Novamind Inc.

(formerly Hinterland Metals Inc.)

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended December 31, 2020

(Expressed in Canadian Dollars)

(Unaudited)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Novamind Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Novamind Inc.
(formerly Hinterland Metals Inc.)
Condensed Interim Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	As at December 31, 2020	As at June 30, 2020
Assets		
Current Assets		
Cash	$ 10,868,742	$ 2,845,018
Subscription receivable	-	52,500
Accounts receivable	332,230	-
Prepaid expenses	26,156	18,667
Marketable securities (note 6)	253,384	147,461
Total Current Assets	11,480,512	3,063,646
Convertible debenture receivable (note 10)	1,540,684	1,139,590
Interest receivable (note 10)	113,406	48,169
Marketable securities (Note 6)	-	49,154
Property and equipment (note 7)	298,777	-
Right of-use-asset (Note 8)	3,410,944	-
Intangible assets (note 9)	727,329	-
Goodwill (note 9)	1,477,171	-
Total Assets	$ 19,048,823	$ 4,300,559
Liabilities		
Current Liabilities		
Accounts payable	$ 829,448	$ 329,413
Accrued liabilities	1,029,448	115,034
Loan payable to related party (note 18)	50,928	-
Lease liabilities (note 11)	368,690	-
Government loan payable (note 12)	2,287	-
Income tax payable	7,377	-
Total Current Liabilities	2,288,178	444,447
Government loan payable (note 12)	192,335	-
Lease liabilities (note 11)	3,185,699	-
Deferred income tax liability (Note 23)	220,000	-
Total Liabilities	5,886,212	444,447
Shareholders' Equity		
Share capital (note 13)	16,872,138	4,334,505
Shares to be issued (note 4)	743,125	727,500
Warrants (note 14)	870,514	123,601
Contributed surplus (note 14)	204,882	-
Accumulated other comprehensive (loss)	(137,057)	-
Deficit	(5,390,991)	(1,329,494)
Total Shareholders' Equity	13,162,611	3,856,112
Total Liabilities and Shareholders' Equity	$ 19,048,823	$ 4,300,559

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

Nature of Operations and Going Concern (Note 1)

On Behalf of the Board: *"Yaron Conforti"* **Director** *"Sruli Weinreb"* **Director**

Novamind Inc.
(formerly Hinterland Metals Inc.)
Condensed Interim Consolidated Statement of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended December 31, 2020	Three months ended December 31, 2019	Six months ended December 31, 2020	Period from May 22, 2019 (Date of incorporation) to December 31, 2019
Revenues				
Service fee income	$ 1,236,568	$ -	$ 2,108,166	$ -
Clinical trial income	52,260	-	53,943	-
	1,288,828	-	2,162,109	-
Cost of services (note 19)	698,202	-	1,162,430	-
Gross margin	590,626	-	999,679	-
Expenses				
Consulting fees	416,268	343,917	481,391	383,917
Depreciation and amortization (notes 7,8 and 9)	114,843	-	169,020	-
Interest expense and bank charges	91,351	-	150,720	-
Stock-based payments (Notes 13,14 and 15)	664,814	-	664,814	472,500
Professional fees	450,419	-	726,460	-
Office and general	87,368	47,707	287,661	47,957
Advertising and promotion	236,650	11,030	337,713	16,523
Filing fees	15,000	-	20,650	-
Salaries and wages	791,078	-	1,005,252	-
Software license fees	75,485	-	120,180	-
Sub-contract fees	5,922	-	14,334	-
Total Expenses	2,949,198	402,654	3,978,195	920,897
Other (Income) Expense				
RTO transaction cost	1,379,144	-	1,379,144	-
Foreign exchange	19,551	-	(14,911)	-
Unrealized gain of marketable securities (note 6)	(156,694)	-	(200,221)	-
Interest income	(32,339)	-	(64,408)	-
				-
Loss before income taxes	(3,568,234)	(402,654)	(4,078,120)	(920,897)
Deferred income tax recovery (Note 23)	(351)	-	(16,623)	-
Net loss for the period	$ (3,567,883)	$ (402,654)	$ (4,061,497)	$ (920,897)
Other comprehensive loss				
Foreign currency translation differences	(126,606)	-	(137,057)	-
Net loss and comprehensive loss for the period	$ (3,694,489)	$ (402,654)	$ (4,198,554)	$ (920,897)
Basic and diluted net loss per share	$ (0.11)	$ (0.03)	$ (0.13)	$ (0.17)
Weighted average number of common shares outstanding	33,399,926	13,149,457	30,316,865	5,424,888

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

Novamind Inc.
(formerly Hinterland Metals Inc.)
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share Capital					Other		
	Number	Amount	Shares to be issued	Warrant reserves	Contributed surplus	comprehensive loss	Deficit	Total
Balance, May 22, 2019								
(date of incorporation)	**-**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Shares issued in private placements	15,000,000	1,380,000	-	-	-	-	-	1,380,000
Net loss for the period	-	-	-	-	-	-	(920,897)	(920,897)
Balance, December 31, 2019	**15,000,000**	**$ 1,380,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (920,897)**	**$ 459,103**
Balance, June 30, 2020	**23,426,249**	**$ 4,334,505**	**$ 727,500**	**$ 123,601**	**$ -**	**$ -**	**$ (1,329,494)**	**$ 3,856,112**
Shares issued in private placements	12,640,000	11,056,000	(727,500)	-	-	-	-	10,328,500
Share issuance costs	-	(1,115,384)	-	486,643	-	-	-	(628,741)
Shares issued and to be issued for the Cedar Acquisition	2,562,500	1,025,000	743,125	-	-	-	-	1,768,125
Conversion of Hinterland shares and consideration for RTO	1,372,017	1,372,017	-	338	-	-	-	1,372,355
Shares and warrants issued for consulting services	200,000	200,000	-	117,882	-	-	-	317,882
Warrants issued for consulting services	-	-	-	142,050	-	-	-	142,050
Stock-based compensation	-	-	-	-	204,882	-	-	204,882
Net loss for the period	-	-	-	-	-	(137,057)	(4,061,497)	(4,198,554)
Balance, December 31, 2020	**40,200,766**	**$ 16,872,138**	**$ 743,125**	**$ 870,514**	**$ 204,882**	**$ (137,057)**	**$ (5,390,991)**	**$ 13,162,611**

