



NeonMind Biosciences Inc.

Financial Statements

For the Year Ended November 30, 2020 and the Period from September 18, 2019 (Date of Incorporation) to November 30, 2019

(In Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of NeonMind Biosciences Inc.

Opinion

We have audited the financial statements of NeonMind Biosciences Inc. (the "Company"), which comprise the statements of financial position as at November 30, 2020 and 2019, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the year ended November 30, 2020 and for the period from September 30, 2019 (date of incorporation) to November 30, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2020 and 2019, and its financial performance and its cash flows for the years ended November 30, 2020 and for the period from September 30, 2019 (date of incorporation) to November 30, 2019 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company used cash of \$853,447 for operations, and incurred a net loss of \$2,677,195 during the year ended November 30, 2020. As at November 30, 2020, the Company had a working capital deficit of \$200,703 and an accumulated deficit of \$5,881,384. These events or conditions, along with other matters as set forth in Note 1 of the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Henry Chow.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

March 30, 2021

NEONMIND BIOSCIENCES INC.Statements of Financial Position
(Expressed in Canadian Dollars)

	November 30, 2020	November 30, 2019
ASSETS		
Current assets		
Cash	\$ 1,170	\$ 107,689
Accounts receivable	19,539	–
Inventory	17,155	–
Prepaid expenses and deposits (Note 3)	57,500	–
Total current assets	<u>95,364</u>	<u>107,689</u>
Non-current assets		
Investment in associate (Note 5)	86,185	–
Intangible assets (Note 6)	28,350	32,400
Total non-current assets	<u>114,535</u>	<u>32,400</u>
Total assets	<u>\$ 209,899</u>	<u>\$ 140,089</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 179,862	\$ 21,000
Deferred revenue	220	–
Due to related parties (Note 7)	115,985	1,247,224
Total current liabilities	<u>296,067</u>	<u>1,268,224</u>
Non-current liabilities		
Promissory note (Note 7)	691,245	–
Total liabilities	<u>987,312</u>	<u>1,268,224</u>
SHAREHOLDERS' DEFICIT		
Share capital (Note 8)	1,779,158	237,105
Equity reserves (Notes 9, 10 and 11)	3,324,813	–
Deficit	(5,881,384)	(1,365,240)
Total shareholders' deficit	<u>(777,413)</u>	<u>(1,128,135)</u>
Total liabilities and shareholders' deficit	<u>\$ 209,899</u>	<u>\$ 140,089</u>

Nature of operations and continuance of business (Note 1)

Commitment (Note 15)

Subsequent events (Note 16)

Approved and authorized for issuance on behalf of the Board of Directors on March 30, 2021:

/s/ "Penny White"
Director/s/ "Kari Richardson"
Director*(The accompanying notes are an integral part of these financial statements)*

NEONMIND BIOSCIENCES INC.Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended November 30, 2020	For the period from September 18, 2019 (date of incorporation) to November 30, 2019
REVENUE		
Sales and licensing (Note 7)	\$ 415,803	\$ -
COST OF PRODUCTS AND SERVICES		
Cost of sales	250	-
Gross Profit	<u>415,553</u>	<u>-</u>
EXPENSES		
Advertising, marketing and media	\$ 184,850	\$ 659
Amortization (Note 6)	4,050	-
Consulting fees	123,026	-
Information systems	9,575	-
Licensing fees (Note 7)	500,000	1,297,200
Listing application fees	5,000	3,675
Office and administrative	9,724	61
Research and development	269,520	52,500
Professional fees	192,882	11,145
Share-based compensation (Notes 7, 10 and 11)	689,738	-
Total expenses	<u>1,988,365</u>	<u>1,365,240</u>
LOSS BEFORE OTHER ITEMS	<u>(1,572,812)</u>	<u>(1,365,240)</u>
OTHER ITEMS		
Accretion expense (Note 7)	(106,873)	-
Foreign exchange	378	-
Gain on extinguishment of debt (Note 7)	106,873	-
Impairment of investment in associate (Note 5)	(279,868)	-
Interest expense (Note 7)	(25,946)	-
Share of net loss of equity accounted investee (Note 5)	(48,947)	-
Unrealized loss on investment (Note 4)	(750,000)	-
Total other items	<u>(1,104,383)</u>	<u>-</u>
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (2,677,195)</u>	<u>\$ (1,365,240)</u>
LOSS PER SHARE, BASIC AND DILUTED	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
Weighted average shares outstanding	<u>117,002,000</u>	<u>76,880,000</u>

(The accompanying notes are an integral part of these financial statements)

NEONMIND BIOSCIENCES INC.

Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital		Equity reserves	Deficit	Total shareholders' equity (deficit)
	Number of shares	Amount			
BALANCE, SEPTEMBER 18, 2019					
(date of incorporation)	1,000	\$ 5	\$ -	\$ -	\$ 5
Units issued for cash	2,150,000	107,500	-	-	107,500
Shares issued for intangible assets	30,000,000	32,400	-	-	32,400
Shares issued for licensing fees	90,000,000	97,200	-	-	97,200
Net loss for the period	-	-	-	(1,365,240)	(1,365,240)
BALANCE, NOVEMBER 30, 2019	122,151,000	\$ 237,105	\$ -	\$ (1,365,240)	\$ (1,128,135)
Units issued for cash	14,577,000	803,865	-	-	803,865
Share issuance costs	-	(112,549)	46,612	-	(65,937)
Shares issued on exercise of stock options	5,180,000	353,306	(244,306)	-	109,000
Shares issued for licensing fees	6,250,000	500,000	-	-	500,000
Units issued for purchase of investment	15,000,000	750,000	-	-	750,000
Units issued for services	210,000	10,500	-	-	10,500
Restricted share units for services	-	-	95,751	-	95,751
Share cancellations (Note 8)	(96,937,500)	(763,069)	2,602,018	(1,838,949)	-
Conversion of debt to paid-in capital	-	-	135,000	-	135,000
Fair value of stock options granted	-	-	476,789	-	476,789
Fair value of restricted share units granted	-	-	212,949	-	212,949
Net loss for the year	-	-	-	(2,677,195)	(2,677,195)
BALANCE, NOVEMBER 30, 2020	66,430,500	\$ 1,779,158	\$ 3,324,813	\$ (5,881,384)	\$ (777,413)

(The accompanying notes are an integral part of these financial statements)

NEONMIND BIOSCIENCES INC.

Statement of Cash Flows

(Expressed in Canadian Dollars)

	For the year ended November 30, 2020	For the period September 18, 2019 (date of incorporation) to November 30, 2019
OPERATING ACTIVITIES		
Net loss for the period	\$ (2,677,195)	\$ (1,365,240)
Items not involving cash:		
Amortization	4,050	-
Accretion expense	106,873	-
Exercise of stock options for bonus	100,000	-
Gain on extinguishment of debt	(106,873)	-
Impairment of investment in associate	279,868	-
Share of net loss of equity accounted investee	48,947	-
Share-based compensation	689,738	-
Shares received for licensing revenue	(415,000)	-
Shares issued for licensing fees	500,000	97,200
Shares issued for services	10,500	-
Unrealized loss on investment	750,000	-
Changes in non-cash operating working capital:		
Amounts receivable	(19,539)	-
Inventory	(17,155)	-
Prepaid expenses and deposits	(57,500)	-
Accounts payable and accrued liabilities	254,613	21,000
Deferred Revenue	220	-
Due to related parties	(304,994)	1,246,974
Net cash used in operating activities	<u>(853,447)</u>	<u>(66)</u>
FINANCING ACTIVITIES		
Advance from related party	-	250
Proceeds from exercise of stock options	9,000	-
Proceeds from issuance of units	803,865	107,505
Share issuance costs	(65,937)	-
Net cash provided by financing activities	<u>746,928</u>	<u>107,755</u>
CHANGE IN CASH	(106,519)	107,689
Cash, beginning of period	107,689	-
CASH, END OF PERIOD	<u>\$ 1,170</u>	<u>\$ 107,689</u>
Non-cash investing and financing activities:		
Shares issued for purchase of intangible assets	\$ -	\$ 32,400
Related party balance converted into additional paid-in capital	135,000	-
Fair value of brokers' warrants issued as finder's fees	46,612	-
Units issued for purchase of investment	750,000	-
Restricted share units issued to settle accounts payable	95,751	-
Fair value of warrants issued in exchange for return of shares	<u>2,602,018</u>	<u>-</u>

(The accompanying notes are an integral part of these financial statements)

NEONMIND BIOSCIENCES INC.

Notes to the Financial Statements

November 30, 2020 and 2019

(Expressed in Canadian Dollars)

1. Nature of Operations and Continuance of Business

NeonMind Biosciences Inc. (formerly Flourish Mushroom Labs Inc.) (“NeonMind” or the “Company”) was incorporated under the laws of the province of British Columbia, Canada, on September 18, 2019. On April 9, 2020, the Company changed its name to NeonMind Biosciences Inc. The Company is engaged in drug development research into potential therapeutic uses of psychedelic compounds, and develops ready-to-consume packaged food products mixed with mushroom varieties.

These financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

The Company has incurred a net loss of \$2,677,195 and used \$853,447 of cash for operating activities during the year ended November 30, 2020. As of November 30, 2020, the Company had a working capital deficit of \$200,703 and an accumulated deficit of \$5,881,384. The continued operations of the Company are dependent on future profitable operations, management’s ability to manage costs, and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption be inappropriate. The impact of these adjustments could be material.

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company’s supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company’s operations and the operations of the Company’s suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. As a result of the pandemic, the Company experienced delays in its planned product launches. The extent to which the COVID-19 pandemic impacts the Company’s business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company’s suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company and is working on alternative measures and resources to minimize such impact. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time on our business, liquidity, capital resources and financial results.

2. Significant Accounting Policies

Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the International Financial Reporting Interpretations Committee.

NEONMIND BIOSCIENCES INC.

Notes to the Financial Statements

November 30, 2020 and 2019

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Basis of Presentation

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for the cash flow information. The presentation and functional currency of the Company is the Canadian dollar.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation have been included.

Significant Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include the collectability of accounts receivable, net realizable value of inventory, useful life and carrying value of intangible assets, fair value of investments and share-based compensation, and measurement of unrecognized deferred income tax assets. Share-based compensation expense relating to restricted share units was determined using the fair value of common shares of the Company on the date of grant, which was determined based on previous private placements with third parties.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements include the factors that are used in determining whether the Company has significant influence over another entity, and the application of the going concern assumption which requires management to consider all available information about the future, which is at least but not limited to 12 months from the year end of the reporting period.

