeover (continued)

The fair value of 1,372,017 issued common shares was estimated using \$1 share from the concurrent private placement.

The Company is deemed to have assumed 31,000 warrants exercisable at a price of \$25 per share expiring on August 17, 2021 and 3,680 warrants exercisable at a price of \$25 per share expiring on September 7, 2021. The fair value of share-purchase warrants was \$338 estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.23%
Estimate life	0.88 to 0.94 years
Expected volatility	135%
Expected dividend yield	0%
Forfeiture rate	0%

5. Marketable Securities

	Field Trip (i)	ATAI (ii)	Bionomics (iii)	SPV (iv)	Total
Balance, June 30, 2020	196,615	-	-	-	196,615
Additions	-	269,334	961,195	1,220,000	2,450,529
Proceeds on disposal	(711,079)	-	(633,672)	-	(1,344,751)
Realized gain	563,617	-	176,141	-	739,758
Unrealized fair value gain	220,965	578,029	163,286	-	962,280
Unrealized foreign currency gain (loss)	-	-	(48,502)	19,400	(29,102)
Balance, June 30, 2021	270,118	847,363	618,448	1,239,400	2,975,329
Proceeds on disposal	(287,445)	-	(586,820)	-	(874,265)
Realized gain	238,292	-	79,157	-	317,449
Unrealized fair value (loss)	(220,965)	(102,492)	(163,286)	-	(486,743)
Unrealized foreign currency gain	-	-	52,501	34,700	87,201
Balance, September 30, 2021	-	744,871	-	1,274,100	2,018,971

(i) On January 15, 2020, the Company acquired 166,666 common shares of Field Trip Psychedelics Inc., a private company, at a price of US\$0.90 per share for \$196,615. The shares were subject to lock-up restrictions whereby 25% of the shares will release on November 30, 2020 (released), 25% on January 29, 2021 (released), 25% on May 29, 2021 (released) and 25% on July 28, 2021 (released). On October 1, 2020, the Company's Field Trip Psychedelics Inc. common shares were exchanged for common shares of Field Trip Health Ltd., a public company listed on the Toronto Stock Exchange under the symbol FTRP, in connection with a reverse takeover transaction. As at September 30, 2021, the Company held nil (June 30, 2021 – 41,666) common shares valued at \$nil (June 30, 2021 - \$270,118). During the year ended June 30, 2021, the Company sold 125,000 common shares for proceeds of \$711,079, resulting in a gain on disposition of \$563,617. During the three months ended September 30, 2021, the company sold 41,666 (2020 – nil) common shares for proceeds of \$287,445, resulting in a gain on disposition of \$238,292.

Novamind Inc.

Notes to the Condensed Interim Consolidated Financial Statements Three Months Ended September 30, 2021 (Expressed in Canadian Dollars - Unaudited)

5. Marketable Securities (continued)

(ii) During the year ended June 30, 2021, the convertible note of ATAI Life Science (“ATAI”) was converted into 43,856 common shares of ATAI (note 9). The shares are subject to lock-up restrictions and will be released on December 15, 2021. Upon conversion, the Company recorded a loss on conversion of \$24,569. Subsequently, the ATAI common shares started trading on the NASDAQ Exchange. As at September 30, 2021, the common shares are carried at \$744,871 (June 30, 2021 - \$847,363).

(iii) In February 2021, the Company acquired 6,657,933 shares of Bionomics Limited (“Bionomics”), a biopharmaceutical company listed on Australian Securities Exchange for \$961,195. During the year ended June 30, 2021, the Company sold 3,156,061 Bionomics shares for proceeds of \$633,672, resulting in a gain on disposition of \$176,141. During the three months ended September 30, 2021, the Company sold its remaining Bionomics shares for proceeds of \$586,820, resulting in a gain on disposition of \$79,157.

(iv) During the year ended June 30, 2021, the Company acquired an investment in Alto Neuroscience, Inc., a clinical-stage biopharmaceutical company, via the purchase of 1,000,000 non-voting participating investor shares in a special purpose vehicle (the “SPV”) for \$1,220,000 (US\$1 million). As at September 30, 2021, the investment in the SPV is valued at \$1,274,100 (June 30, 2021 - \$1,239,400). The fair value was determined based on observable market transaction and there was no change in the value (in US\$) since June 30, 2021.