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

Novamind Inc.
(formerly Hinterland Metals Inc.)
Condensed Interim Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Six months ended December 31, 2020	Period from May 22, 2019 (Date of incorporation) to December 31, 2019
Operating activities		
Net loss for the period	$ (4,061,497)	$ (920,897)
Unrealized gain of investment	(200,221)	-
Gain on foreign exchange	(25,322)	-
Share based compensation	-	472,500
Depreciation and amortization	364,995	-
Interest expense	138,202	-
Income tax recovery	(16,623)	-
RTO transaction cost	1,379,144	-
Stock-based compensation	664,814	-
	(1,756,508)	(448,397)
Changes in non-cash working capital:		
Accounts receivable	41,713	(48,925)
Interest receivable	(65,237)	-
Prepaid expenses	(3,456)	(3,164)
Accounts payable and accrued liabilities	673,352	128,255
Cash flows used in operating activities	(1,110,136)	(372,231)
Investing activities		
Purchase of property and equipment	(282,202)	-
Investment in convertible debenture	(232,320)	(177,092)
Cash obtained upon Cedar Acquisition	429,436	-
Cash paid for Cedar Acquisition	(500,000)	-
Cash obtained upon RTO	175,178	-
Cashflows from investing activities	(409,908)	(177,092)
Financing activities		
Shares issued in private placements	9,752,259	1,380,000
Proceeds from loan payable	-	15,018
Payment on lease liabilities	(189,046)	-
Cash flows provided by financing activities	9,563,213	1,395,018
Change in cash	8,043,169	845,695
Impact of foreign exchange on cash	(19,445)	-
Cash, beginning of period	2,845,018	-
Cash, end of period	$ 10,868,742	$ 845,695

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

1. Nature of Operations and Going Concern

Novamind Ventures Inc. ("Novamind" or "the Company") was incorporated under the name “The Psychedelic Pharma Company Inc.” pursuant to the Ontario Business Corporations Act on May 22, 2019. On October 15, 2019, the Company changed its name to “Novamind Ventures Inc.”. The head office and registered office of the Company is located at 10 Wanless Ave Suite 201, Toronto, ON, Canada, M4N 1V6.

Novamind Inc. (formerly Hinterland Metals Inc. ("Hinterland")), incorporated under the Canada Business Corporations Act, is a leading mental health company enabling safe access to psychedelic medicine through a network of clinics, retreats, and clinical research sites.

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 December 31, 2020, the Company’s accumulated deficit was $5,390,991. 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. If additional financing is arranged through the issuance of shares, control of the Company may change and shareholders may suffer significant dilution.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID 19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID 19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

These financial statements do not give effect to adjustments to the carrying values of assets and liabilities, the reported expenses, and the statement of financial position classifications 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.

On July 22, 2020, the Company acquired 100% of the issued and outstanding shares of Cedar Psychiatry Inc. and Cedar Clinical Research Inc. (CCR) (collectively "Cedar Group") pursuant to a stock purchase agreement dated July 22, 2020 and amended on November 19, 2020, among the Company, Psychosomatics, LLC and Probatio, LLC. (the “Cedar Acquisition”) (Note 4).

1. Nature of Operations and Going Concern (continued)

On December 22, 2020, the Company completed a reverse takeover ("RTO") of Hinterland, whereby Hinterland acquired all the issued and outstanding common shares of the Company on the basis of one Hinterland share for every four common shares of the Company (the “Transaction”). The Transaction was structured as a three-corner amalgamation pursuant to which the Company amalgamated with a wholly owned subsidiary of Hinterland, 2784326 Ontario Inc., to form an amalgamated entity. As consideration for acquiring 100% of the outstanding common shares of the Company, Hinterland issued 38,628,749 common shares to the shareholders of the Company. Subsequent to the Transaction, Hinterland changed its name to Novamind Inc.

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 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 financial statements for the period from May 22, 2019 (date of incorporation) to June 30, 2020, which were prepared in accordance with IFRS as issued by IASB.

The accounting policies and methods of application applied by the Company in these financial statements are the same as those applied in the Company’s most recent audited financial statements for the period from May 22, 2019 (date of incorporation) to June 30, 2020.

The preparation of these financial statements in conformity with IFRS also requires management to make estimates and judgements that may have a significant impact on these 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 financial statements for the period from May 22, 2019 (date of incorporation) to June 30, 2020 and are the same as those applied for the three and six months ended December 31, 2020 except for the those listed in note 3 Significant Accounting Policies.

These financial statements were authorized for issuance by the Board of Directors of the Company on March 1, 2021.

2. Basis of Presentation (continued)

Basis of preparation and functional currency

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

These financial statements are presented in Canadian dollars which is also the Company's functional currency. The functional currency of Cedar Psychiatry Inc. and Cedar Clinical Research Inc. is the US dollar. The fuctional currency of Hinterland is the Canadian dollar.

Basis of Consolidation

These unaudited condensed interim 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 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.

These unaudited condensed interim consolidated financial statements include the accounts of the following entities:

Entity	Country of Incorporation	Ownership Percentage
Novamind Inc. - legal parent	Canada	-
Novamind Venturers Inc.	Canada	100%
Cedar Psychiatry Inc.	USA	100%
Cedar Clinical Research Inc.	USA	100%

3. Significant Accounting Policies

Revenue recognition

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

a. Identifying the contract with a customer;
b. Identifying the performance obligations;
c. Determining the transaction price;
d. Allocating the transaction price to the performance obligations; and
e. Recognizing revenue when/as performance obligation(s) are satisfied.

Service fee income

The Company earns service income through provision of outpatient mental health services including psychotherapy, psychiatric medication management, transcranial magnetic stimulation, and ketamine-assisted psychotherapy. Service income is measured at the amount of transaction price that is allocated to a performance obligation. The transaction price that is allocated to each performance obligation is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised medical services to a patient. Service revenue is recognized upon completion of medical services, which are determined when services have been provided to a patient and no significant obligations from the Company remains.