Another significant area requiring the use of judgments made by management includes the assessment of fair value of investments in private companies. The fair value of shares and warrants of private companies is determined by valuation techniques such as recent arm's-length transactions, option pricing models, or other valuation techniques commonly used by market participants. The investments in common shares and warrants are measured at fair value through profit or loss and unrealized gains and losses are recorded in the statement of operations.

The Company has determined that it has significant influence in Komo Plant Based Comfort Foods Inc. ("Komo Foods") despite holding less than 20% of the voting rights in Komo Foods due to the company sharing a common CFO, the CEO and President of the Company being the spouse of the CEO of Komo Foods and the fact that the Company and Komo Foods entered into a license agreement that is a key component of Komo Food's business as at November 30, 2020. As a result, Komo Foods is considered an associate of the Company, and the investment in Komo Foods is accounted for using the equity method. The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for the Company's proportionate share of the profit or loss, other comprehensive income or loss and any other changes in the associate's net assets, such as further investments or dividends. Refer to Note 3.

NEONMIND BIOSCIENCES INC.

Notes to the Financial Statements

November 30, 2020 and 2019

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

Intangible Assets

Intangible assets consist of product formulations. Intangible assets are carried at cost less accumulated amortization and impairment, and are capitalized when the costs can be measured reliably and it is probable that future economic benefits that are attributable to the asset will flow to the Company. Product formulations are amortized over an estimated useful life of 8 years.

Impairment of non-current assets

Intangible assets are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in the statement of operations by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Income (Loss) Per Share

Basic Income (loss) per common share is computed by dividing their respective net income (loss) by the weighted average number of common shares outstanding during the year. The computation of diluted income per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The dilutive effect of convertible securities is reflected in the diluted income per share by application of the "if converted" method. The dilutive effect of outstanding incentive stock options and their equivalents is reflected in the diluted income per share by application of the treasury stock method. As at November 30, 2020, there were 103,639,833 (2019 – 2,150,000) potentially dilutive shares outstanding.

Income Taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NEONMIND BIOSCIENCES INC.

Notes to the Financial Statements

November 30, 2020 and 2019

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Income Taxes (continued)

Deferred income tax:

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Investment in Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Company's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The consolidated statement of operations reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Company's share of operating results of an associate is shown on the face of the consolidated statement of operations and represents net income or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within the consolidated statement of operations.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of operations.

NEONMIND BIOSCIENCES INC.

Notes to the Financial Statements

November 30, 2020 and 2019

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Financial Instruments

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit and loss (FVTPL).

The following is the Company's accounting policy for financial instruments under IFRS 9:

<u>Financial instrument</u>	<u>Classification under IFRS 9</u>
Cash	Amortized cost
Investment	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Promissory note	Amortized cost

Non-derivative financial assets:

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Impairment:

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the statement of operations for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

NEONMIND BIOSCIENCES INC.

Notes to the Financial Statements

November 30, 2020 and 2019

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Financial Instruments (continued)

Non-derivative financial liabilities:

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in the statement of operations. The Company has no hedging arrangements and does not apply hedge accounting.

Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

Revenue Recognition

Under IFRS 15, Revenue from Contracts with Customers, the Company uses the 5-step model for revenue recognition based on identifying the contract with the customer, identifying the performance obligations, determining the individual transaction price, and allocating the transaction price to the individual performance obligations making up the contract. Revenue is then recognized when or as the associated performance obligations are delivered and based on the expected consideration to be received. The Company expects to recognize future revenues in licensing and product sales, which are primarily derived from licensing and distribution fees from companies for the right to the Company's formulations and technology, or the right to manufacture and distribute the Company's proprietary products, and the sale of products on the Company's ecommerce website and through retail locations in Canada. The fees that are outlined in an agreement are recognized when the Company's obligations have been performed. For licenses with multiple performance obligations, the Company will identify specific distinct goods and services and will recognize income when the performance obligations for each distinct good or service has been performed.

	2020	2019
	\$	\$
Revenues earned at a point in time	415,803	-
Revenues earned over time	-	-
	415,803	-

Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as share-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

NEONMIND BIOSCIENCES INC.

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2. Significant Accounting Policies (continued)

Share-based Payments (continued)

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no material effect on the statement of financial position or the reported results of operations.

Future Accounting Pronouncements

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are not mandatory for the current period and have not been early adopted. Management has assessed that there are no future accounting pronouncements that are expected to have a material impact on the Company in the current or future reporting periods.

3. Prepaid Expenses and Deposits

	November 30, 2020	November 30, 2019
Deposit	\$ 5,000	\$ –
Prepaid services	52,500	–
	<u>\$ 57,500</u>	<u>\$ –</u>

Prepaid services consisted of advance payments for future capital conferences that were put on hold due to the impact of the COVID-19 pandemic.

4. Investment

On February 4, 2020, the Company entered into share purchase agreements for the purchase of 7,285,000 common shares of Translational Life Science Inc. ("TLS"), in exchange for 15,000,000 units of the Company with a fair value of \$750,000. As of November 30, 2020, the Company recognized an unrealized loss of \$750,000 on its investment as TLS is still in the early stages of development in its business and there is material uncertainty on the marketability of the shares. The Company has no intention to sell its investment in TLS in the next 12 months, and it will take considerable time and effort to find a buyer as TLS is a privately-owned company. All shares of TLS are being held as at November 30, 2020.

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5. Investment in Associate

Komo Foods is a plant-based food company engaged in the development, production, marketing, and distribution of a variety of plant-based frozen meals. On December 1, 2020, Komo Foods entered into a 1-for-4 reverse stock split of its issued and outstanding common shares. All common share amounts have been retroactively restated for the reverse stock split.

