



NeonMind Biosciences Inc.

Condensed Interim Financial Statements
(Expressed in Canadian Dollars)

For the Three Months Ended February 28, 2021 and February 29, 2020
(Unaudited)

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

	February 28, 2021 <u>(unaudited)</u>	November 30, 2020 <u></u>
ASSETS		
Current assets		
Cash	\$ 3,128,344	\$ 1,170
Amounts receivable	60,402	19,539
Inventory	24,191	17,155
Prepaid expenses and deposits (Note 3)	248,316	57,500
Total current assets	<u>3,461,253</u>	<u>95,364</u>
Non-current assets		
Investment in associate (Note 4)	43,542	86,185
Property and equipment	1,270	-
Intangible assets (Note 5)	27,338	28,350
Total non-current assets	<u>72,150</u>	<u>114,535</u>
Total assets	<u>\$ 3,533,403</u>	<u>\$ 209,899</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 190,373	\$ 179,862
Deferred revenue	-	220
Due to related parties (Note 6)	121,199	115,985
Promissory note (Note 6)	691,245	-
Total current liabilities	<u>1,002,817</u>	<u>296,067</u>
Non-current liabilities		
Promissory note (Note 6)	-	691,245
Total liabilities	<u>1,002,817</u>	<u>987,312</u>
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 7)	6,674,327	1,779,158
Equity reserves (Notes 8, 9 and 10)	4,217,698	3,324,813
Deficit	(8,361,439)	(5,881,384)
Total shareholders' equity (deficit)	<u>2,530,586</u>	<u>(777,413)</u>
Total liabilities and shareholders' equity (deficit)	<u>\$ 3,533,403</u>	<u>\$ 209,899</u>

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 13)

Approved and authorized for issuance on behalf of the Board of Directors on April 29, 2021:

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

NEONMIND BIOSCIENCES INC.

Condensed Interim Statement of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended February 28, 2021	Three months ended February 29, 2020
REVENUE		
Sales	\$ 8,115	\$ -
COST OF PRODUCTS AND SERVICES		
Cost of sales	2,031	-
Gross Profit	6,084	-
EXPENSES		
Marketing, publicity and digital media (Note 6)	803,441	17,477
Amortization and depreciation (Note 5)	1,027	4,658
Consulting fees (Note 6)	39,416	36,750
Information systems	1,480	1,575
Investor relations (Note 6)	95,833	-
Listing expenses	6,600	-
Office and administrative (Note 6)	112,890	68
Research and development – consumer products (Note 6)	48,526	64,476
Research and development - medical	267,279	-
Professional fees (Note 6)	227,482	4,850
Share-based compensation (Notes 6, 9 and 10)	759,924	187,859
Wages (Note 6)	79,598	-
Total expenses	2,443,496	317,713
LOSS BEFORE OTHER ITEMS	(2,437,412)	(317,713)
OTHER ITEMS		
Loss on investment in associate (Note 4)	(42,643)	-
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (2,480,055)	\$ (317,713)
LOSS PER SHARE, BASIC AND DILUTED	\$ (0.03)	\$ (0.00)
Weighted average shares outstanding	99,163,450	134,029,000

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

NEONMIND BIOSCIENCES INC.

Condensed Interim Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital		Equity reserves	Subscriptions received	Deficit	Total shareholders' equity (deficit)
	Number of shares	Amount				
BALANCE, NOVEMBER 30, 2019	122,151,000	\$ 237,105	\$ -	\$ -	\$ (1,365,240)	\$ (1,128,135)
Units issued for cash	12,126,500	607,825	-	-	-	607,825
Share issuance costs	-	(89,643)	37,411	-	-	(52,232)
Shares issued for intangible assets	6,250,000	500,000	-	-	-	500,000
Units issued for purchase of investments	15,000,000	750,000	-	-	-	750,000
Units issued for services	210,000	10,500	-	-	-	10,500
Subscriptions received	-	-	-	5,000	-	5,000
Fair value of stock options granted	-	-	187,859	-	-	187,859
Net loss for the period	-	-	-	-	(317,713)	(317,713)
BALANCE, FEBRUARY 29, 2020	155,737,500	\$ 2,015,787	\$ 225,270	\$ 5,000	\$ (1,682,953)	\$ (563,104)
BALANCE, NOVEMBER 30, 2020	66,430,500	\$ 1,779,158	\$ 3,324,813	\$ -	\$ (5,881,384)	\$ (777,413)
Units issued for cash	46,000,000	4,600,000	-	-	-	4,600,000
Share issuance costs	-	(939,830)	365,260	-	-	(574,570)
Shares issued on exercise of stock options	610,000	98,635	(37,635)	-	-	61,000
Shares issued on exercise of warrants	4,603,000	859,950	-	-	-	859,950
Units issued on exercise of Agent's Options	817,500	146,663	(64,913)	-	-	81,750
Restricted share units vested	1,621,883	129,751	(129,751)	-	-	-
Fair value of stock options granted	-	-	661,435	-	-	661,435
Fair value of restricted share units granted	-	-	98,489	-	-	98,489
Net loss for the period	-	-	-	-	(2,480,055)	(2,480,055)
BALANCE, FEBRUARY 28, 2021	120,082,883	\$ 6,674,327	\$ 4,217,698	\$ -	\$ (8,361,439)	\$ 2,530,586