Clinical trial income

The Company earns clinical trial income through the hosting of clinical trials for emerging treatment options in neuropsychiatry. These trials are hosted on behalf of third-party sponsors. The transaction price is allocated to each clinical trial and research task on an estimated standalone price basis, for the Company recognizes revenue as or when such a task under the contract is satisfied. The progress of each clinical trial is highly variable and therefore, the timing of clinical trial income is unpredictable.

Cost of services

Cost of services includes the expenses incurred to provide services to patients and customer, which are the related labor costs and depreciation expense on the TMS systems.

3. Significant Accounting Policies (continued)

Equipment and right-of-use assets

Equipment and right-of-use assets are stated at cost less accumulated depreciation. The cost of repairs and maintenance is expensed as incurred. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from property and equipment and any gain or loss is reflected as a gain or loss from operations.

The estimated useful lives are:

Furniture and equipment	1-5 years
Medical equipment	1-5 years
Leasehold improvements	Lease terms
Right-of-use assets	Lease terms

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a lease liability and a right-of-use asset at the lease commencement date. The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

3. Significant Accounting Policies (continued)

Leases (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for property and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are presented as property and equipment and the lease liabilities are presented as loans on the combined statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for the short-term leases that have a lease term of 12 months or less and recognizes the lease payments as an expense to profit or loss on a straight-line basis over the term of the lease.

Business combination

Acquisitions of business are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets acquired, liabilities incurred or assumed and equity instruments issued by the Company to the former owners of the acquiree in exchange for control of the acquire. Acquisition-related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

3. Significant Accounting Policies (continued)

Business combination (continued)

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the consideration of the acquisition over the Company's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in profit or loss immediately. Goodwill may also arise as a result of the requirement under IFRS to record a deferred tax liability on the excess of the fair value of the acquired assets over their correspondence tax bases, with the corresponding offset recorded as goodwill.

In the case of the amount of the net of the amounts of the identifiable assets acquired and the liabilities assumed exceeding the fair value of the consideration, the Company recognizes the resulting amount in profit or loss on the acquisition date.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

3. Significant Accounting Policies (continued)

Intangible assets (continued)

Customer relationships, brand and non-compete clause

The Company acquired patient relationships and brand name as part of the acquisition of the Cedar Group.

Patient relationships	5 years
Brand name	5 years

Goodwill

Goodwill is only recognized as part of business combinations and is made up of intangible assets with indefinite useful lives that cannot be identified separately. Goodwill is measured at historical cost less any impairment losses. Goodwill is not amortized, but is systematically tested for impairment annually in the fourth quarter or earlier if there is an indication of impairment. An increase in interest rates and a drop-in sales or in operating profit are some of the indicators of impairment that management monitors.

Significant accounting judgments and estimates

Application of accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income or loss, assets and liabilities recognized and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made.

Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

The following areas require significant estimates or judgment by management.

Segmented Information

The Company's Chief Executive Officer has been identified as the Chief Operating Decision Maker (the "CODM") with respect to segmented information disclosures. The CODM represents the appropriate level of management to analyze and determine the distinct operating segments of the Company. The CODM examines the Company's performance both from a service and geographic perspective and has identified two reportable segments of its business, namely the US and the Canadian operations.

3. Significant Accounting Policies (continued)

Significant accounting judgments and estimates (continued)

Leases

All the components of the lease liability are required to be discounted to reflect the present value of the payments. The discount rate to use is the rate implicit in the lease, unless this cannot readily be determined, in which case the lessee's incremental borrowing rate is used instead. The definition of the lessee's incremental borrowing rate states that the rate should represent what the lessee would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. Significant judgment is required to estimate an incremental borrowing rate in the context of a right-of-use asset.

Business combination

When the Company completes an acquisition, management is required to make judgments to determine whether the acquisition meets the definition of a business under IFRS 3 – Business Combinations.

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may determine the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair value allocation of certain purchase prices and accounting adjustments.

In addition, the Company may provide contingent consideration as part of the purchase price for acquisitions of businesses and/or assets. Management is required to make judgments and estimates of the future performance of the acquired business and/or assets in order to determine the amount of contingent consideration to be recognized at acquisition and at each subsequent reporting date. During the period ended September 30, 2020, the Company completed the acquisition of Cedar Group (note 4).

(Expressed in Canadian Dollars)

4. Acquisition of Cedar Group

On July 22, 2020, the Company acquired 100% of the issued and outstanding shares of Cedar Group pursuant to a stock purchase agreement dated July 22, 2020. The consideration in connection with the Cedar Acquisition consisted of (i) the issuance of 20,500,000 of the Company Shares at a deemed price of $0.10 per share, to be issued on the following schedule: 10,250,000 on closing of the Cedar Acquisition; 5,125,000 payable six months after the closing of the Cedar Acquisition; and 5,125,000 payable 12 months after the closing of the Cedar Acquisition, and (ii) cash payments totaling $1,000,000 to be paid according to the following schedule: $500,000 on closing of the Cedar Acquisition; $250,000 payable six months after closing of the Cedar Acquisition; and $250,000 payable 12 months after closing of the Cedar Acquisition. During the three months ended September 30, 2020, the Company paid $500,000 and issued 8,250,000 common shares for Cedar Acquisition. As at September 30, 2020, the Company recorded $469,406 consideration payable which was included in accrued liabilities and recorded $943,125 shares to be issued.

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 allocation purchase price calculation is as follows:

Consideration - cash	$	958,824
Consideration - shares		1,768,125
Total consideration paid	$	2,726,949
Identifiable assets acquired		
Cash	$	429,436
Accounts receivable		368,561
Prepaid expenses		8,035
Property and equipment		63,307
Right-of-use assets		1,470,892
Accounts payable		(92,737)
Lease liabilities		(1,470,892)
Deferred tax liability		(244,000)
Loan payable to related party		(53,563)
Government loan payable		(193,414)
Patient relationship		494,165
Brand name		393,993
Total identifiable assets acquired		1,173,783
Total goodwill		1,553,166
	$	2,726,949

(Expressed in Canadian Dollars)

4. 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.