6. Property and Equipment

Cost	Furniture and Equipment	Computer Equipment	Medical Equipment	Leasehold Improvements	Total
Balance, June 30, 2020	-	-	-	-	-
Acquired on acquisition	74,597	-	679	-	75,276
Addition	19,574	11,001	-	895,591	926,166
Foreign exchange	(6,343)	(327)	(51)	(26,665)	(33,386)
Balance, June 30, 2021	87,828	10,674	628	868,926	968,056
Addition	60,580	-	-	653,376	713,956
Leasehold improvement allowance	-	-	-	(403,534)	(403,534)
Foreign exchange	3,137	299	18	27,118	30,572
Balance, September 30, 2021	151,545	10,973	646	1,145,886	1,309,050
Accumulated Amortization					
Balance, June 30, 2020	-	-	-	-	-
Amortization	24,352	296	349	101,371	126,368
Foreign exchange	(723)	(9)	(10)	(3,990)	(4,732)
Balance, June 30, 2021	23,629	287	339	97,381	121,636
Amortization	6,852	543	92	37,101	44,588
Foreign exchange	734	14	10	3,142	3,900
Balance, September 30, 2021	31,215	844	441	137,624	170,124
Net Book Value					
At June 30, 2021	64,199	10,387	289	771,545	846,420
At September 30, 2021	120,330	10,129	205	1,008,262	1,138,926

Novamind Inc.**Notes to the Condensed Interim Consolidated Financial Statements****Three Months Ended September 30, 2021****(Expressed in Canadian Dollars - Unaudited)****7. Right-of-use Assets**

	Offices	TMS System	Total
Cost			
Balance, June 30, 2020	-	-	-
Additions upon acquisition	1,181,687	289,205	1,470,892
Additions	2,409,322	328,816	2,738,138
Foreign exchange	(159,733)	(31,334)	(191,067)
Balance, June 30, 2021	3,431,276	586,687	4,017,963
Additions	1,647,790	-	1,647,790
Foreign exchange	114,506	16,427	130,933
Balance, September 30, 2021	5,193,572	603,114	5,796,686
Accumulated Amortization			
Balance, June 30, 2020	-	-	-
Amortization	384,869	154,959	539,828
Foreign exchange	(11,449)	(4,610)	(16,059)
Balance, June 30, 2021	373,420	150,349	523,769
Amortization	170,200	40,731	210,931
Foreign exchange	12,360	4,666	17,026
Balance, September 30, 2021	555,980	195,746	751,726
Net book value			
Balance, June 30, 2021	3,057,856	436,338	3,494,194
Balance, September 30, 2021	4,637,592	407,368	5,044,960

8. Goodwill and Intangible Assets

	Goodwill	Brand Name	Patient Relationships	Total Intangible Assets
Cost				
Balance, June 30, 2020	-	-	-	-
Additions upon acquisition	1,266,919	393,993	449,971	843,964
Foreign exchange	(94,413)	(29,361)	(33,533)	(62,894)
Balance, June 30, 2021	1,172,506	364,632	416,438	781,070
Foreign exchange	32,827	10,208	11,660	21,868
Balance, September 30, 2021	1,205,333	374,840	428,098	802,938
Accumulated Amortization				
Balance, June 30, 2020	-	-	-	-
Amortization	-	70,426	80,432	150,858
Foreign exchange	-	(2,095)	(2,392)	(4,487)
Balance, June 30, 2021	-	68,331	78,040	146,371
Amortization	-	18,687	21,342	40,029
Foreign exchange	-	2,122	2,424	4,546
Balance, September 30, 2021	-	89,140	101,806	190,946
Net book value				
Balance, June 30, 2021	1,172,506	296,301	338,398	634,699
Balance, September 30, 2021	1,205,333	285,700	326,292	611,992

Novamind Inc.**Notes to the Condensed Interim Consolidated Financial Statements****Three Months Ended September 30, 2021****(Expressed in Canadian Dollars - Unaudited)**

9. Convertible Debentures Receivable

	Synthesis Convertible Loan	ATAI Convertible Note	Total
Balance, June 30, 2020	1,139,590	-	1,139,590
Additions	-	232,320	232,320
Conversion	-	(288,675)	(288,675)
Unrealized fair value gain	465,951	53,857	519,808
Unrealized foreign currency gain	158,339	2,498	160,837
Balance, June 30, 2021	1,763,880	-	1,763,880
Additions	-	-	-
Settlement	(1,600,896)	-	(1,600,896)
Realized gain	479,321	-	479,321
Unrealized fair value loss	(457,666)	-	(457,666)
Unrealized foreign currency loss	(184,639)	-	(184,639)
Balance, September 30, 2021	-	-	-