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

NEONMIND BIOSCIENCES INC.

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

	Three months ended February 28, 2021	Three months ended February 29, 2020
OPERATING ACTIVITIES		
Net loss for the period	\$ (2,480,055)	\$ (317,713)
Items not involving cash:		
Amortization and depreciation	1,027	4,658
Share-based compensation	759,924	187,859
Shares issued for services	-	10,500
Loss on investment in associate	42,643	-
Changes in non-cash operating working capital:		
Accounts receivable	(40,863)	-
Prepaid expenses and deposits	(190,816)	(9,000)
Accounts payable and accrued liabilities	10,511	15,107
Deferred revenue	(220)	-
Due to related parties	5,214	(555,979)
Inventory	(7,036)	-
Net cash used in operating activities	<u>(1,899,671)</u>	<u>(664,568)</u>
INVESTING ACTIVITIES		
Purchase of equipment	(1,285)	-
Net cash used in investing activities	<u>(1,285)</u>	<u>-</u>
FINANCING ACTIVITIES		
Proceeds from issuance of units	4,600,000	607,825
Share issuance costs	(574,570)	(52,232)
Subscriptions received	-	5,000
Proceeds from exercise of stock options	61,000	-
Proceeds from exercise of warrants	859,950	-
Proceeds from exercise of Agent's Options	81,750	-
Net cash provided by financing activities	<u>5,028,130</u>	<u>560,593</u>
CHANGE IN CASH	3,127,174	(103,975)
Cash, beginning of period	1,170	107,689
CASH, END OF PERIOD	<u>\$ 3,128,344</u>	<u>\$ 3,714</u>
Non-cash investing and financing activities:		
Shares issued for purchase of intangible assets	\$ -	\$ 500,000
Shares received from licensing agreement	-	415,000
Units issued for investment	-	750,000
Transfer of contributed surplus on exercise of options	37,635	-
Transfer of contributed surplus on exercise of warrants	64,913	-
Fair value of Agent's Options issued as finder's fees	365,260	-
Fair value of brokers' warrants issued as finder's fees	-	37,411
Value of restricted share units converted	129,751	-

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

NEONMIND BIOSCIENCES INC.

Notes to the Condensed Interim Financial Statements
February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)
(Unaudited)

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, 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. On December 29, 2020, the Company’s common shares were listed on the Canadian Securities Exchange (the “Exchange”) and were immediately halted pending the closing of its initial public offering (“IPO”). On December 30, 2020, the Company completed its IPO and on January 4, 2021 the Company’s common shares resumed trading on the Exchange under the ticker symbol “NEON.”

These condensed interim 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 \$2,480,055 and used \$1,899,671 of cash for operating activities during the period ended February 28, 2021. As of February 28, 2021, the Company had a working capital of \$2,458,436 and an accumulated deficit of \$8,361,439. 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.

NEONMIND BIOSCIENCES INC.

Notes to the Condensed Interim Financial Statements

February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

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2. Significant Accounting Policies

Statement of Compliance

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, and based on the principles of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the interpretations of the International Financial Reporting Interpretations Committee. These condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended November 30, 2020, which include the Company’s significant accounting policies, and have been prepared in accordance with the same methods of application.

Basis of Presentation

These condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed interim 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 condensed interim 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, carrying value of investment in associate and fair value of share-based compensation, and measurement of unrecognized deferred income tax assets.

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 end of the reporting period.

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, 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 February 28, 2021. 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 4.

NEONMIND BIOSCIENCES INC.

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2. Significant Accounting Policies (continued)

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

	February 28, 2021	November 30, 2020
Deposit	\$ 48,740	\$ 5,000
Prepaid services	199,576	52,500
	<u>\$ 248,316</u>	<u>\$ 57,500</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, media consulting services, and insurance policies.

4. 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 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 at the time of the transaction.

As the Company and Komo Foods share a common CFO, and there have been 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.