Operating results have been included in these unaudited condensed interim consolidated financial statements from the date of the acquisition. Cedar Group's revenue and net income for the period from the date of acquisition to December 31, 2020 included in the unaudited condensed interim consolidated statement of loss and comprehensive loss are $2,162,109 and $706,707, respectively. Had the above noted business combination occurred on July 1, 2020, Cedar Group's revenue and net income included in the unaudited condensed interim consolidated statement of loss and comprehensive loss would have been $2,478,212 and $633,968, respectively.

5. Reverse takeover

The share capital of each company prior to the RTO was as follows:

Hinterland	**Number of Common Shares**	**Amount ($)**
Balance, September 30, 2020	**455,377**	**5,553,709**
Conversion of convertible debentures	916,640	248,288
Balance, December 22, 2020, prior to the RTO	**1,372,017**	**5,801,997**

Novamind	**Number of Common Shares**	**Amount ($)**
Balance, September 30, 2020	**28,128,749**	**6,147,548**
Shares issued in private placement	10,000,000	8,960,782
Shares issued for the Cedar Acquisition	500,000	200,000
Balance, December 22, 2020, prior to the RTO	**38,628,749**	**15,308,330**

(Expressed in Canadian Dollars)

5. Reverse takeover (continued)

On December 22, 2020, the Company completed a reverse takeover ("RTO") of Hinterland, whereby Hinterland acquired all the issued and outstanding common shares of the Company on the basis of one Hinterland share for every four common shares of the Company. The Transaction was structured as a three-corner amalgamation pursuant to which the Company amalgamated with a wholly owned subsidiary of Hinterland, 2784326 Ontario Inc., to form an amalgamated entity. As consideration for acquiring 100% of the outstanding common shares of the Company, Hinterland issued 38,628,749 common shares to the shareholders of the Company. Subsequent to the Transaction, Hinterland changed its name to Novamind Inc.

As a result of the share exchange between Hinterland and Novamind described above, the former shareholders of Novamind acquired control of the Company. Accordingly, the acquisition is accounted for as a reverse takeover of Hinterland, Hinterland does not constitute a business as defined under IFRS 3 Business Combination. The Transaction is accounted for under IFRS 2 Share-Based Compensation. As Novamind is deemed to be the accounting acquirer for accounting purposes, its assets, liabilities and operations are included in the financial statements at their historical carrying value.

Based on the unaudited condensed interim consolidated statement of financial position of Hinterland at the time of the RTO, the net assets at estimated fair value that were acquired by Novamind were $177,739 and the resulting transaction cost charged to the unaudited condensed interim consolidated statement of loss and comprehensive loss is as follows:

Consideration		
Common 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		
Transaction cost		1,379,144
Total net identifiable assets and transaction cost	**$**	**1,556,883**

The fair value of 1,372,017 issued common shares of the Company was estimated using $1.00 per share.

(Expressed in Canadian Dollars)

5. Reverse takeover (continued)

The Company will be deemed to have assumed 31,000 share purchase warrants exercisable at a price of $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 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%

6. Marketable Securities

On January 15, 2020, the Company acquired an aggregate of 166,666 common shares of Field Trip Psychedelics Inc. ("Field Trip"), a private company, at a price of US$0.90 per share for gross payment of $196,615. During the three months ended September 30, 2020, Field Trip completed the reverse take-over transaction with a Canadian listed company (the “Listed Company”) and exchanged its shares for the shares of the Listed Company on the basis of one for one. As at December 31, 2020, the marketable securities were valued at $253,384. The shares are subject to lock-up restrictions whereby 25% of the shares will release on November 30, 2020, 25% on January 29, 2021, 25% on May 29, 2021 and 25% on July 28, 2021.

(Expressed in Canadian Dollars)

7. Property and Equipment

Cost	Furniture and Equipment	Medical Equipment	Leasehold Improvement	Total
June 30, 2020	$ -	$ -	$ -	$ -
Acquired on acquisition	62,628	679	-	63,307
Addition	24,371	-	257,831	282,202
Foreign exchange	(4,288)	(33)	(12,707)	(17,028)
December 31, 2020	$ 82,711	$ 646	$ 245,124	$ 328,481
Accumulated Amortization				
June 30, 2020	$ -	$ -	$ -	$ -
Amortization	13,696	169	16,751	30,616
Foreign exchange	(408)	(5)	(499)	(912)
December 31, 2020	$ 13,288	$ 164	$ 16,252	$ 29,704
Carrying Value				
At June 30, 2020	$ -	$ -	$ -	$ -
At December 31, 2020	$ 69,423	$ 482	$ 228,872	$ 298,777

8. 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	1,968,674	340,992	2,309,666
Foreign exchange	(134,771)	(27,510)	(162,281)
Balance, December 31, 2020	$ 3,015,590	$ 602,687	$ 3,618,277
Depreciation			
Balance, June 30, 2020	$ -	$ -	$ -
Depreciation	139,351	74,349	213,700
Foreign exchange	(4,152)	(2,215)	(6,367)
December 31, 2020	$ 135,199	$ 72,134	$ 207,333
Net book value			
Balance, June 30, 2020	$ -	$ -	$ -
December 31, 2020	$ 2,880,391	$ 530,553	$ 3,410,944

(i) Transcranial magnetic stimulation is defined as “TMS”,

(Expressed in Canadian Dollars)

9. Goodwill and Intangible Assets

		Goodwill		Patient relationships		Brand name		Total intangible assets
Cost								
Balance, June 30, 2020	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
Additions upon acquisition		1,553,166		494,165		393,993		888,158
Foreign exchange differences		(75,995)		(119,589)		75,817		(43,772)
Balance, December 31, 2020	**$**	**1,477,171**	**$**	**374,576**	**$**	**469,810**	**$**	**844,386**
Amortization								
Balance, June 30, 2020	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
Amortization		-		53,534		67,145		120,679
Foreign exchange differences		-		(1,607)		(2,015)		(3,622)
Balance, December 31, 2020	**$**	**-**	**$**	**51,927**	**$**	**65,130**	**$**	**117,057**
Net book value								
Balance, June 30, 2020	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
Balance, December 31, 2020	**$**	**1,477,171**	**$**	**322,649**	**$**	**404,680**	**$**	**727,329**

