Mind Medicine (MindMed) Inc.

(Formerly Broadway Gold Mining Ltd.)

Condensed Consolidated Interim Financial Statements

(Expressed in United States Dollars)

Three Months Ended March 31, 2020

(Unaudited)

Mind Medicine (MindMed) Inc. (formerly Broadway Gold Mining Ltd.)
Condensed Consolidated Interim Statement of Financial Position
(Unaudited)
(Expressed in United States Dollars)

		March 31, 2020 (Unaudited)		December 31, 2019 (Audited)
Assets				
Current				
Cash	$	19,718,323	$	3,016,445
Funds held in trust (Note 4)		789,861		3,685,897
Prepaid and other current assets		629,831		34,198
		21,138,015		6,736,540
Non-current assets				
Intangible assets, net (Note 5)		5,087,500		5,225,000
Total assets	$	26,225,515	$	11,961,540
Liabilities				
Current				
Accounts payable and accrued liabilities	$	2,385,496	$	1,961,199
Total liabilities		2,385,496		1,961,199
Shareholders' equity				
Share capital (Note 6)		35,291,286		15,321,772
Warrants (Note 7)		690,718		152,783
Contributed surplus		353,026		-
Deficit		(12,495,011)		(5,474,214)
Total shareholders' equity		23,840,019		10,000,341
Total liabilities and shareholders' equity	$	26,225,515	$	11,961,540

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 16)

/s/ "Stephen L Hurst"	*/s/ "Brigid Makes"*
Director	Director

Mind Medicine (MindMed) Inc. (formerly Broadway Gold Mining Ltd.)
Condensed Consolidated Interim Statement of Operations and Comprehensive Loss
(Unaudited)
(Expressed in United States Dollars)

		For the three months ended March 31, 2020
Expenses		
Research and development (Note 10)	$	1,803,487
General and administrative (Note 11)		1,880,077
Amortization (Note 5)		137,500
		3,821,064
Loss before the undernoted items		(5,963,088)
Share-based payments (Notes 6(v) and 8)		(415,270)
Interest income		5,269
Foreign exchange loss		(659,776)
Listing expense (Note 3)		(2,142,024)
Loss before income taxes		(7,032,864)
Income taxes		-
Net loss for the period		(7,032,864)
Foreign currency translation adjustment		12,067
Net loss and comprehensive loss for the period	$	(7,020,797)
Basic and diluted loss per common share	$	(0.03)
Weighted average number of common shares outstanding		
Basic and diluted (Note 9)		201,874,035

Mind Medicine (MindMed) Inc. (formerly Broadway Gold Mining Ltd.)
Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
(Unaudited)
(Expressed in United States Dollars)
For the three months ended March 31, 2020

	Share Capital						
	Shares	Multiple Voting Shares	Amount	Warrants	Contributed Surplus	Deficit	Total
Balance, May 31, 2019	**-**	**-**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Shares outstanding	49,860,200	-	-	-	-	(5,474,214)	(5,474,214)
Balance, December 31, 2019	**49,860,200**	**-**	**-**	**-**	**-**	**(5,474,214)**	**(5,474,214)**
Consolidation of shares (Note 6(xi))	6,232,525	-	-	-	-	-	-
Shares and warrants deemed issued related to the reverse takeover transaction (Note 3)	189,923,751	550,000	34,925,279	788,033	-	-	35,713,312
Share based payments (Note 6(v))	622,435	-	62,244	-	-	-	62,244
Warrants exercised (Notes 6(xiii) and 7)	840,000	-	303,763	(97,315)	-	-	206,448
Stock option expense (Note 8)	-	-	-	-	353,026	-	353,026
Net loss	-	-	-	-	-	(7,020,797)	(7,020,797)
Balance, March 31, 2020	**197,618,711**	**550,000**	**$ 35,291,286**	**$ 690,718**	**$ 353,026**	**$ (12,495,011)**	**$23,840,019**

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

Mind Medicine (MindMed) Inc. (formerly Broadway Gold Mining Ltd.)
Condensed Consolidated Interim Statement of Cash Flows
(Unaudited)
(Expressed in United States Dollars)