On November 18, 2019, the Company entered into a convertible loan agreement with Synthesis Institute B.V. ("Synthesis"). The Company loaned a €750,000 (\$1,121,575) aggregate principal amount to Synthesis (the "Convertible Loan"). The Convertible Loan (i) had a maturity date of May 19, 2021; (ii) accumulated interest at an annual interest rate of 10%, calculated monthly and payable at maturity; and (iii), upon Synthesis completing an equity financing of not less than €5,000,000 to arm's length parties (the "Synthesis Financing"), the Convertible Loan plus accrued interest shall convert into shares of Synthesis ("Synthesis Shares") at the same terms as the Synthesis Financing at a 15% discount. On October 5, 2020, the Company entered into an amendment whereby the maturity date of the Convertible Loan was extended to October 15, 2021 and the conversion terms were amended as follow: upon the Synthesis Financing, the Convertible Loan principal and accrued interest shall convert into Synthesis Shares, whereby a valuation cap of €9,600,000 and a discount of 15% are applied to the price of the Synthesis Shares.

During April 2021, the Company started discussions with Synthesis with the objective of reaching an agreement whereby Synthesis would settle the Convertible Loan and whereby the Company would waive its rights pursuant to the Convertible Loan and the Synthesis Financing. During the three months ended September 30, 2021, the Company and Synthesis reached an agreement whereby Synthesis paid the Company €1,200,000 (\$1,757,400) as final settlement of the Convertible Loan and accrued interest of \$156,504. The settlement resulted in a gain on settlement of \$479,321.

During the three months ended September 30, 2021, the Company accrued interest income of \$nil (2020 - 29,789).

Novamind Inc.**Notes to the Condensed Interim Consolidated Financial Statements****Three Months Ended September 30, 2021****(Expressed in Canadian Dollars - Unaudited)**

9. Convertible Debenture Receivable (continued)

On July 21, 2020, the Company entered into a convertible note purchase agreement (the “ATAI Investment Agreement”) with ATAI Life Sciences AG (“ATAI”). Pursuant to the ATAI Investment Agreement, the Company purchased a €150,000 principal amount convertible note (the “ATAI Convertible Note”). The ATAI Convertible Note has a maturity date of January 31, 2022 and accumulates interest at an annual interest rate of 5%, payable at maturity. The ATAI Convertible Note mandatorily converts (a “ATAI Mandatory Conversion Event”) (i) upon the sale of the issued and outstanding share capital of ATAI (the “ATAI Sale”), (ii) upon ATAI completing an equity financing of not less than €30,000,000 (the “ATAI Financing”), (iii) upon the completion of capital raising by ATAI, other than the ATAI financing, which is approved by 75% of the then outstanding ATAI Convertible Note holders (a “Non-Qualifying ATAI Financing”), or (iv) upon an event of default by ATAI pursuant to the terms of the ATAI Investment Agreement. Upon the occurrence of a Mandatory Conversion Event, the then outstanding ATAI Convertible Note principal and interest shall convert into ordinary bearer shares (no-par value shares) of ATAI (“ATAI Shares”), at a conversion price of, (i) in the event of an ATAI Sale, the price of the ATAI Shares being offered on such ATAI Sale, (ii) in the event of an ATAI Financing or Non-Qualifying ATAI Financing, the price of the ATAI Shares being offered pursuant to such ATAI Financing or Non-Qualifying ATAI Financing, or (iii) in the event of an event of default, €38 per ATAI Share.

During the year ended June 30, 2021, the Company converted the ATAI Convertible Note and accrued interest into 43,856 common shares of ATAI with the completion of a capital raising by ATAI at a raise price of \$6.14 per share (note 5).

During the three months ended September 30, 2021, the Company accrued interest income of \$nil (2020 – 2,280).

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10. Lease Liabilities

The Company leases certain assets under lease agreements. The lease liabilities consist of leases of various clinical facilities with a term ranging from one to ten years and the TMS Systems with a four-year term. The leases are calculated using an incremental borrowing rate of 9% per annum.