10. Convertible Debenture Receivable

		Investment in Synthesis Convertible Loan		Investment in ATAI Convertible Note		Total
Balance, May 22, 2019	**$**	**-**	**$**	**-**	**$**	**-**
Additions		1,121,575		-		1,121,575
Fair value (loss)		(8,285)		-		(8,285)
Foreign exchange differences		26,300		-		26,300
Balance, June 30, 2020	**$**	**1,139,590**	**$**	**-**	**$**	**1,139,590**
Additions		-		232,320		232,320
Unrealized fair value gain		89,595		53,857		143,452
Foreign currency gain		22,824		2,498		25,322
Balance, December 31, 2020	**$**	**1,252,009**	**$**	**288,675**	**$**	**1,540,684**

On November 18, 2019, the Company entered into a convertible loan agreement (the "Synthesis Investment Agreement") with Synthesis Institute B.V. ("Synthesis"). Pursuant to the Synthesis Investment Agreement, the Company advanced a €750,000 ($1,121,575) aggregate principal amount of convertible loan to Synthesis (the "Convertible Loan"). The Convertible Loan (i) has a maturity date of May 19, 2021; (ii) accumulates 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 then outstanding Convertible Loan principal and 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 was extended to October 15, 2021 and the conversion terms were amended to - upon Synthesis completing the Synthesis Financing, the then outstanding Convertible Loan principal and interest shall convert into Synthesis Shares, whereby – as to valuation - a cap of €9,600,000 and a discount of 15% shall apply to the price of the Synthesis Shares offered pursuant to the Synthesis Financing.

10. Convertible Debenture Receivable (continued)

During the three and six months ended December 31, 2020, the Company accrued interest income of $29,371 and $59,160, respectively and as at December 31, 2020, had an interest receivable of $108,134.

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 three and six months ended December 31, 2020, the Company accrued interest income of $2,937 and $5,217, respectively and as at December 31, 2020, had an interest receivable of $5,228.

(Expressed in Canadian Dollars)

11. 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 six years and the transcranial magnetic stimulation systems ("TMS systems") with a four-year term. The leases are calculated using an incremental borrowing rate of 9% per annum.

	Offices	TMS Systems	Total
June 30, 2020	$ -	$ -	$ -
Additions upon acquisition	1,181,687	289,205	1,470,892
Additions	1,968,674	337,018	2,305,692
Accretion	103,887	23,246	127,133
Lease payment	(108,882)	(80,164)	(189,046)
Foreign exchange	(134,623)	(25,659)	(160,282)
December 31, 2020	$ 3,010,743	$ 543,646	$ 3,554,389
Allocated as:			
Current	214,987	153,703	368,690
Non-current	2,795,756	389,943	3,185,699
December 31, 2020	$ 3,010,743	$ 543,646	$ 3,554,389

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

Maturity analysis	**December 31, 2020**
Less than one year	$ 665,121
One to three years	1,363,067
Three to five years	1,052,751
Greater than five years	2,020,466
Total undiscounted lease liabilities	5,101,405
Amount representing implicit interest	(1,547,016)
Lease liabilities	$ 3,554,389

(Expressed in Canadian Dollars)

12. Government Loans Payable

		December 31, 2020
Balance, beginning	$	-
Additions upon acquisition		193,414
Interest		10,952
Foreign exchange		(9,744)
December 31, 2020	$	194,622
Allocated as:		
Current		2,287
Non-current		192,335
December 31, 2020	$	194,622

The government loans payable represent are made up of a US$175,000 loan (the "PPP Loan") of Cedar Group under the United States Small Business Administration ("SBA") Paycheck Protection Program pursuant to the recently adopted Coronavirus Aid, Relief, and Economic Security Act and a US$10,000 small business bridge loan (the "SBB Loan") from the Governor's Office of Economic Development of State of Utah.

The PPP Loan is guaranteed by the SBA, matures on April 15, 2022 and bears interest at 1% per annum. The loan was recognized at fair value on the acquisition date of the Cedar Group using the effective interest rate of 15%, $184,479.

All or a portion of the PPP Loan may be forgiven if the Cedar Group maintains its employment and compensation within certain parameters during the eight-week to twenty-four-week period following the loan origination date and the proceeds of the loan are spent on payroll costs. As of the date of authorization for issue, the Company is in the process of assessing its eligibility for the loan forgiveness.

The SBB Loan is unsecured, non-interest bearing and payable with a monthly instalment of US$209 commencing on May 1, 2021 with the final payment due on April 1, 2025. The loan was recognized at fair value on the acquisition date of the Cedar Group using the effective interest rate of 15%, $8,935.

(Expressed in Canadian Dollars)

13. Share Capital

(a) Authorized

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

(b) Issued and outstanding - Common Shares

	Shares		Consideration
Balance, as at May 22, 2019 (date of incorporation)	-	$	-
Shares issued in private placements (i)(ii)(iii)(iv)(v)(vi)(vii)	23,426,249		4,750,500
Share issuance costs - cash (iv)(v)(vi)(vii)	-		(292,394)
Share issuance costs - warrants (iv)(v)(vi)(vii)	-		(123,601)
Balance, June 30, 2020	23,426,249	$	4,334,505
Shares issued in private placements (viii)(ix)	12,640,000		11,056,000
Share issuance costs - cash (viii)(ix)	-		(628,741)
Share issuance costs - warrants (viii)(ix)	-		(486,643)
Shares issued for Cedar Acquisition (note 4)	2,562,500		1,025,000
Conversion of Hinterland shares and consideration for RTO (note 5)	1,372,017		1,372,017
Shares issued for consulting services (xi)	200,000		200,000
Balance, December 31, 2020	40,200,766	$	16,872,138

(i) On September 30, 2019, the Company issued 31,500,000 common shares to related parties with each share valued at $0.02 for gross consideration of $630,000 (the “September Financing”). Out of the gross consideration the Company received cash proceeds of $157,500 with the remainder of $472,500 being recorded as share-based payments. The fair value of the shares was determined using the most recent private placement closed after the September Financing.