On February 21, 2020, the Company entered into a license agreement with Komo Foods, whereby the Company granted Komo Foods a 25-year non-exclusive license to the Company's mushroom extraction technology for use in the United States. Pursuant to the license agreement, the Company received 1,250,000 common shares of Komo Foods, with a fair value of \$415,000, representing a 4.05% ownership interest in Komo Foods.

As the Company and Komo Foods share a common CFO, and the President and CEO of the Company holds an investment in Komo Foods and is the spouse of the CEO of Komo Foods as of November 30, 2020, in addition to significant transactions including the licensing agreement entered into with Komo Foods, the Company is deemed to have significant influence in Komo Foods. The Company's investment in Komo Foods is accounted for as an investment in associate using the equity method.

On March 10, 2020, Komo Foods closed a private placement which diluted the Company's ownership to 4.00%.

During the year ended November 30, 2020, the Company recorded its proportionate loss from Komo Foods of \$48,947 (2019 - \$nil).

As at November 30, 2020, the Company assessed an impairment on the value of its investment in Komo Foods due to a private placement that Komo Foods closed shortly after year end. As at November 30, 2020, the Company recorded an impairment loss of \$279,868 on its investment in Komo Foods. The carrying value of the Company's investment in Komo Foods as at November 30, 2020 was \$86,185 (2019 - \$nil).

The following table outlines the changes in investment in associate that are accounted for using the equity method for the year ended November 30, 2020. As the Company does not have the same reporting date as its associate, the Company was provided with unaudited financial statements for the period from February 21, 2020 to November 30, 2020, to calculate the portion of net loss attributable to the Company.

	February 21, 2020 – March 9, 2020	March 10, 2020 – November 30, 2020	Total
Komo Foods net loss	\$ (130,376)	\$ (1,092,382)	(1,222,758)
% ownership	4.05%	4.00%	4.00%
Portion of net income (loss) from investment in associate	\$ (5,282)	\$ (43,665)	\$ (48,947)

The following table outlines the carrying amount of the investment in Komo Foods as at November 30, 2020:

	Investment in associate
Carrying value of investment, November 30, 2019	\$ –
Additions	415,000
Loss from investment in associate	(48,947)
Impairment	(279,868)
Carrying value of investment, November 30, 2020	\$ 86,185

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5. Investment in Associate (continued)

The following table summarizes the unaudited financial information of Komo Foods as of November 30, 2020 and for the period from February 21, 2020 (date of investment) to November 30, 2020:

	November 30, 2020 (unaudited)
Cash	\$ 21,157
Current and total assets	143,234
Current and total liabilities	<u>805,908</u>
	For the period February 21, 2020 – November 30, 2020 (unaudited)
Net and comprehensive loss for the period	<u>\$ (1,222,758)</u>

6. Intangible Assets

		Product Formulations
Cost:		
Balance, September 18, 2019 (date of incorporation)	\$	–
Additions		32,400
Impairment		–
Balance, November 30, 2019 and 2020		<u>32,400</u>
Accumulated depreciation:		
Balance, September 18, 2019 (date of incorporation) and November 30, 2019		–
Additions		4,050
Balance, November 30, 2020		<u>4,050</u>
Carrying amounts:		
As at November 30, 2019	\$	32,400
As at November 30, 2020	<u>\$</u>	<u>28,350</u>

On September 20, 2019, the Company entered into a definitive agreement to acquire recipes, trade secrets, research, and data related to 10 formulations designed to include wild edible mushrooms as key ingredients (“Product Formulations”). Pursuant to the agreement, the Company’s parent company, Better Plant Sciences Inc. (“Better Plant”) (formerly “The Yield Growth Corp.”), issued 120,000 common shares with a fair value of \$32,400. On October 3, 2019, the Company issued 30,000,000 common shares to repay Better Plant. The Product Formulations are amortized over an estimated useful life of 8 years. The Company will periodically evaluate these assets to assess whether their value has become impaired over time.

NEONMIND BIOSCIENCES INC.

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7. Related Party Transactions

During year ended November 30, 2020, compensation for key management personnel were as follows:

	Year ended November 30, 2020	For the period September 18, 2019 (date of incorporation) to November 30, 2019
Bonus expense	\$ 100,000	\$ –
Licensing fees	500,000	1,297,200
Share-based compensation	593,482	–
	<u>\$ 1,193,482</u>	<u>\$ 1,297,200</u>

As at November 30, 2020, the Company owed \$832,675 (2019 - \$1,247,224) to its parent company, Better Plant, which included a promissory note balance of \$691,245 (2019 - \$nil) for previously advanced payment (2019 - \$nil), bearing interest at 5% compounded annually, and was due and payable in full by October 30, 2021. On February 28, 2020, the Company entered into an amending agreement on the promissory note from due on demand to due on October 31, 2021. The amendment was treated as an extinguishment of debt in accordance with IFRS 9, *Financial Instruments*, which resulted in a gain on extinguishment of debt of \$106,873 with a corresponding discount to the carrying value of the promissory note. During the period ended November 30, 2020, the Company recorded accretion expense of \$47,125. On November 30, 2020, the Company amended the due date on the promissory note from October 31, 2021 to February 28, 2022. As the modification resulted in a change in the carrying amount of less than 10%, the amendment was treated as a contract modification under IFRS 9 and resulted in additional accretion expense of \$59,748.