	For the three months ended March 31, 2020
Cash provided by (used in):	
Operating activities	
Comprehensive loss	$ (7,020,797)
Items not affecting cash	
Share-based payments (Notes 6(v) and 8)	415,270
Transaction costs - share consideration (Note 3)	1,539,356
Amortization of intangible assets (Note 5)	137,500
Changes in non-cash operating assets and liabilities	
Prepaid and other current assets	(595,633)
Accounts payable and accrued liabilities	424,297
Net cash used in operating activities	(5,100,008)
Financing activities	
Proceeds from issuance of common shares, net of issuance costs (Note 6)	18,905,850
Net cash provided by financing activities	18,905,850
Increase in cash	13,805,842
Cash, beginning of period	6,702,342
Cash, end of period	$ 20,508,184
Supplemental cash flow Information	
Cash	$ 19,718,323
Funds held in trust (Note 4)	789,861
	$ 20,508,184

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Mind Medicine (MindMed) Inc. (formerly Broadway Gold Mining Ltd.) (the "Company" or "MindMed") is incorporated under the laws of the Province of British Columbia. Its wholly owned subsidiaries, Mind Medicine, Inc. ("MindMed US") and MindMed Pty Ltd. are incorporated in Delaware and Australia, respectively. Prior to February 27, 2020, the Company's operations were conducted through MindMed US.

The Company's head office and address of its registered and records office is 1166 Alberni Street, Suite 1604, Vancouver, British Columbia V6E 3Z3.

On February 27, 2020, MindMed completed a reverse takeover transaction with Broadway Gold Mining Ltd. ("Broadway") by way of a plan of arrangement which resulted in the Company becoming the parent company of MindMed US. MindMed US is deemed to be the acquirer in the reverse takeover transaction. As a result, the consolidated statements of financial position are presented as a continuance of MindMed US and the comparative figures presented are those of MindMed US. See Note 3 for details.

The Company is a neuro-pharmaceutical company that discovers, develops and deploys psychedelic inspired medicines to improve health, promote wellness and alleviate suffering. The Company's immediate priority is to address the opioid crisis by developing a non-hallucinogenic version of the psychedelic ibogaine. The Company is founded on patents and patent applications that include U.S. and worldwide rights for the development of a neuro-transformational molecule known as 18-methoxycoronaridine, or 18-MC. MindMed is now preparing its next-generation medicine for a Phase II FDA clinical trial targeting opioid addiction.

The condensed consolidated interim financial statements were prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company is subject to several risks associated with the successful development of new products and their marketing and the conduct of its clinical studies and their results, in addition to the uncertainties presented by the COVID-19 pandemic (note 16). The products developed by the Company will require approval from the U.S. Food and Drug Administration and equivalent organizations in other countries prior to commercialization. The Company's future operations are dependent upon its ability to secure additional funds to finance its research and development activities, clinical studies and commercialization efforts. If the Company is unsuccessful in obtaining adequate financing in the future the Company will have to consider postponing research activities until market conditions improve. It is not possible to predict whether the Company will be successful in securing new financing or obtain approval from the U.S. Food and Drug Administration and equivalent organization in other countries. These circumstances and conditions may cast significant doubt about the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not reflect the adjustments to carrying amounts of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was deemed inappropriate. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Standards (“IFRS”) Interpretations Committee (“IFRIC”). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed.

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied by the Company in audited consolidated financial statements for the period from the date of incorporation (May 30, 2019) to December 31, 2019.

These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of MindMed US for the period from the date of incorporation (May 30, 2019) to December 31, 2019.

These condensed consolidated interim financial statements were approved for issuance by the Audit Committee of the Board of Directors on May 13, 2020.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities measured at fair value.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in United States dollars, which is the Company’s functional currency.

Significant accounting policies

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statement for the period from the date of incorporation (May 30, 2019) to December 31, 2019.

Use of significant estimates and assumptions

The preparation of financial statements in accordance with IAS 34 requires the use of certain significant estimates and assumptions. It also requires management to exercise judgment when applying the Company’s accounting policies. The critical accounting estimates and judgments have been set out in notes 2 and 3 to MindMed US’s consolidated financial statements for the period from the date of incorporation (May 30, 2019) to December 31, 2019.

3. REVERSE TAKEOVER

On February 27, 2020, the Company announced the completion of its reverse takeover transaction (the "Transaction") by way of a plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement") pursuant to the terms of an arrangement agreement entered into on October 15, 2019 (the "Arrangement Agreement") between Broadway, Madison Metals Inc., Broadway Delaware Subco Inc. ("Delaware Subco") and MindMed US.