	Offices	TMS Systems	Total
Balance, June 30, 2020	-	-	-
Additions upon acquisition	1,181,687	289,205	1,470,892
Additions	2,409,322	324,984	2,734,306
Accretion	259,291	45,597	304,888
Lease payments	(331,755)	(176,495)	(508,250)
Foreign exchange	(157,578)	(27,326)	(184,904)
Balance, June 30, 2021	3,360,967	455,965	3,816,932
Additions	1,647,790	-	1,647,790
Accretion	95,875	6,278	102,153
Lease payments	(144,615)	(48,468)	(193,083)
Foreign exchange	111,992	12,294	124,286
Balance, September 30, 2021	5,072,009	426,069	5,498,078
Allocated as:			
Current	455,119	164,170	619,289
Non-current	4,616,890	261,899	4,878,789
Balance, September 30, 2021	5,072,009	426,069	5,498,078

The maturity analysis of the undiscounted contractual balances of the lease liabilities is as follows:

Maturity analysis	September 30, 2021
Less than one year	1,090,980
One to three years	2,258,777
Three to five years	1,801,331
Greater than five years	2,400,777
Total undiscounted lease liabilities	7,551,865
Amount representing implicit interest	(2,053,787)
Lease liabilities	5,498,078

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11. Share Capital

(a) *Authorized*

The Company is authorized to issue an unlimited number of common shares.

(b) *Issued and outstanding - Common Shares*

(i) On July 14, 2020, the Company issued 2,640,000 common shares for proceeds of \$1,056,000, \$727,500 of which was received during the period ended June 30, 2020 as obligation to issue shares. The Company incurred share issuance costs of \$30,969 and issued 184,800 broker warrants with each broker warrant exercisable into one common share of the Company at \$0.40 for two years from the issuance. The fair value of these broker warrants at the date of issuance was estimated using the Black-Scholes option pricing model with the following assumptions: two year expected life; 100% expected volatility; risk-free interest rate of 0.29%; and an expected dividend yield of 0%. The fair value assigned to these broker warrants was \$38,578.

(ii) On November 16, 2020, the Company completed a private placement offering of 10,000,000 common shares for proceeds of \$10,000,000 (the "Financing").

In connection with the Financing, the Company paid cash finders' fees of \$612,286 and issued 590,539 broker warrants exercisable at \$1.00 for a period of three years. The fair value of the broker warrants was estimated at \$448,065 using the Black Scholes valuation model with the following assumptions:

Risk-free interest rate	0.29%
Estimate life	2 years
Expected volatility	135%
Expected dividend yield	0%
Forfeiture rate	0%

(iii) In connection with the Cedar Acquisition on July 23, 2020, the Company issued 2,562,500 common shares on the date of acquisition; 1,281,250 common shares on January 23, 2021; and 1,281,250 common shares on July 23, 2021 (which was recorded as obligation to issue shares as at June 30, 2021). The fair value of the share consideration was determined to be \$1,768,125 on the acquisition date. See note 3.

(iv) In connection with the RTO, the Company assumed 31,000 share purchase warrants exercisable at a price \$25 per share expiring on August 17, 2021 and 3,680 share purchase warrants exercisable at a price of \$25 per share expiring on September 7, 2021. The fair value of share purchase warrants was \$338. See note 4.

(v) On December 23, 2020, the Company issued 284,034 purchase warrants pursuant to consulting agreements. The share purchase warrants are exercisable at an exercise price of \$1.00 per Common Share for 12 months from the date of issuance. The fair value of the share purchase warrants was estimated at \$142,050 using the Black Scholes valuation model with the following assumptions:

Risk-free interest rate	0.22%
Estimate life	1 years
Expected volatility	135%
Expected dividend yield	0%
Forfeiture rate	0%

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11. Share Capital (continued)

(vi) On December 23, 2020, the Company issued 200,000 common shares and 200,000 share purchase warrants pursuant to a consulting agreement. The fair value of the common shares was estimated at \$200,000 based on the price of the Novamind Ventures Financing. The share purchase warrants are exercisable at an exercise price of \$1.50 per Common Share for 24 months from the date of issuance. The fair value of the share purchase warrants was estimated at \$117,882 using the Black Scholes valuation model with the following assumptions:

Risk-free interest rate	0.22%
Estimate life	2 years
Expected volatility	135%
Expected dividend yield	0%
Forfeiture rate	0%

The fair value of the common shares and warrants issued was recorded in consulting fees in the condensed statement of loss and comprehensive loss for the year ended June 30, 2021.