Amounts owing also included interest payable balance of \$25,945 (2019 - \$nil) relating to the promissory note. The remaining \$115,485 (2019 - \$1,247,224) is unsecured, non-interest bearing, and due on demand. During the year ended November 30, 2020, the Company incurred marketing expenses of \$52,115 (2019 - \$nil), professional fees of \$103,681 (2019 - \$10,500), office & administrative expenses of \$14,135 (2019 - \$nil), and research and development expenses of \$34,500 (2019 - \$nil) from Better Plant.

During the year ended November 30, 2020, the Company entered into a license agreement with Urban Juve Provisions Inc. (“Urban Juve”), a related company under common control, to acquire a license to use, modify and sublicense extraction technology for the purpose of developing an extraction process for mushroom extract for a term of 25 years. Pursuant to the agreement, the Company issued 6,250,000 common shares with a fair value of \$500,000.

During the year ended November 30, 2020, the Company entered into a license agreement with Komo Foods, an associated company, whereby the Company granted Komo Foods a 25-year non-exclusive license to the Company’s mushroom extraction technology for use in the United States. Pursuant to the license agreement, the Company received 5,000,000 common shares of the related company, with a fair value of \$415,000, which was recognized as revenue during the year ended November 30, 2020.

8. Share Capital

Authorized: unlimited number of common shares without par value.

During the period from September 18, 2019 (date of incorporation) to November 30, 2019, the Company completed the following transactions:

- On September 18, 2019, the Company issued 1,000 common shares at \$0.005 per share for proceeds of \$5 to Better Plant, its parent company.
- On October 3, 2019, the Company issued 30,000,000 common shares for the purchase of intangible assets for a fair value of \$32,400.

NEONMIND BIOSCIENCES INC.

Notes to the Financial Statements

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8. Share Capital (continued)

- (c) On October 18, 2019, the Company issued 90,000,000 common shares pursuant to a license agreement with Better Plant for a fair value of \$97,200, whereby the Company was granted a license for 128 product formulations to manufacture products infused with functional mushrooms for a term of 50 years. Pursuant to the license agreement, \$97,200 was payable in 90,000,000 shares and \$1,200,000 was payable in cash. Total consideration of \$1,297,200 was recognized as licensing fees in the statement of operations and comprehensive loss during the year ended November 30, 2019.
- (d) On November 29, 2019, the Company issued 2,150,000 units in a private placement at a price of \$0.05 per unit for proceeds of \$107,500. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share until November 29, 2021.

During the year ended November 30, 2020, the Company completed the following transactions:

- (e) On December 19, 2019, the Company issued 4,270,000 units in a private placement at a price of \$0.05 per unit for proceeds of \$213,500. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of 24 months from the date of issuance. In connection with the private placement, the Company incurred share issuance costs of \$21,000 and issued 420,000 brokers' warrants with a fair value of \$15,043, which are exercisable at \$0.05 per share for a period of 24 months. The estimated fair value associated with the brokers' warrants granted was determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of \$0.05; an annualized volatility of 150%; an expected life of 2 years; dividend yield and forfeiture rate of 0%; and a risk-free rate of 1.70%.
- (f) On January 10, 2020, the Company issued 1,000,000 units in a private placement at a price of \$0.05 per unit for proceeds of \$50,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of 24 months from the date of issuance.
- (g) On January 15, 2020, the Company issued 4,246,500 units in a private placement at a price of \$0.05 per unit for proceeds of \$212,325. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of 24 months from the date of issuance. In connection with the private placement, the Company incurred share issuance costs of \$21,232 and issued 424,650 brokers' warrants with a fair value of \$15,206, which are exercisable at \$0.05 per share for a period of 24 months. The estimated fair value associated with the brokers' warrants granted was determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of \$0.05; an annualized volatility of 150%; an expected life of 2 years; dividend yield and forfeiture rate of 0%; and a risk-free rate of 1.64%.
- (h) On January 21, 2020, the Company issued 1,800,000 units in a private placement at a price of \$0.05 per unit for proceeds of \$90,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of 24 months from the date of issuance. In connection with the private placement, the Company incurred share issuance costs of \$9,000 and issued 180,000 brokers' warrants with a fair value of \$6,445, which are exercisable at \$0.05 per share for a period of 24 months. The estimated fair value associated with the brokers' warrants granted was determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of \$0.05; an annualized volatility of 150%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.62%.
- (i) On January 22, 2020, the Company issued 200,000 units in a private placement at a price of \$0.05 per unit for proceeds of \$10,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of 24 months from the date of issuance.

NEONMIND BIOSCIENCES INC.