The Transaction

Immediately prior to the closing of the Transaction, Broadway: (a) consolidated its common shares, warrants and options on an eight-for-one basis (the "Consolidation"), (b) changed its name to "Mind Medicine (MindMed) Inc." (the "Name Change"), (c) reclassified its post-Consolidation common shares as subordinate voting shares (the "Subordinate Voting Shares") and (d) created a new class of multiple voting shares (the "Multiple Voting Shares") ((c) and (d) together, the "Share Capital Amendment"). Broadway's shareholders received 6,232,525 shares of the resulting issuer. The substance of the Transaction is a reverse acquisition of a non-operating company. The Transaction does not constitute a business combination as the Company does not meet the definition of a business under IFRS 3 – Business Combinations. Immediately after the Transaction, shareholders of MindMed US owned 97.5% of the voting rights of the Company. As a result, the Transaction has been accounted for as a capital transaction with MindMed US being identified as the accounting acquirer and the equity consideration being measured at fair value, using the acquisition method of accounting. The Transaction has been accounted for in the consolidated financial statements as a continuation of the financial statements of MindMed US.

Neo exchange listing

The Subordinate Voting Shares of the Company were listed for trading on the Neo Exchange Inc. with the trading symbol "MMED" on March 3, 2020.

Purchase price consideration

MindMed US is deemed to have acquired the former Broadway as part of the Arrangement. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired, and liabilities assumed were recorded at their estimated fair value at the acquisition date. The acquisition was not assessed to be a business combination and is therefore treated as an asset acquisition under the scope of IFRS 2 – Share Based Payments. The consideration consisted entirely of shares of the Company which were measured at the estimated fair value on the date of acquisition. The fair value of the Subordinate Voting Shares issued to the former Broadway shareholders was determined to be $1,539,356 based on the fair value of the shares issued.

In connection with the acquisition of Broadway, the Company incurred acquisition costs of $364,541.

(Expressed in United States Dollars)

3. REVERSE TAKEOVER (continued)

Subordinate Voting shares of the Company issued		6,232,525
Fair value of shares issued @CAD$0.33 per share	$	1,539,356
Identifiable assets acquired		23,282
Identifiable liabilities assumed		(261,409)
Net		(238,127)
Acquisition costs		364,541
Total purchase price (recorded as Listing expense)	$	2,142,024

4. FUNDS HELD IN TRUST

Cash held in trust of $789,861 (December 31, 2019 - $3,685,897) represents unrestricted funds held at a Canadian chartered bank by the Company’s corporate counsel, representing proceeds from closed private placements less disbursements directed by the Company.

5. INTANGIBLE ASSETS

Cost		
Balance, May 30, 2019	$	-
Acquisition of 18-MC program		5,500,000
Balance, December 31, 2019 and March 31, 2020	$	5,500,000
Accumulated amortization		
Balance, May 30, 2019		-
Amortization		275,000
Balance, December 31, 2019		275,000
Amortization		137,500
Balance, March 31, 2020		412,500
Net carrying amount		
December 31, 2019	$	5,225,000
March 31, 2020	$	5,087,500

In July 2019, MindMed US acquired the assets of the 18-methyloxycoronaridine (“18-MC”) program from Savant Addiction Medicine, LLC in exchange for the issuance by MindMed US of 55,000,000 class A common shares. The shares were valued using third party arm’s-length purchases of the MindMed US class C common shares at the time of acquisition of 18-MC which were issued at $0.10 per share.

6. SHARE CAPITAL

Pursuant to the terms of the Arrangement, the Company's equity structure reflects the equity structure of Broadway (the accounting acquiree), including the equity interests Broadway issued to effect the combination. Accordingly, the equity structure of MindMed US (the accounting acquirer) is restated using the exchange ratio established in the Agreement to reflect the number of shares of the Broadway (the accounting acquiree) issued in the reverse takeover. On February 27, 2020, all outstanding Class B common shares ("Class B Shares"), Class C common shares ("Class C Shares") and Class D common shares ("Class D Shares") of the Company were exchanged for Class A common shares of the Company ("Class A Shares"), immediately following which all Class A Shares were exchanged, on a one-for-one basis (the "Exchange Ratio"), for Subordinate Voting Shares or Multiple Voting Shares (in the case of Multiple Voting Shares the exchange was on a one-for-one-hundred basis) of the Resulting Issuer ("Resulting Issuer Shares") on a post-Consolidation basis. Such Class A Shares were then cancelled pursuant to the Arrangement, and the MindMed US issued 1,000 common shares to the Company as consideration for issuing the Resulting Issuer Shares to the former MindMed US shareholders.

Authorized

The Company's authorized capital consists of (i) an unlimited number of Subordinate Voting Shares, and (ii) an unlimited number of Multiple Voting Shares".