(vii) In January and April 2021, the Company issued 23,877 common shares as a payment for consulting fees. The fair value of the common shares was estimated at \$33,900.

(viii) On January 26, 2021, the Company issued 100,000 share purchase warrants with exercisable at a price of \$1.65 per share for 12 months from the date of issuance as per service agreement with Venture North Capital Inc. and issued 400,000 share purchase warrants with exercise price of \$1.65 per share for 12 months from the date of issuance as per service agreement with Octagon Media Corp. The fair value of the share purchase warrants was estimated at \$413,015 using the Black Scholes valuation model with the following assumptions:

Risk-free interest rate	0.12%
Estimate life	1 years
Expected volatility	135%
Expected dividend yield	0%
Forfeiture rate	0%

(ix) On July 16, 2021, the Company issued 14,364 common shares as a payment for consulting fees. The fair value of the common shares was estimated at \$16,949

Novamind Inc.

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12. Warrants

The following table reflects the continuity of warrants:

	Number of Broker Warrants	Weighted Average Exercise Price
Balance, June 30, 2020	589,838	1.30
Issued (Note 11)	1,794,042	1.64
Exercised	(34,394)	1.00
Balance, June 30, 2021	2,349,486	1.34
Expired	(34,680)	25.00
Balance, September 30, 2021	2,314,806	0.98

The following table reflects the warrants issued and outstanding as of September 30, 2021:

Expiry Date	Exercise Price (\$)	Contractual Life (years)	Broker Warrants Outstanding
January 8, 2022	0.40	0.28	156,624
March 20, 2022	0.40	0.47	124,688
June 19, 2022	0.40	0.72	117,688
June 29, 2022	0.40	0.75	190,838
July 14, 2022	0.40	0.79	184,800
December 23, 2021	1.00	0.23	284,023
December 23, 2022	1.50	1.23	200,000
November 16, 2023	1.00	2.13	556,145
January 26, 2022	1.65	0.33	500,000
	0.98	0.92	2,314,806

13. Stock options

The Company issued stock options to acquire common shares as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, June 30, 2020	-	-
Granted	3,946,052	0.60
Balance, June 30, 2021 and September 30, 2021	3,946,052	0.60

The following table reflects the actual stock options issued and outstanding as of September 30, 2021:

Expiry Date	Exercise Price (\$)	Remaining Contractual Life (years)	Number of Options Outstanding	Options Vested (Exercisable)
April 30, 2025	0.40	3.59	125,000	125,000
December 11, 2025	0.40	4.20	3,021,052	755,263
December 22, 2025	1.00	4.23	300,000	-
January 26, 2022	1.65	0.33	100,000	100,000
January 19, 2026	1.65	4.31	400,000	-
	0.60	4.10	3,946,052	980,263

During the three months ended September 30, 2021, \$525,699 in stock-based compensation was recorded relating to the vesting of these stock options.

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14. Fair Value and Financial Risk Factors

Risk Management

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are as follows:

Fair Values

The Company has designated its cash and investment as FVTPL which are measured at fair value. Fair value of cash is determined based on transaction value and is categorized as a Level One measurement.

- Level One - includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two - includes inputs that are observable other than quoted prices included in Level One.
- Level Three - includes inputs that are not based on observable market data.

The carrying value of the Company's financial liabilities as at September 30, 2021 approximate their fair value due to their short terms to maturity.

The following table illustrates the classification of the Company's financial instruments recorded at fair value within the fair value hierarchy as at September 30, 2021:

September 30, 2021	Level 1	Level 2	Level 3	Total
Cash	5,969,673	-	-	5,969,673
Marketable securities	-	2,018,971	-	2,018,971

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. As at September 30, 2021, management believes that the credit risk with respect to its financial assets is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting its operations and anticipating its operating and investing activities. As at September 30, 2021, management believes that its liquidity risk is minimal.

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14. Fair Value and Financial Risk Factors (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market risk factors. The market risk factor that affects the Company is foreign currency risk.

(a) Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash held as collateral in guaranteed investment certificates or interest bearing accounts of select major Canadian chartered banks. The Company regularly monitors its cash activities in compliance with its cash management policy.

As of September 30, 2021, the Company's interest rate risk mainly relates to the cash balances and were considered to be minimal.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar. As of September 30, 2021, sensitivity to a plus or minus 10% change in US dollar foreign exchange rate would affect the reported comprehensive loss by approximately \$217,000.