Notes to the Financial Statements

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8. Share Capital (continued)

- (j) On January 24, 2020, the Company issued 200,000 units in a private placement at a price of \$0.05 per unit for proceeds of \$10,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of 24 months from the date of issuance. In connection with the private placement, the Company incurred share issuance costs of \$1,000 and issued 20,000 brokers' warrants with a fair value of \$717, which are exercisable at \$0.05 per share for a period of 24 months. The estimated fair value associated with the brokers' warrants granted was determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of \$0.05; an annualized volatility of 150%; an expected life of 2 years; dividend yield and forfeiture rate of 0%; and a risk-free rate of 1.50%.
- (k) On January 28, 2020, the Company issued 200,000 units in a private placement at a price of \$0.05 per unit for proceeds of \$10,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of 24 months from the date of issuance.
- (l) On February 3, 2020, the Company issued 60,000 units in a private placement at a price of \$0.05 per unit for proceeds of \$3,000, and 210,000 units with a fair value of \$10,500 for product development services. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of 24 months from the date of issuance.
- (m) On February 4, 2020, the Company issued 15,000,000 units with a fair value of \$750,000 for the purchase of 7,285,000 common shares of TLS. Each unit consisted of one common share and one share purchase warrants exercisable at \$0.50 per share for a period of 24 months from the date of issuance.
- (n) On February 7, 2020, the Company issued 100,000 units in a private placement at a price of \$0.05 per unit for proceeds of \$5,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per share for a period of 24 months from the date of issuance.
- (o) On February 20, 2020, the Company issued 50,000 units in a private placement at a price of \$0.08 per unit for proceeds of \$4,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.40 per share for a period of 24 months from the date of issuance.
- (p) On February 20, 2020, the Company issued 6,250,000 common shares pursuant to a license agreement with Urban Juve, a related party, for a fair value of \$500,000. The license agreement granted the Company a license to use, modify and sublicense extraction technology for the purpose of developing an extraction process for mushroom extract for a term of 25 years. Due to the impact of the COVID-19 pandemic, the commercialization of the Company's products has been delayed, and utilization of the licensed technology has been deferred. The Company still intends to use the technology, but the timing of further development of the technology is uncertain and unplanned as the Company's focus on its cash flows is on the day-to-day operations and development of its business operations. As a result, management assessed that the extraction technology does not meet the capitalization standards of IAS 38, and recognized the entire amount as licensing fees on the statement of operations and comprehensive loss during the year ended November 30, 2020.
- (q) On March 23, 2020, the Company issued 387,500 units in a private placement at a price of \$0.08 per unit for proceeds of \$31,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.40 per share for a period of 24 months from the date of issuance.
- (r) On March 25, 2020, the Company issued 100,000 units in a private placement at a price of \$0.08 per unit for proceeds of \$8,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.40 per share for a period of 24 months from the date of issuance.
- (s) On April 27, 2020, the Company issued 250,000 units in a private placement at a price of \$0.08 per unit for proceeds of \$20,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.40 per share for a period of 24 months from the date of issuance.

NEONMIND BIOSCIENCES INC.

Notes to the Financial Statements

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8. Share Capital (continued)

- (t) On April 29, 2020, the Company issued 30,000 common shares for proceeds of \$1,500 pursuant to the exercise of stock options. The fair value of the stock options of \$1,365 was transferred from equity reserves to share capital upon exercise.
- (u) On April 30, 2020, the Company issued 100,000 common shares for proceeds of \$5,000 pursuant to the exercise of stock options. The fair value of the stock options of \$4,548 was transferred from equity reserves to share capital upon exercise.
- (v) On May 4, 2020, the Company issued 50,000 common shares for proceeds of \$2,500 pursuant to the exercise of stock options. The fair value of the stock options of \$2,274 was transferred from equity reserves to share capital upon exercise.
- (w) On May 6, 2020, the Company entered into a share cancellation agreement with TLS for the purpose of having the share structure of the Company more likely to meet stock exchange listing standards in preparation for a planned initial public offering. Pursuant to the agreement, the Company cancelled 4,000,000 common shares in exchange for changes to contractual selling restrictions on the remaining shares and warrants held by TLS, which had no impact on the financial statements.
- (x) On May 6, 2020, the Company entered into a share cancellation agreement with Better Plant for the purpose of having the share structure of the Company more likely to meet stock exchange listing standards in preparation for a planned initial public offering. Pursuant to the agreement, the Company cancelled 55,000,000 common shares in exchange for 55,000,000 warrants exercisable at \$0.20 per share for a period of 24 months from the date of issuance. The estimated fair value associated with the warrants issued was \$2,602,018 and determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of \$0.08; an annualized volatility of 155%; an expected life of 2 years; dividend yield and forfeiture rate of 0%; and a risk-free rate of 0.29%.
- (y) On May 8, 2020, the Company issued 5,000,000 common shares pursuant to the exercise of stock options for proceeds of \$100,000 to the President and CEO of the Company. The proceeds receivable of \$100,000 was offset by a bonus payable to the President and CEO of the Company. The fair value of the stock options of \$236,119 was transferred from equity reserves to share capital upon exercise.
- (z) On May 14, 2020, the Company issued 1,713,000 units in a private placement at a price of \$0.08 per unit for proceeds of \$137,040. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.15 per share for a period of 12 months from the date of issuance. In connection with the private placement, the Company incurred share issuance costs of \$13,705 and issued 171,300 brokers' warrants with a fair value of \$9,201, which are exercisable at \$0.08 per unit for a period of 12 months. The estimated fair value associated with the brokers' warrants granted was determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of \$0.08; an annualized volatility of 195%; an expected life of 1 year; dividend yield and forfeiture rate of 0%; and a risk-free rate of 0.29%.
- (aa) On October 21, 2020, the Company entered into a share cancellation agreement with Better Plant for the purpose of having the share structure of the Company more likely to meet stock exchange listing standards in preparation for a planned initial public offering. Pursuant to the agreement, the Company cancelled 37,000,000 common shares for no consideration.
- (bb) On October 21, 2020, the Company entered into a share cancellation agreement with Urban Juve for the purpose of having the share structure of the Company more likely to meet stock exchange listing standards in preparation for a planned initial public offering. Pursuant to the agreement, the Company cancelled 937,500 common shares for no consideration.