The holders of Subordinate Voting Shares are entitled to one vote for each Subordinate Voting share held. The holders of Multiple Voting Shares are entitled to 100 votes for each Multiple Voting Share held.

Voting Rights

All holders of Subordinate Voting Shares and Multiple Voting Shares are entitled to receive notice of any meeting of shareholders of the Company, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the *Business Corporations Act* (British Columbia). A quorum for the transaction of business at any meeting of shareholders is two persons present at the meeting, each of whom is entitled to vote at the meeting, and who hold or represent by proxy in the aggregate not less than 5% of the outstanding shares of the Company entitled to vote at the meeting.

On all matters upon which shareholders the Company are entitled to vote:

- each Subordinate Voting Share is entitled to one vote per Subordinate Voting Share; and
- each Multiple Voting Share is entitled to 100 votes per Multiple Voting Share.

Unless a different majority is required by law or the articles of the Company, resolutions to be approved by shareholders require approval by a simple majority of shareholders.

Conversion Rights and Conditions

Issued and outstanding Multiple Voting Shares, including fractions thereof, may at any time, subject to the FPI Condition (as defined below), at the option of the holder, be converted into Subordinate Voting Shares at a ratio of 100 Subordinate Voting Shares per Multiple Voting Share. Further, the board of directors of the Company may determine in the future that it is no longer advisable to maintain the Multiple Voting Shares as a separate class of shares and may cause all of the issued and outstanding Multiple Voting Shares to be converted into Subordinate Voting Shares at a ratio of 100 Subordinate Voting Shares per Multiple Voting Share.

The right of the Multiple Voting Shares to convert into Subordinate Voting Shares is subject to certain conditions in order to maintain the status of the Company as a "foreign private issuer" under United States securities laws (the "FPI Condition").

(Expressed in United States Dollars)

6. SHARE CAPITAL (continued)

Share capital issued

Mind Medicine, Inc. Share Capital

-		Class A Voting	Class B Voting	Class C Non Voting	Class D Non Voting	Total	Amount
Acquisition of 18 MC program	(i)	55,000,000	-	-	-	55,000,000	$ 5,500,000
Class B shares	(ii)	-	35,000,000	-	-	35,000,000	$ 3,500
Private placement	(iii)	-	-	46,993,671	-	46,993,671	$ 4,699,367
Private placement	(iv)	-	-	-	10,000,000	10,000,000	$ 1,000,000
Director compensation	(v)	-	-	-	725,025	725,025	$ 72,503
Offering _ First Tranche	(vi)	-	-	-	18,771,897	18,771,897	$ 4,046,402
Balance, December 31, 2019		55,000,000	35,000,000	46,993,671	29,496,922	166,490,593	$ 15,321,772
Offering Second Tranche and Third Tranche	(vii), (ix)	-	-	-	78,333,158	78,333,158	$ 18,041,051
Employee termination compensation	(viii)	-	-	-	100,000	100,000	$ 23,100
Shares exchanged under Arrangement	(x)	(55,000,000)	(35,000,000)	(46,993,671)	(107,930,080)	(244,923,751)	$ (33,385,922)
Balance, March 31, 2020		-	-	-	-	-	-

Mind Medicine (MindMed) Inc. Share Capital

		Subordinate Voting	Multiple Voting	Total	Amount
Broadway share consolidation (Note 3)	(xi)	6,232,525	-	6,232,525	$ 1,539,356
Shares exchanged under Arrangement	(xii)	189,923,751	-	189,923,751	$ 27,885,922
Shares exchanged under Arrangement	(xii)	-	550,000	550,000	$ 5,500,000
Warrants exercised	(xiii)	840,000	-	840,000	$ 303,763
Director compensation	(v)	622,435	-	622,435	$ 62,244
Balance, March 31, 2020		197,618,711	550,000	198,168,711	$ 35,291,285

(i) In July 2019, MindMed US issued 55,000,000 Class A shares to Savant Addiction Medicine, LLC for the acquisition of its 18-MC program. The shares were valued using third party arm's-length purchases of MindMed US's Class C shares at the time of acquisition of 18-MC which were issued at $0.10 per share.

(ii) In July 2019, MindMed US issued 35,000,000 Class B shares at a price of $0.0001 per share yielding gross proceeds of $3,500.

(iii) In September 2019, MindMed US completed a non-brokered private placement financing and sold 46,993,671 Class C shares at a price of $0.10 per share yielding gross proceeds of $4,699,367 before deducting share issuance costs of $85,000.