15. Related Party Transactions

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's Officers (including VP's and SVP's) and members of the Company's Board of Directors.

Compensation awarded to key management personnel is as follows:

	Three months ended September 30, 2021	Three months ended September 30, 2020
Consulting fee - Emmcap Corp. (i)	-	75,000
Consulting fee - Seek Capital Management (ii)	-	15,000
Consulting fee- Bay Street Mercantile (iii)	-	15,000
Salaries	510,658	141,419
Director fees	34,286	-
Lease payments (iv)	38,934	27,289
Sub-contractor fees (v)	-	3,974
Share-based compensation	461,598	-
Total	1,045,476	277,682

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15. Related Party Transactions (continued)

(i) Emmcap Corp. is controlled by the CEO of the Company. As at September 30, 2021, the Company owed \$13,760 (June 30, 2021 - \$nil) to the CEO for reimbursement of expenses incurred on behalf of the Company. The amount is included in accounts payable and accrued liabilities.

(ii) Seek Capital is controlled by a director of the Company. As at September 30, 2021, Seek Capital was owed \$11,428 (June 30, 2021 - \$34,286) which was included in accounts payable and accrued liabilities.

(iii) Bay Street Mercantile is controlled a director of the Company. As at September 30, 2021, Bay Street Mercantile was owed \$11,428 (June 30, 2021 - \$34,286) which was included in accounts payable and accrued liabilities.

(iv) During the three months ended September 30, 2021, the Company made lease payments of \$38,934 (2020 - \$27,289) to a company controlled an officer of the Company for the use of an office space.

(v) During the three months ended September 30, 2020, the Company paid sub-contract fees of \$3,974 to a company by controlled an officer of the Company.

(vi) As of September 30, 2021, the loan payable to related party, due to an officer of the Company, is \$252,312 (June 30, 2021 - \$49,576), which is unsecured, due on demand and non-interest bearing.

(vii) As of September 30, 2021, the Company owed \$nil (June 30, 2021 - \$248,078) to two officers for consideration payable for the Cedar Acquisition (note 3).

16. Cost of Services

	Three months ended September 30, 2021	Three months ended September 30, 2020
Salaries and wages to psychiatric service providers	764,132	398,783
Amortization of ROU assets	210,931	80,871
Total	975,063	479,654

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17. Segmented Information

The Company has two reportable segments related to its outpatient mental health clinics business which it operates in the United States and corporate administration in Canada. The disclosure with regards to the Company's aforementioned segments and locations are listed below:

Three months September 30, 2021	Mental Health Clinics	Corporate	Consolidated
Revenue	1,857,750	-	1,857,750
Cost of sales	975,063	-	975,063
Gross profit	882,687	-	882,687
Total expenses	2,021,151	1,707,224	3,728,375
Other expense	-	(262,184)	(262,184)
Deferred tax recovery	(5,000)	-	(5,000)
Net loss	(1,133,464)	(1,969,408)	(3,102,872)

Three months September 30, 2020

Revenue	873,281	-	873,281
Cost of sales	479,654	-	479,654
Gross profit	393,627	-	393,627
Total expenses	482,867	530,704	1,013,571
Other income	-	110,058	110,058
Income tax recovery	(16,272)	-	(16,272)
Net loss	(72,968)	(420,646)	(493,614)

As at September 30, 2021	Mental Health Clinics	Corporate	Consolidated
Non-current assets	8,001,211	-	8,001,211
Total assets	9,609,482	7,046,043	16,655,525
Total liabilities	6,089,793	771,299	6,861,092

As at June 30, 2021

Non-current assets	6,147,819	-	6,147,819
Total assets	7,385,976	9,765,292	17,151,268
Total liabilities	4,306,761	583,925	4,890,686

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18. Contingent liability

On July 22, 2021, the Company received a demand letter from a former employee claiming wrongful dismissal damages equal to approximately their annual salary, to be paid out in lump sum, and continuation of benefits for 6 months. The matter is in its infancy and no litigation has been commenced. At this stage, management is not able to reasonably assess a likely outcome or financial impact.

19. Subsequent event

The Company entered into a lease agreement whereby the Company leased a clinical facility located in Draper, Utah (the "Wheeler Park Clinic") for 63 months commencing November 1, 2021. The Company's lease commitments over the term are US\$276,102.