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9. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weighted average exercise price
Balance, September 18, 2019 (date of inception)	–	\$ –
Issued	2,150,000	0.50
Balance, November 30, 2019	2,150,000	\$ 0.50
Issued	86,002,950	0.29
Balance, November 30, 2020	88,152,950	\$ 0.30

As at November 30, 2020, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price	Expiry date
1,713,000	\$ 0.15	May 14, 2021
171,300	\$ 0.08	May 14, 2021
2,150,000	\$ 0.50	November 29, 2021
4,270,000	\$ 0.50	December 19, 2021
420,000	\$ 0.05	December 19, 2021
1,000,000	\$ 0.50	January 10, 2022
4,246,500	\$ 0.50	January 15, 2022
424,650	\$ 0.05	January 15, 2022
1,800,000	\$ 0.50	January 21, 2022
180,000	\$ 0.05	January 21, 2022
200,000	\$ 0.50	January 22, 2022
200,000	\$ 0.50	January 24, 2022
20,000	\$ 0.05	January 24, 2022
200,000	\$ 0.50	January 28, 2022
270,000	\$ 0.50	February 3, 2022
15,000,000	\$ 0.50	February 4, 2022
100,000	\$ 0.50	February 7, 2022
50,000	\$ 0.40	February 20, 2022
387,500	\$ 0.40	March 23, 2022
100,000	\$ 0.40	March 25, 2022
250,000	\$ 0.40	April 27, 2022
55,000,000	\$ 0.20	May 6, 2022
<u>88,152,950</u>		

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10. Stock Options

On January 13, 2020, the Company adopted an incentive stock option plan, which was replaced by an amended and restated incentive stock option plan on September 9, 2020. Pursuant to the Company's stock option plan, directors may, from time to time, authorize the issuance of options to directors, officers, employees, and consultants of the Company. The terms of the granted stock options as well as the vesting conditions are at the sole discretion of the directors.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price
Outstanding, September 18, 2019 (date of inception) and November 30, 2019	–	\$ –
Granted	16,700,000	0.05
Exercised	(5,180,000)	0.02
Expired/Cancelled	(5,230,000)	0.02
Outstanding, November 30, 2020	<u>6,290,000</u>	<u>\$ 0.10</u>
Exercisable, November 30, 2020	<u>2,510,000</u>	<u>\$ 0.10</u>

Additional information regarding stock options outstanding and exercisable as at November 30, 2020, is as follows:

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
\$ 0.02 - 0.10	6,290,000	2,510,000	4.04

Share-based compensation expense related to stock options was determined using the Black-Scholes option pricing model. During the year ended November 30, 2020, the Company recognized share-based compensation expense relating to stock options of \$476,789 (2019 - \$nil) in equity reserves, of which \$380,533 (2019 - \$nil) pertains to directors and officers of the Company. The weighted average fair value of options granted during the year ended November 30, 2020, was \$0.05 (2019 - \$nil) per share. The weighted average share price for stock options exercised was \$0.06 (2019 - \$nil). Weighted average assumptions used in calculating the fair value of share-based compensation expense, including no expected dividends or forfeitures, are as follows:

	2020
Risk-free interest rate	0.37% - 1.61%
Dividend yield	0%
Expected volatility	123% - 150%
Expected life (years)	<u>5.00</u>

As at November 30, 2020 there was \$127,297 (2019 - \$nil) of unrecognized share-based compensation related to unvested stock options.

NEONMIND BIOSCIENCES INC.

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11. Restricted Share Units

On April 27, 2020, the Company adopted a restricted share unit plan, which was replaced by an amended and restated restricted share unit plan on November 3, 2020. Pursuant to the Company's restricted share unit plan, directors may, from time to time, authorize the issuance of restricted share units to directors, officers, employees, and consultants of the Company. The terms of the granted restricted share units as well as the vesting conditions are at the sole discretion of the directors.

	Number of Restricted share units
Balance, November 30, 2019	–
Granted	10,196,883
Expired/Cancelled	<u>(1,000,000)</u>
Balance, November 30, 2020	<u>9,196,883</u>

Share-based compensation expense relating to restricted share units was determined using the fair value of common shares of the Company on the date of grant, which was determined based on previous private placements with third parties. During the year ended November 30, 2020, the Company recognized share-based compensation expense relating to restricted share units of \$212,949 (2019 - \$nil) in equity reserves, all of which pertains to directors and officers of the Company. During the year ended November 30, 2020, the Company granted restricted share units with a total fair value of \$212,949 in exchange for consulting services. The weighted average fair value of restricted share units granted during the year ended November 30, 2020, was \$0.06 (2019 - \$nil) per share.

As at November 30, 2020 there was \$427,051 (2019 - \$nil) of unrecognized share-based compensation related to unvested restricted share units.

12. Capital Management

The Company manages its capital structure and makes adjustments based on the funds available to the Company, to support the general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position and share capital.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

13. Financial Instruments and Risks

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at November 30, 2020, as follows:

	Fair Value Measurements Using			Balance, November 30, 2020
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investment in associate	\$ –	\$ 86,185	\$ –	<u>\$ 86,185</u>

NEONMIND BIOSCIENCES INC.