As at February 28, 2021, the Company holds 2.67% (November 30, 2020 – 4.00%) equity interest in Komo Foods.

During the period ended February 28, 2021, the Company recorded its proportionate loss from Komo Foods of \$42,643 (February 29, 2020 – \$nil). The carrying value of the Company's investment in Komo Foods as at February 28, 2021 was \$43,542 (November 30, 2020 – \$86,185).

NEONMIND BIOSCIENCES INC.

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4. Investment in Associate (continued)

The following table outlines the changes in investment in associate that are accounted for using the equity method for the three months ended February 28, 2021. As the Company does not have the same reporting date as its associate, the Company was provided with unaudited financial statements for the three months ended February 28, 2021, to calculate the portion of net loss attributable to the Company.

	Three months ended February 28, 2021
Komo Foods net income (loss)	\$ (1,520,959)
% ownership	2.67%
Portion of net income (loss) from investment in associate	<u>\$ (42,643)</u>

The following table outlines the carrying amount of the investment in Komo Foods as at February 28, 2021:

	Investment in associate
Carrying value of investment, November 30, 2020	\$ 86,185
Loss from investment in associate	(42,643)
Carrying value of investment, February 28, 2021	<u>\$ 43,542</u>

The following table summarizes the financial information of Komo Foods as at February 28, 2021 and for the three months ended:

	As at February 28, 2021 (unaudited)
Cash	\$ 892,067
Current and total assets	1,006,852
Current and total liabilities	<u>131,364</u>
	Three months ended February 28, 2021 (unaudited)
Net and comprehensive loss for the period	<u>\$ (1,520,959)</u>

NEONMIND BIOSCIENCES INC.

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5. Intangible Assets

	Product Formulations
Cost:	
Balance, November 30, 2020	\$ 32,400
Additions	—
Balance, February 28, 2021	<u>32,400</u>
Accumulated depreciation:	
Balance, November 30, 2020	4,050
Additions	1,012
Balance, February 28, 2021	<u>\$ 5,062</u>
Carrying amounts:	
As at November 30, 2020	\$ 28,350
As at February 28, 2021	<u>\$ 27,338</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 former parent company, Better Plant Sciences Inc. (“Better Plant”), 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 eight years. The Company will periodically evaluate these assets to assess whether their value has become impaired over time.

6. Related Party Transactions

During the three months ended February 28, 2021 and February 29, 2020, compensation of key management personnel and related parties were as follows:

	Three months ended February 28, 2021	Three months ended February 29, 2020
Wages expense	\$ 74,017	\$ —
Consulting fees	39,416	31,500
Share-based compensation	616,491	178,941
	<u>\$ 729,924</u>	<u>\$ 210,441</u>

As at February 28, 2021, the Company owed \$848,199 (November 30, 2020 - \$832,675) to its former parent company, Better Plant, which included a promissory note balance of \$691,245 (November 30, 2020 - \$691,245) for previously advanced payment, 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 amended 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. 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 during the year ended November 30, 2020.

NEONMIND BIOSCIENCES INC.

Notes to the Condensed Interim Financial Statements
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6. Related Party Transactions (continued)

Amounts owing also included interest payable balance of \$34,468 (November 30, 2020 - \$25,945) relating to the promissory note which is included in accounts payable and accrued liabilities. The remaining \$122,486 (November 30, 2020 - \$115,485) is unsecured, non-interest bearing, and due on demand. During the period ended February 28, 2021, the Company incurred marketing expenses of \$25,494 (February 29, 2020 - \$nil), investor relations expenses of \$31,833 (February 29, 2020 - \$nil) professional fees of \$58,547 (February 29, 2020 - \$nil), office & administrative expenses of \$21,618 (February 29, 2020 - \$nil), and consumer product research and development expenses of \$24,877 (February 29, 2020 - \$63,000) from Better Plant.

7. Share Capital

Authorized: unlimited number of common shares without par value.

During the three months ended February 28, 2021, the Company completed the following transactions:

- (a) On December 30, 2020, the Company completed its IPO of 46,000,000 units at \$0.10 per unit for 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 (the "Agents' Options") with a fair value of \$365,260, entitling the holder to purchase a unit of the Company (the "Agent's Option Unit") at \$0.10 per Agent's Option Unit until December 30, 2022. Each Agent's Option Unit consists of one common share of the Company (each, an "Agent's Option Share") and one share purchase warrant (each, an "Agent's Option Warrant"). Each Agent's Option Warrant further entitles the holder to purchase one additional common share of the Company for a period of 24 months from the IPO closing date on December 30, 2020. The estimated fair value associated with the Agent's Options granted was determined using the Black-Scholes Pricing model with the following assumptions: stock price at grant date of \$0.10; an annualized volatility of 179%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0% and a risk free rate of 0.20%.
- (b) On January 4, 2021, the Company issued 400,000 common shares for proceeds of \$40,000 pursuant to the exercise of stock options. The fair value of the stock options of \$27,172 was transferred from equity reserves to share capital upon exercise. In addition to the stock options exercised, the Company issued 1,137,500 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of \$91,000 was transferred from equity reserves to share capital upon conversion.
- (c) On January 6, 2021, the Company issued 100,000 common shares for proceeds of \$10,000 pursuant to the exercise of stock options. The fair value of the stock options of \$4,217 was transferred from equity reserves to share capital upon exercise.
- (d) On January 8, 2021, the Company issued 50,000 common shares for proceeds of \$5,000 pursuant to the exercise of stock options. The fair value of the stock options of \$3,458 was transferred from equity reserves to share capital upon exercise.
- (e) On January 14, 2021, the Company issued 200,000 Agent's Option Shares and 200,000 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of \$20,000. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at \$0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of \$15,881 was transferred from equity reserves to share capital upon exercise.

NEONMIND BIOSCIENCES INC.

Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

7. Share Capital (continued)

- (f) On January 22, 2021, the Company issued 200,000 Agent's Option Shares and 200,000 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of \$20,000. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at \$0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of \$15,881 was transferred from equity reserves to share capital upon exercise.
- (g) On January 25, 2021, the Company issued 1,600,000 common shares for proceeds of \$320,000 pursuant to the exercise of warrants.
- (h) On February 2, 2021, the Company issued 75,000 common shares for proceeds of \$15,000 pursuant to the exercise of warrants.
- (i) On February 5, 2021, the Company issued 50,000 common shares for proceeds of \$5,000 pursuant to the exercise of stock options. The fair value of the stock options of \$2,109 was transferred from equity reserves to share capital upon exercise.
- (j) On February 12, 2021, the Company issued 10,000 common shares for proceeds of \$1,000 pursuant to the exercise of stock options. The fair value of the stock options of \$679 was transferred from equity reserves to share capital upon exercise.
- (k) On February 16, 2021, the Company issued 50,000 common shares for proceeds of \$10,000 pursuant to the exercise of warrants.
- (l) On February 18, 2021, the Company issued 227,000 Agent's Option Shares and 227,000 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of \$22,700. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at \$0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of \$18,025 was transferred from equity reserves to share capital upon exercise.
- (m) On February 19, 2021, the Company issued 100,000 common shares for proceeds of \$20,000 pursuant to the exercise of warrants.
- (n) On February 22, 2021, the Company issued 1,713,000 common shares for proceeds of \$281,950 pursuant to the exercise of warrants.
- (o) On February 23, 2021, the Company issued 275,000 common shares for proceeds of \$55,000 pursuant to the exercise of warrants.
- (p) On February 23, 2021, the Company issued 190,500 Agent's Option Shares and 190,500 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of \$19,050. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at \$0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of \$15,127 was transferred from equity reserves to share capital upon exercise.
- (q) On February 24, 2021, the Company issued 109,383 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of \$8,751 was transferred from equity reserves to share capital upon conversion. Additionally, the Company issued 425,000 common shares for proceeds of \$85,000 pursuant to the exercise of warrants.
- (r) On February 25, 2021, the Company issued 250,000 common shares for proceeds of \$50,000 pursuant to the exercise of warrants.

NEONMIND BIOSCIENCES INC.

Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

7. Share Capital (continued)

- (s) On February 26, 2021, the Company issued 115,000 common shares for proceeds of \$23,000 pursuant to the exercise of warrants.
- (t) On February 28, 2021, the Company issued 375,000 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of \$30,000 was transferred from equity reserves to share capital upon conversion.

During the three months ended February 29, 2020, the Company completed the following transactions:

- (u) 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 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 \$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; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.70%.
- (v) 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 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.
- (w) 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 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 \$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; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.64%.
- (x) 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%.
- (y) 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.

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7. Share Capital (continued)

- (z) 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 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 \$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; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.50%.
- (aa) 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 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.
- (bb) 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 in exchange for product development services with fair value of \$10,500. 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.
- (cc) On February 4, 2020, the Company issued 15,000,000 units pursuant to share purchase agreements for the purchase of 7,285,000 common shares of Translational Life Science Inc. ("TLS"), with a fair value of \$750,000. Each unit consists of one common share and one share purchase warrants exercisable at \$0.50 per shares for a period of 24 months from the date of issuance.
- (dd) 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 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.
- (ee) 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 consists 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.
- (ff) On February 20, 2020, the Company issued 6,250,000 common shares pursuant to a license agreement with Urban Juve (Note 5) for a fair value of \$500,000.