(ii) On October 18, 2019, the Company issued 22,500,000 common shares at $0.02 per share for gross proceeds of $450,000.

(iii) On November 15, 2019, the Company issued 6,000,000 common shares at $0.05 per share for gross proceeds of $300,000.

(iv) On January 8, 2020, the Company issued 8,950,000 common shares at $0.10 per share for gross proceeds of $895,000. The Company incurred share issuance costs of $64,588 and issued 626,500 broker warrants with each broker warrant exercisable into one common share of the Company at $0.10 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: one year expected life; 100% expected volatility; risk-free interest rate of 1.66%; and an expected dividend yield of 0%. The fair value assigned to these broker warrants was $33,107.

13. Share Capital (continued)

(b) Issued and outstanding - Common Shares (continued)

(v) On March 20, 2020, the Company issued 7,125,000 common shares at $0.10 per share for gross proceeds of $712,500. The Company incurred share issuance costs of $49,875 and issued 498,750 broker warrants with each broker warrant exercisable into one common share of the Company at $0.10 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 0.56%; and an expected dividend yield of 0%. The fair value assigned to these broker warrants was $26,094.

(vi) On June 19, 2020, the Company issued 6,725,000 common shares at $0.10 per share for gross proceeds of $672,500, $12,500 of which was received subsequent to the period ended June 30, 2020. The Company incurred share issuance costs of $47,075 and issued 470,750 broker warrants with each broker warrant exercisable into one common share of the Company at $0.10 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 0.26%; and an expected dividend yield of 0%. The fair value assigned to these broker warrants was $24,562.

(vii) On June 29, 2020, the Company issued 10,905,000 common shares at $0.10 per share for gross proceeds of $1,090,500, $40,000 of which was received subsequent to the period ended June 30, 2020. The Company incurred share issuance costs of $132,794 and issued 763,350 broker warrants with each broker warrant exercisable into one common share of the Company at $0.10 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 $39,838.

(viii) On July 14, 2020, the Company issued 10,560,000 common shares at $0.10 per share for gross proceeds of $1,056,000, $727,500 of which was received during the period ended June 30, 2020 as shares to be issued. The Company incurred share issuance costs of $29,379 and issued 739,200 broker warrants with each broker warrant exercisable into one common share of the Company at $0.10 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.

(Expressed in Canadian Dollars)

13. Share Capital (continued)

(b) Issued and outstanding - Common Shares (continued)

(ix) On November 16, 2020, Novamind completed a private placement offering of 10,000,000 subscription receipts at $1.00 per unit for gross proceeds of $10,000,000 (the "Financing"). Each subscription receipt was automatically exercised into four (4) Novamind common shares prior to the closing of the Transaction and such Novamind common shares were then exchanged for post-consolidated common shares of Hinterland pursuant to the Transaction on the basis of one post-consolidation Hinterland share for each four Novamind shares.

In connection with the Financing, Novamind paid cash finders' fees of $591,153 and issued 2,362,156 broker warrants exercisable at $0.25 for a period of three years. Pursuant to the Transaction, the broker warrants were converted into 590,539 post-consolidated warrants of the Company exercisable at $1.00 per share. 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	0.30%
Estimate life	3 years
Expected volatility	135%
Expected dividend yield	0%
Forfeiture rate	0%

(x) On November 19, 2020, Novamind issued 2,000,000 common shares relating to the acquisition of Cedar Psychiatry Inc. and Cedar Clinical Research Inc. (the "Cedar Acquisition") and $200,000 of shares to be issued was reallocated to share capital. Pursuant to the Transaction, the common shares were exchanged for 500,000 common shares of Hinterland.

(xi) 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 Financing. The share purchase warrants are exercisable into common shares of Hinterland 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 stock-based payments in the unaudited condensed interim consolidated statement of loss and comprehensive loss for the three and six months ended December 31, 2020.

(Expressed in Canadian Dollars)

14. Warrants

The following table reflects the continuity of warrants for the period ended December 31, 2020:

	Number of Broker Warrants	Weighted Average Exercise Price
Balance, May 22, 2019 (date of incorporation)	-	$ -
Issued (Note 13)	589,838	0.40
Balance, June 30, 2020	589,838	$ 0.40
Issued (Note 13)	1,259,362	0.99
Balance, December 31, 2020	1,849,200	$ 0.40

The following table reflects the warrants issued and outstanding as of December 31, 2020:

Expiry Date	Exercise Price ($)	Weighted Average Number of Contractual Life (years)	Broker Warrants Outstanding
January 8, 2022	0.40	1.02	156,624
March 20, 2022	0.40	1.22	124,688
June 19, 2022	0.40	1.47	117,688
June 29, 2022	0.40	1.49	190,838
July 14, 2022	0.40	1.53	184,800
November 16, 2023	1.00	2.88	590,539
December 23, 2022	1.50	1.98	200,000
December 23, 2021	1.00	0.98	284,023
	0.80	1.85	1,849,200

On December 23, 2020, the Company issued 284,023 share purchase warrants pursuant to consulting agreements. The share purchase warrants are exercisable into common shares of Hinterland 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	0.16%
Estimate life	1 year
Expected volatility	135%
Expected dividend yield	0%
Forfeiture rate	0%

The fair value of the warrants issued was recorded in stock-based payments in the unaudited condensed interim consolidated statement of loss and comprehensive loss for the three and six months ended December 31, 2020.