(iv) In September 2019, MindMed US sold 10,000,000 Class D shares to two members of the board of directors of MindMed US, at a price of $0.10 per share yielding gross proceeds of $1,000,000.

6. SHARE CAPITAL (continued)

Share capital issued (continued)

(v) On September 16, 2019, MindMed US entered into an agreement with a director of the MindMed US pursuant to which the director agreed to: (i) join the board of directors of MindMed US, (ii) obtain a loan (the "Loan") of $500,000 for the sole purpose of acquiring 5,000,000 Class D shares, and (iii) purchase 5,000,000 Class D shares for $500,000.

- The Loan is secured by the Class D shares, which is the sole security and recourse against the director. One-quarter of the Loan ($125,000) shall be automatically deemed to be repaid and satisfied on each six-month anniversary of the date of the Loan (the "Repayment Date") so long as the director remains a member of the board of directors of MindMed US.

- If the director ceases to be a member of the board of directors of MindMed US and all affiliates of MindMed US, other than as a result of his disqualification under applicable corporate law or his resignation, the Loan shall be automatically deemed to be repaid and satisfied in full and the director shall be fully and finally released from his obligations under the Loan.

- The principal remaining from time to time unpaid and outstanding shall bear interest, before and after an event of default at 2% per annum calculated monthly, not in advance. Accrued and unpaid interest shall be payable on each Repayment Date. The director has the right and privilege of prepaying the whole or any portion of the principal amount of the Loan at any time or times prior to maturity or if an event of default has occurred, whichever comes first, without notice, bonus or penalty. All such prepayments shall be applied first in satisfaction of any accrued but unpaid interest and thereafter to the outstanding principal amount of the Loan.

The Loan has been accounted for as an option plan since MindMed US does not have full recourse to the outstanding loan balance. In the event the director ceases to be a member of the board of directors of MindMed US and all affiliates of MindMed US, the Class D Shares (which have since been exchanged for Subordinate Voting Shares) would be tendered back to the Company without any payment being made. As a result, the Company has not recognized a loan receivable or the corresponding Class D Shares (or resulting Subordinate Voting Shares) as outstanding. The Company has estimated a grant-date fair value, which is recorded as share-based compensation expense over a two-year vesting period with a corresponding amount to share capital. The fair value has been estimated using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%, (ii) expected volatility of 151%, (iii) risk-free rate of 1.74%, (iv) share price of $0.10, (v) forfeiture rate of 0%, and (vi) expected life of 24 months. The total grant-date fair value is $500,000. The resulting share-based compensation for the period from September 16, 2019 to December 31, 2019 is $72,503.

In connection with the Transaction, the directors of MindMed US were elected as directors of the Company. The Class D Shares issued pursuant to the Loan were converted to Subordinate Voting Shares. The resulting share-based compensation for the period during the three months ended March 31, 2020 is $62,244. Although 5,000,000 Subordinate Voting Shares were issued to the director, only the portion that has vested, represented by the cumulative amount of share-based compensation recognized (1,347,460 Subordinate Voting Shares), is reflected in the number of Subordinate Voting Shares issued and related share capital balance.

6. SHARE CAPITAL (continued)

Share capital issued (continued)

(vi) On December 19, 2019, MindMed US entered into an agency agreement with Canaccord Genuity Corp. ("Canaccord") and completed the first tranche of a private placement by MindMed US (the "MindMed US Offering"), issuing a total of 18,771,897 Class D Shares at a price of $0.33 CAD ($0.25) per share for gross proceeds of $4,727,106, before deducting cash share issuance costs of $442,921. On closing of the first tranche of the MindMed US Offering, MindMed issued Canaccord, as agent, 1,314,033 compensation warrants (note 7).

(vii) On February 18, 2020, MindMed US completed the second tranche of the MindMed US Offering, issuing a total of 37,105,370 Class D Shares at a price of $0.33 CAD ($0.25) per share for gross proceeds of $9,226,751. On closing of the second tranche of the MindMed US Offering, MindMed US issued Canaccord, as agent, 2,596,376 compensation warrants.

(viii) On February 18, 2020, MindMed US issued 100,000 Class D Shares to a former executive of MindMed US.

(ix) On February 26, 2020, MindMed US completed the third tranche of the MindMed US Offering, issuing a total of 41,227,788 Class D Shares at a price of $0.33 CAD ($0.25) per share for gross proceeds of $10,251,845. On closing of the third tranche of the MindMed US Offering, MindMed US issued Canaccord, as agent, 2,045,945 compensation warrants and Eight Capital, as advisory agent, 840,000 compensation warrants. Total cash share issuance costs for the second and third tranches of the MindMed US Offering of $802,295 were deducted from the gross proceeds.