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13. Financial Instruments and Risks (continued)

Fair Values (continued)

The fair values of financial instruments, including cash, accounts payable and accrued liabilities, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligation. The Company's credit risk is primarily attributable to accounts receivable. The Company minimizes its credit risk associated with its cash balance by dealing with major financial institutions in Canada and has no other significant concentration of credit risk arising from operations. The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there are sufficient funds to meet short-term and specific obligations.

Price Risk

The Company is exposed to price risk with respect to its investments, which consists of common shares held in private companies and is dependent upon the market price or the fair value of the common shares for those companies. The market price or the fair value of the common shares of those companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

14. Income Taxes

The Company is subject to Canadian federal and provincial tax at the rate of 27%. The tax effect of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2020	2019
Net loss	\$ (2,677,195)	\$ (1,365,240)
Statutory income tax rate	27%	27%
Income tax provision at statutory rate	(722,843)	(368,615)
Tax effect of:		
Permanent differences and other	168,705	349,334
Change in unrecognized deferred income tax assets	554,138	19,281
Income tax provision	\$ -	\$ -

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14. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2020	2019
Deferred income tax assets		
Non-capital losses carried forward	\$ 151,642	\$ 19,281
Investment	202,500	–
Investment in associate	88,780	–
Intangible assets	465,589	349,334
Share issuance costs	14,242	–
Total gross deferred income tax assets	922,753	368,615
Unrecognized deferred income tax assets	(922,753)	(368,615)
Net deferred income tax assets	\$ –	\$ –

As at November 30, 2020, the Company has non-capital losses carried forward of \$561,637 which are available to offset future years' taxable income. These losses expire as follows:

Year of expiry	Non-capital loss carryforward
2039	\$ 71,412
2040	490,225
	\$ 561,637

15. Commitment

On October 30, 2020, the Company entered into a fee-for-service contract with the University of British Columbia and the Provincial Health Services Authority for preclinical psilocybin research. The term of the agreement is two years. The Company made an initial payment of \$15,000 on the effective date of the agreement, and as of November 30, 2020, the Company is committed to remaining payments of \$138,300, which were paid subsequent to year end.

16. Subsequent Events

Effective December 30, 2020, the Company completed its initial public offering ("IPO") of 46,000,000 units at \$0.10 per unit for gross proceeds of \$4,600,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.20 per share until December 30, 2021. In connection with the IPO, the Company paid broker fees of \$45,000, commission fees of \$460,000, due diligence fees of \$69,570, and issued 4,600,000 agents' options, which are exercisable at \$0.10 per agent's option unit until December 30, 2022. Each agent's option unit consists of one common share and one warrant, exercisable at \$0.20 per share for a period of two years.

Subsequent to November 30, 2020, the Company issued 610,000 common shares pursuant to the exercise of stock options for proceeds of \$61,000.

Subsequent to November 30, 2020, the Company issued 6,955,500 common shares pursuant to the exercise of share purchase warrants for proceeds of \$1,213,700.

Subsequent to November 30, 2020, the Company issued 1,621,883 common shares pursuant to the vesting of restricted share units.

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Notes to the Financial Statements

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16. Subsequent Events (continued)

Subsequent to November 30, 2020, the Company granted the following stock options:

On January 7, 2021, the Company granted 1,640,000 stock options to a director, officers and consultants, which are exercisable at \$0.25 per share for a period of five years. The stock options vest over 24 months in eight equal tranches, with the first vesting period commencing four months after the grant date.

On January 7, 2021, the Company granted 4,100,000 stock options to its officers, which are exercisable at \$0.25 per share for a period of five years, which vests four months after the grant date.

On January 7, 2021, the Company granted 200,000 stock options to a consultant, which are exercisable at \$0.25 per share for a period of five years. The stock options vest over 12 months in four equal tranches, with the first vesting period commencing four months after the grant date.

On January 19, 2021, the Company granted 200,000 stock options to consultants, which are exercisable at \$0.25 per share for a period of five years. The stock options vest over 12 months in four equal tranches, with the first vesting period commencing four months after the grant date.

On January 19, 2021, the Company granted 20,000 stock options to an officer of the Company, which are exercisable at \$0.25 per share for a period of five years. The stock options vest over 24 months in eight equal tranches, with the first vesting period commencing four months after the grant date.

On January 27, 2021, the Company granted 4,000,000 stock options to an officer, which are exercisable at \$0.28 per share for a period of five years. The stock options vest over 30 months in 10 equal tranches, with the first vesting period commencing four months after the grant date.

On February 24, 2021, the Company granted 25,000 stock options to a consultant, which are exercisable at \$0.32 per share for a period of five years, which vests four months after the grant date.

On March 9, 2021, the Company granted 100,000 stock options to a consultant, which are exercisable at \$0.29 per share for a period of five years, which vests four months after the grant date.

On March 9, 2021, the Company granted 100,000 stock options to a consultant, which are exercisable at \$0.29 per share for a period of five years. The stock options vest over 12 months in 4 equal tranches, with the first vesting period commencing four months after the grant date.

Subsequent to November 30, 2020, the Company granted the following restricted share units:

On January 7, 2021, the Company granted 300,000 restricted share units to an officer of the Company at a grant price of \$0.25 per share. The restricted share units vest over 24 months in eight equal tranches, with the first vesting period commencing four months after the grant date.

On January 27, 2021, the Company granted 300,000 restricted share units to an officer of the Company at a grant price of \$0.28 per share. The restricted share units vest over 30 months in 10 equal tranches, with the first vesting period commencing four months after the grant date.