(Expressed in Canadian Dollars)

15. 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	3,571,052	0.40
Balance, December 31, 2020	**3,571,052**	**0.40**

The following table reflects the actual stock options issued and outstanding as of December 31, 2020:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
April 30, 2025	0.40	4.33	125,000	83,333
December 11, 2025	0.40	4.95	3,146,052	-
December 22, 2025	0.40	4.98	300,000	-
	0.40	4.93	3,571,052	83,333

(i) On April 30, 2020, the Company granted 125,000 stock options to a consultant. The options vest as to one-third on the date of grant, one-third on the one year anniversary of the grant date and one-third on the two year anniversary of the grant date. During the three and six months ended December 31, 2020, $32,898 in stock-based compensation was recorded in relation to the vesting of these options. The fair value of the options was estimated at $36,947 using the Black Scholes valuation model with the following assumptions:

Risk-free interest rate	0.38%
Estimate life	5 years
Expected volatility	100%
Expected dividend yield	0%
Forfeiture rate	0%

(Expressed in Canadian Dollars)

15. Stock options (continued)

(ii) On December 11, 2020, Novamind granted 12,584,208 options exercisable at $0.10 for a period of five years. Pursuant to the Transaction, the options were converted into 3,146,052 options of Hinterland at an exercise price $0.40 for a period of five years. The options will vest as follows: 25% vest 6 months from the grant date, 25% vest 12 months from the grant date, 25% vest 18 months from the grant date and 25% 24 months from the grant date. During the three and six months ended December 31, 2020, $165,546 in stock-based compensation was recorded in relation to the vesting of these options. The fair value of the options was estimated at $2,896,120 using the Black Scholes valuation model with the following assumptions:

Risk-free interest rate	0.44%
Estimate life	5 years
Expected volatility	135%
Expected dividend yield	0%
Forfeiture rate	0%

(iii) On December 22, 2020, the Company granted 300,000 options exercisable at $1.00 for a period of five years. The options vest one year after the grant date and $nil has been recorded relating to the vesting of the options. $6,438 in stock-based compensation was recorded in relation to the vesting of these options. The fair value of the options was estimated at $261,080 using the Black Scholes valuation model with the following assumptions:

Risk-free interest rate	0.42%
Estimate life	5 years
Expected volatility	135%
Expected dividend yield	0%
Forfeiture rate	0%

16. Capital Management

The Company considers its capital to be its shareholders' equity. As at December 31, 2020, the Company had shareholders' equity of $13,162,611. The Company's objective when managing its capital is to seek continuous improvement in the return to its shareholders while maintaining a moderate to high tolerance for risk. The objective is achieved by prudently managing the capital generated through internal growth and profitability, through the use of lower cost capital, including raising share capital or debt when required to fund opportunities as they arise. The Company may also return capital to shareholders through the repurchase of shares, pay dividends or reduce debt where it determines any of these to be an effective method of achieving the above objective. The Company does not use ratios in the management of its capital. There have been no changes to management's approach to managing its capital during the period ended December 31, 2020.

(Expressed in Canadian Dollars)

17. 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, 2020 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 December 31, 2020:

December 31, 2020	Level 1	Level 2	Level 3	Total
Cash	$ 10,868,742	$ -	$ -	$ 10,868,742
Marketable securities	-	-	253,384	253,384
Convertible debenture receivable	-	-	1,540,684	1,540,684
Interest receivable	-	-	113,406	113,406

Level 3 hierarchy:

The following table presents the changes in fair value measurement of financial instrument classified as Level 3. The financial instrument is measured at fair value utilizing non-observable market inputs.

	Opening balance	Purchases and interest income	Unrealized gain on investment	Foreign exchange	Ending balance at December 31, 2020
Marketable securities	$ 196,615	$ -	$ 56,769	$ -	$ 253,384
Investment in convertible debentures	$ 1,139,590	$ 232,320	$143,452	$ 25,322	$ 1,540,684
Interest receivable	$ 48,169	$ 64,377	$ -	$ 860	$ 113,406

(Expressed in Canadian Dollars)

17. Fair Value and Financial Risk Factors (continued)

Fair Values (continued)

Level 3 hierarchy (continued):

Within Level 3, the Company includes marketable securities subject to a holding period and convertible debenture receivable and interest receivable. The key assumptions of marketable securities include the volatility of the share price of comparable listed companies. The critical assumptions of the convertible debenture and interest receivable include the market interest rates for similar loans and convertible debentures. The market interest rates were determined taking into consideration similar instruments with corresponding maturity dates, plus a credit adjustment in accordance with the borrower's credit worthiness.

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at:

December 31, 2020

Investment name	Valuation technique	Fair value	Unobservable inputs
Field Trip	Recent financing	$ 253,384	Volatility
Convertible debenture receivable	Comparable instruments	$ 1,540,684	Comparable prices
Interest receivable	Comparable instruments	$ 113,406	Comparable prices

As the valuation of investments for which market quotations are not readily available and are inherently uncertain, the values may fluctuate materially within short periods of time and are based on estimates, and determinations of fair value may differ materially from values that would have resulted if a ready market existed for the investments. As at December 31, 2020, a change in the transaction price of 5% would result in an increase/decrease in the fair value estimate of the investment of approximately $15,000, keeping all other variables constant.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. As at December 31, 2020, 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 it operations and anticipating its operating and investing activities. As at December 31, 2020, management believes that its liquidity risk is minimal.

17. 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 and loan receivable. 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 December 31, 2020, the Company's interest rate risk mainly relates to the convertible debenture receivable but its interest rate risk is limited as the convertible debenture receivable is subject to a fixed interest rate.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar. As of December 31, 2020, sensitivity to a plus or minus 10% change in US dollar foreign exchange rate would affect the reported comprehensive loss by approximately $25,000 and sensitivity to a a plus or minus 10% change in Euro foreign exchange rate would affect the reported comprehensive loss by approximately $154,000.

18. Related Party Transactions and Balances

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 Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and members of the Company's Board of Directors.