(x) Pursuant to the Arrangement Agreement, 244,923,751 Class A Shares were exchanged for Subordinate Voting Shares or Multiple Voting Shares, as applicable. Pursuant to the Arrangement Agreement, 1,000 common shares of MindMed US were issued to Broadway in consideration of the issuance of the Subordinate Voting Shares and Multiple Voting Shares to former MindMed US shareholders.

(xi) As at February 26, 2020, Broadway had 49,860,200 common shares issued and outstanding; pursuant to the Arrangement Agreement, Broadway's common shares were consolidated on an eight to one (8:1) basis and converted to Subordinate Voting Shares.

(xii) Pursuant to the Arrangement Agreement, Class A Shares were exchanged for either: (a) Subordinate Voting Shares (189,923,751 Class A Shares were exchanged for 189,923,751 Subordinate Voting Shares); or (b) Multiple Voting Shares (55,000,000 shares were exchanged for 550,000 Multiple Voting Shares).

(xiii) On March 6, 2020, 840,000 compensation warrants were exercised by Eight Capital and 840,000 Subordinate Voting Shares were issued.

(Expressed in United States Dollars)

6. SHARE CAPITAL (continued)

Share capital reserved for issuance

A summary of shares issued and reserved for issuance is summarized below:

	Number of Subordinated Voting Share Equivalents
Subordinate Voting	197,618,711
Multiple Voting	55,000,000
Unvested portion of director loan shares	3,652,540
Stock Options	19,202,500
Warrants	5,957,354
Total – March 31, 2020	**281,431,105**

7. WARRANTS

	Number of Warrants		**Amount**		**Weighted Average Exercise Price**
Balance, May 30, 2019	-	$	-	$	-
Issued (Note 6(vi))	1,314,033		152,783		0.33 CAD
Exercised	-		-		-
Expired	-		-		-
Balance, December 31, 2019	**1,314,033**	**$**	**152,783**	**$**	**0.33 CAD**
Issued (Notes 6(vii) and (ix))	5,483,321		635,250		0.33 CAD
Exercised (Note 6(xiii))	(840,000)		(97,315)		0.33 CAD
Expired	**-**		-		**-**
Balance, March 31, 2020	**5,957,354**	**$**	**690,718**	**$**	**0.33 CAD**

(Expressed in United States Dollars)

7. WARRANTS (continued)

MindMed US issued 1,314,033 compensation warrants in relation to the completion of the first tranche of the MindMed US Offering which closed on December 19, 2019. The warrants have an expiry date of February 27, 2021. Each warrant entitles the holder to purchase one Subordinate Voting Share, at $0.33 CAD per share until the expiry date.

The fair value has been estimated using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%, (ii) expected volatility of 124%, (iii) risk-free rate of 1.69%, (iv) share price of $0.33 CAD, (v) forfeiture rate of 0%, and (vi) expected life of 1.2 years.

MindMed US issued 5,483,321 compensation warrants in relation to the completion of the second and third tranches of the MindMed US Offering which took place in February 2020. The warrants have an expiry date of February 27, 2021. Each warrant entitles the holder to purchase one Subordinate Voting Share at $0.33 CAD per share until the expiry date.

Pursuant to the terms of the Arrangement, all warrants of MindMed US were exchange for warrants of the Company.

The fair value has been estimated using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%, (ii) expected volatility of 124%, (iii) risk-free rate of 1.62%, (iv) share price of $0.33 CAD, (v) forfeiture rate of 0%, and (vi) expected life of 1 year.

8. STOCK OPTIONS

The Company has a stock option plan to advance the interests of the Company by providing employees and directors of the Company a performance incentive for continued and improved service with the Company.

The plan sets out the framework for determining eligibility as well as the terms of any stock-based compensation granted. The plan was approved by the shareholders as part of the. The standard vesting terms for employee grants 25% on the first anniversary and 1/36th thereafter each month for succeeding 36 months.

The Company issued 19,202,500 options to employees and directors during the three months ended March 31, 2020.

The fair value has been estimated using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%, (ii) expected volatility of 124%, (iii) risk-free rate of 1.62%, (iv) share price of $0.33 CAD, (v) forfeiture rate of 0%, and (vi) expected life of 5 years.