8. Share Purchase Warrants

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

	Number of warrants	Weighted average exercise price
Balance, November 30, 2020	88,152,950	\$ 0.30
Issued	51,417,500	0.19
Exercised	(5,420,500)	0.17
Balance, February 28, 2021	134,149,950	\$ 0.26

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8. Share Purchase Warrants (continued)

As at February 28, 2021, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price	Expiry date
500,000	\$ 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
3,782,500	\$ 0.10	December 30, 2022
43,427,500	\$ 0.20	December 30, 2022
<u>134,149,950</u>		

9. 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.

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9. Stock Options (continued)

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

	Number of options	Weighted average exercise price
Outstanding, November 30, 2020	6,290,000	\$ 0.10
Granted	10,185,000	0.26
Exercised	(610,000)	0.10
Expired/Cancelled	(10,000)	0.10
Outstanding, February 28, 2021	15,855,000	\$ 0.20
Exercisable, February 28, 2021	2,545,000	\$ 0.10

Additional information regarding stock options outstanding and exercisable as at February 28, 2021, is as follows:

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
\$0.10 - \$0.32	15,855,000	2,545,000	4.48

Share-based compensation expense related to stock options was determined using the Black-Scholes option pricing model. During the three months ended February 28, 2021, the Company recognized share-based compensation expense relating to stock options of \$661,435 (February 29, 2020 - \$187,859) in equity reserves, of which \$518,002 (February 29, 2020 - \$178,941) pertains to directors and officers of the Company. The weighted average fair value of options granted during the three months ended February 28, 2021, was \$0.23 (February 29, 2020 - \$0.05) per share. The weighted average share price for stock options exercised was \$0.23 (February 29, 2020 - \$nil). Weighted average assumptions used in calculating the fair value of share-based compensation expense, including no expected dividends or forfeitures, are as follows:

	2021
Risk-free interest rate	0.47%
Dividend yield	0%
Expected volatility	147%
Expected life (years)	4.97

As at February 28, 2021 there was \$1,914,732 (November 30, 2020 - \$127,297) of unrecognized share-based compensation related to unvested stock options.

10. Restricted Share Units

On April 16, 2020, the Company adopted a restricted share unit plan, which was replaced by an amended and restated restricted share unit plan on April 27, 2020, September 9, 2020 and 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, 2020	9,196,883
Granted	600,000
Vested	(1,621,883)
Balance, February 28, 2021	8,175,000

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10. Restricted Share Units (continued)

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. For restricted share units issued prior to the IPO on December 30, 2020, the fair value was determined based on previous private placements with third parties. For restricted share units issued subsequent to the IPO, the fair value was determined using the market price of the Company's common shares. During the three months ended February 28, 2021, the Company recognized share-based compensation expense relating to restricted share units of \$98,489 (February 29, 2020 - \$nil) in equity reserves, all of which pertains to directors and officers of the Company. The weighted average fair value of restricted share units granted during the three months ended February 28, 2021, was \$0.26 (February 29, 2020 - \$nil) per share.

As at February 28, 2021 there was \$486,061 (February 29, 2020 - \$nil) of unrecognized share-based compensation related to unvested restricted share units.

11. 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.

12. Financial Instruments and Risks

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on our condensed interim statement of financial position as at February 28, 2021, as follows:

	Fair Value Measurements Using			Balance, February 28, 2021
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investment in associate	\$ -	\$ 43,542	\$ -	\$ 43,542

The fair values of financial instruments, including cash, amounts receivable, accounts payable and accrued liabilities, amounts due to related parties, and promissory note payable 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.

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12. Financial Instruments and Risks (continued)

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.

13. Subsequent Events

Subsequent to February 28, 2021, the Company issued 1,460,000 common shares pursuant to the exercise of warrants for proceeds of \$279,500.

Subsequent to February 28, 2021, the Company issued 550,000 Agent's Option Shares and 550,000 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of \$55,000. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at \$0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020.

Subsequent to February 28, 2021, the Company granted the following stock options:

- 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 100% four months after the date of grant.
- 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 four equal tranches, with the first vesting period commencing four months after the grant date.
- On April 20, 2021, the Company granted 1,500,000 stock options to an officer, which are exercisable at \$0.21 per share for a period of five years. The stock options vest over 30 months in ten equal tranches, with the first vesting period commencing four months after the grant date.

On April 20, 2021, the Company granted 200,000 restricted share units to an officer. The restricted share units vest over 30 months in ten equal tranches, with the first vesting period commencing four months after the grant date.