(Expressed in Canadian Dollars)

18. Related Party Transactions and Balances (continued)

Compensation awarded to key management personnel is as follows:

	Three months ended December 31, 2020	Three months ended December 31, 2019
Consulting fee - Emmcap Corp. (i)	$ 130,000	$ 130,000
Consulting fee - Seek Capital Management (ii)	75,000	60,000
Consulting fee- Bay Street Mercantile (iii)	75,000	60,000
Salaries (v)	123,314	-
Lease payments (vi)	44,225	-
Share-based compensation (i)(iii)(iv)(note 15(iii))	132,658	-
Total	$ 580,197	$ 250,000

	Six months ended December 31, 2020	Period from May 22, 2019 (Date of incorporation) to December 31, 2019
Consulting fee - Emmcap Corp. (i)	$ 205,000	$ 130,000
Consulting fee - Seek Capital Management (ii)	90,000	60,000
Consulting fee- Bay Street Mercantile (iii)	90,000	100,000
Salaries (v)	264,640	-
Lease payments (vi)	71,514	-
Sub-contract fees (vii)	3,974	-
Share-based compensation (i)(iii)(iv)(note 15(iii))	132,658	472,500
Total	$ 857,786	$ 762,500

(i) Emmcap Corp. is controlled by Yaron Conforti, the CEO of the Company. As at December 31, 2020, Emmcap Corp. was owed $16,950 (June 30, 2020 - $37,800) which was included in accounts payable and accrued liabilities. During the period ended December 31, 2020, Emmcap Corp. subscribed to 194,300 common shares of the Company for $194,300 (period from incorporation on May 22, 2019 to December 31, 2019 17,550,000 shares for $193,500). The Company recorded share-based compensation of $19,040 (three and six months ended December 31, 2019 - $nil and $157,500, respectively) to Emmcap Corp during the three and six months ended December 31, 2020.

18. Related Party Transactions and Balances (continued)

(ii) Seek Capital is controlled by Jesse Kaplan, a director of the Company. As at December 31, 2020, Seek Capital was owed $nil (June 30, 2020 - $96,050) which was included in accounts payable and accrued liabilities. During the period ended December 31, 2020, Seek Capital. subscribed to 200,000 common shares of the Company for $200,000. The Company recorded share-based compensation of $19,040 (three and six months ended December 31, 2019 - $nil and $157,500, respectively) to Seek Capital during the three and six months ended December 31, 2020.

(iii) Bay Street Mercantile is controlled by Yisroel Weinreb, a director of the Company. As at December 31, 2020, Bay Street Mercantile was owed $nil (June 30, 2020 - $50,850) which was included in accounts payable and accrued liabilities. During the period ended December 31, 2020, Bay Street Mercantile subscribed to 100,000 common shares of the Company for $100,000 (period from incorporation on May 22, 2019 to December 31, 2019 17,550,000 shares for $193,500). The Company recorded share-based compensation of $19,040 (three and six months ended December 31, 2019 - $nil and $157,500, respectively) to Bay Street Mercantile during the three and six months ended December 31, 2020.

(iv) During the period from incorporation on May 22, 2019 to June 30, 2019, a director of the Company subscribed 17,550,000 common shares of the Company for $193,500. The Company recorded share-based compensation of $19,040 (three and six months ended December 31, 2019 - $nil and $157,500, respectively) to the director during the three and six months ended December 31, 2020.

(v) During the three and six months ended December 31, 2020, the Company paid salaries of $123,314 and $264,640, respectively, to certain officers of the Company. As of December 31, 2020, the Company had a balance of $nil (June 30, 2020 - $nil) due to the officers.

(vi) During the three and six months ended December 31, 2020, the Company made lease payments of $44,225 and $71,514, respectively (three and six months ended December 31, 2020 - $nil) to a company controlled by an officer of the Company for the use of an office space. As at December 31, 2020, the Company had a balance of $nil (June 30, 2020 - $nil) due to the company.

(vii) During the three and six months ended December 31, 2020, the Company paid sub-contract fees of $nil and $3,974, respectively (three and six months ended December 31, 2020 - $nil) to a company controlled by an officer of the Company. As at December 31, 2020, the Company had a balance of $nil (June 30, 2020 - $nil) due to the company.

(viii) During the three and six months ended December 31, 2020, certain directors and officers of the Company subscribed to 35,000 common shares of the Company for $35,000.

(ix) As of December 31, 2020, the loan payable to an officer of the Company is $50,928 (June 30, 2020 - $nil), which is unsecured, due on demand and non-interest bearing.

(x) As of December 31, 2020, the Company owed $469,406 to certain officers of the Company for consideration payable for Cedar Acquisition (note 4).

(Expressed in Canadian Dollars)

19. Cost of Services

	Three months ended December 31, 2020	Three months ended December 31, 2019	Six months ended December 31, 2020	Period from May 22, 2019 (Date of incorporation) to December 31, 2019
Salaries and wages to psychiatric service providers	$ 568,618	$ -	$ 967,401	$ -
Depreciation of TMS system	42,120	-	74,349	-
Amortization of intangible assets	87,464	-	120,680	-
Total	$ 698,202	$ -	$ 1,162,430	$ -

20. 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 ended December 31, 2020	**USA**	**Canada**	**Canada Total**
Revenue	$ 1,288,828	$ -	$ 1,288,828
Cost of sales	698,202	-	698,202
Gross profit	590,626	-	590,626
Total expenses	1,224,717	1,724,481	2,949,198
Other expense(income)	1,379,144	(169,482)	1,209,662
Current tax expense	(351)	-	(351)
Net loss	$ (2,012,884)	$ (1,554,999)	$ (3,567,883)

(Expressed in Canadian Dollars)

20. Segmented Information (continued)

Six months ended December 31, 2020	USA	Canada	Total
Revenue	$ 2,162,109	$ -	$ 2,162,109
Cost of sales	1,162,430	-	1,162,430
Gross profit	999,679	-	999,679
Total expenses	1,723,010	2,255,185	3,978,195
Other expense(income)	1,379,144	(279,540)	1,099,604
Current tax expense	7,377	-	7,377
Deferred tax recovery	(24,000)	-	(24,000)
Net loss	$ (2,085,852)	$ (1,975,645)	$ (4,061,497)

As at December 31, 2020	USA	Canada	Total
Non-current assets	$ 5,914,221	$ 1,654,090	$ 7,568,311
Total assets	$ 6,439,013	$ 12,609,810	$ 19,048,823
Total liabilities	$ 4,211,877	$ 1,674,335	$ 5,886,212

As at June 30, 2020 and during the period from May 22, 2019 to December 31, 2019, the Company had only one segment, that of corporate administration in Canada.

21. Subsequent Event

On February 11, 2021, the Company announced that it made a strategic investment of AU$827,486 (approximately CAN$810,000), in Bionomics Limited ("Bionomics") (ASX:BNO, OTCQB:BNOEF, Germany:AU000000BNO5), a biopharmaceutical company dedicated to developing better treatments for central nervous system disorders.