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2019	**-**	**$**	**-**
Issued	19,202,500		0.33 CAD
Exercised	-		-
Expired	**-**		**-**
Balance, March 31, 2020	**19,202,500**	**$**	**0.33 CAD**

(Expressed in United States Dollars)

8. STOCK OPTIONS (continued)

The following options were issued and outstanding as at March 31, 2020:

Grant Date	Expiry Date	Number of Options	Exercise Price	Exercisable
27-Feb-20	27-Feb-25	18,902,500	$0.33CAD	1,448,108
24-Mar-20	24-Mar-25	300,000	$0.33CAD	-
March 31, 2020		**19,202,500**		**1,448,108**

The weighted average contractual life for the remaining options as at March 31, 2020 is 4.9 years. For the three months ended March 31, 2020, the Company recognized compensation expense from stock options of $353,026 included in Share-based payments.

9. LOSS PER SHARE

The weighted average number of Subordinate Voting Shares outstanding for the three-month period ended March 31, 2020 was 201,874,035. In calculating the weighted average number of shares, the Multiple Voting Shares are included assuming the shareholders executed their conversion rights. The Company has not adjusted its weighted average number of Subordinate Voting shares outstanding in the calculation of diluted loss per share, as the effect of warrants and options is anti-dilutive.

10. RESEARCH AND DEVELOPMENT

Components of research and development expenses for the period ended March 31, 2020 were as follows:

		March 31, 2020
Consulting fees and short-term benefits	$	363,835
Licensing fees		500,000
Manufacturing costs		207,375
Clinical research and regulatory expenses		5,172
Data and study acquisition costs		583,606
Other		143,499
	$	**1,803,487**

(Expressed in United States Dollars)

11. GENERAL AND ADMINISTRATIVE

Components of general and administrative expenses for the period ended March 31, 2020 were as follows:

		March 31, 2020
Consulting fees, short-term benefits and other compensation	$	1,049,651
Legal fees		30,609
Accounting and audit		62,808
Marketing		312,468
Travel		59,870
Other		364,671
	$	**1,880,077**

12. COMMITMENTS AND CONTINGENCIES

As at March 31, 2020, the Company has obligations to make future payments, representing significant research and development contracts and other commitments that are known and committed in the amount of approximately $2,807,420. Most of these agreements are cancelable by the Company with notice. These commitments include agreements related to the conduct of the Phase 1 clinical trials, sponsored research, manufacturing and preclinical studies. The Company also has minimum lease payments for operating lease commitments, primarily for its office lease, in the amount of $7,520 over the next 12 months, $7,260 from 12 to 36 months, and nothing thereafter. The facility lease contains options for lease extension. As these are considered “low-value” assets by the Company, they have not been capitalized.

The Company enters into research, development and license agreements in the ordinary course of business where the Company receives research services and rights to proprietary technologies. Milestone and royalty payments that may become due under various agreements are dependent on, among other factors, clinical trials, regulatory approvals and ultimately the successful development of a new drug, the outcome and timing of which are uncertain.

The Company periodically enters into research and license agreements with third parties that include indemnification provisions customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of claims arising from research and development activities undertaken by or on behalf of the Company. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions could be unlimited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in the condensed consolidated interim financial statements with respect to these indemnification obligations.

(Expressed in United States Dollars)

13. RELATED PARTY TRANSACTIONS

For the three month period ended March 31, 2020, the key management personnel of the Company were the board of directors, Executive Chair & Co-Chief Executive Officer, President & Chief Medical Officer, Co-Chief Executive Officer & Head of Investor Relations, Chief Scientific Officer and Chief Financial Officer.

Compensation for key management personnel of the Company for the three-month period ended March 31, 2020 was as follows:

		March 31, 2020
Consulting fees, short-term benefits and other compensation	$	**467,957**

The Company incurred fees of $346,056 to companies controlled by a director of the Company.

As at March 31, 2020 the Company had accounts payables and accrued liabilities outstanding of $289,634 (December 31, 2019 - $785,832) to companies controlled by directors.

The Directors do not receive fees for their services.

Outstanding balances with related parties at period-end are secured and bear interest at 2% per annum.

14. MANAGEMENT OF CAPITAL

The Company defines its capital as share capital, warrants and deficit. The Company's objectives when managing capital are to ensure there are sufficient funds available to carry out its research and development programs. To date, these programs have been funded through the sale of equity securities.

The Company also intends to source non-dilutive funding by accessing grants, government assistance and tax incentives, and through partnerships with corporations and research institutions. The Company uses budgets and purchasing controls to manage its costs. The Company is not exposed to any externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS

Fair value

Fair Value Measurement provides a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs are those that reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions with respect to how market participants would price an asset or liability. These two inputs used to measure fair value fall into the following three different levels of the fair value hierarchy:

Level 1 Quoted prices in active markets for identical instruments that are observable.

Level 2 Quoted prices in active markets for similar instruments; inputs other than quoted prices that are observable and derived from or corroborated by observable market data.

15. FINANCIAL INSTRUMENTS (continued)

Fair value (continued)

Level 3 Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The hierarchy requires the use of observable market data when available.

Cash and accounts payable and accrued liabilities are all short-term in nature and, as such, their carrying values approximate fair values.

Risks

The Company has exposure to credit risk, liquidity risk, interest rate risk and currency risk. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee of the board of directors is responsible for reviewing the Company's risk management policies.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash. The carrying amount of these financial assets represents the maximum credit exposure. The Company follows an investment policy to mitigate against the deterioration of principal and to enhance the Company's ability to meet its liquidity needs. Cash and funds held in trust are on deposit with major American and Canadian chartered banks and the Company invests in high-grade short-term instruments.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is a development stage company and is reliant on external fundraising to support its operations. Once funds have been raised, the Company manages its liquidity risk by investing in cash and short-term instruments to provide regular cash flow for current operations. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The board of directors reviews and approves the Company's operating and capital budgets, as well as any material transactions not in the ordinary course of business.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds its cash in bank accounts or high-interest money market accounts that have a variable rate of interest. The Company manages its interest rate risk by holding highly liquid short-term instruments and by holding its investments to maturity, where possible. The Company earned interest income for the period ended March 31, 2020 of $5,269. Therefore, a 100 basis point change in the average interest rate for the period ended March 31, 2020 would have a net impact on finance income of $2,635.

(Expressed in United States Dollars)

15. FINANCIAL INSTRUMENTS (continued)

Risks (continued)

(d) Currency risk

The Company is exposed to currency risk related to the fluctuation of foreign exchange rates and the degree of volatility of those rates. Currency risk is limited to the portion of the Company's business transactions and balances denominated in currencies other than the United States dollar.

Exposure to Foreign Currency (in USD)		Cash		Payables		Expenses 3 months to March 31, 2020
Canadian Dollars	$	9,934,486	$	(442,172)	$	1,114,135
Australian Dollars		46,033		(6,754)		36,376
Swiss Francs		-		(272,924)		366,866
British Pounds		-		-		11,120
Balance, March 31, 2020		**9,980,519**	**$**	**(721,851)**	**$**	**1,528,497**

Therefore, a 1% change in the USD exchange rate would have a net impact on foreign currency balances as at March 31, 2020 of $92,587. Also, a 1% change in the USD exchange rate on expenditures would have a net impact during the period of $15,285 assuming that all other variables remained constant.

16. SUBSEQUENT EVENTS

(i) Bought Deal Financing

On May 6, 2020, the Company announced that it entered into an amended letter of engagement with Eight Capital (the "Underwriter"), under which the Underwriter agreed to purchase 21,699,000 units of the Company (the "Units"), on a "bought deal" basis pursuant to a filing of a short form prospectus, subject to all required regulatory approvals, at a price per Unit of $0.53 CAD (the "Issue Price") for gross proceeds of $11,500,470 CAD (the "Offering"). The Company agreed to grant the Underwriter an over-allotment option to purchase such number of Units equal to up to 15% of the number of Units issued pursuant to the base Offering at the Issue Price, exercisable in whole or in part, at any time on or prior to the date that is 30 days following the closing of the Offering. If this option is exercised in full, an additional $1,725,071CAD will be raised pursuant to the Offering and the aggregate proceeds of the Offering will be $13,225,541CAD. Each Unit will be comprised of one Subordinate Voting Share of the Company and one-half of one Subordinate Voting Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant shall entitle the holder thereof to purchase one Subordinate Voting Share at an exercise price of $0.79 CAD, for a period of 24 months following the closing of the Offering. If, following the closing of the Offering, the daily volume weighted average price of the Subordinate Voting Shares on the Neo Exchange Inc. is equal to or greater than $1.13 CAD for any 10 consecutive trading days, the Company may, upon providing written notice to the holders of Warrants, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice.

16. SUBSEQUENT EVENTS (continued)

(ii) Novel Coronavirus

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 Corporation and its operating subsidiaries in future periods. However, depending on the length and severity of the pandemic, COVID-19 could impact our operations, could cause delays relating to approval from U.S. Food and Drug Administration and equivalent organizations in other countries, could postpone research activities, and could impair our ability to raise funds depending on COVID-19’s effect on capital markets.