MANAGEMENT DISCUSSION AND ANALYSIS

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

This Management's Discussion and Analysis ("MD&A") relates to the financial position and financial performance of NeonMind Biosciences Inc. (formerly "Flourish Mushroom Labs Inc.") ("NeonMind") for the three months ended February 28, 2021 and February 29, 2020. All references to "us" "we" and "our" refer to NeonMind.

Except where otherwise indicated, the financial information contained in this MD&A was prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with our unaudited condensed interim financial statements for the three months ended February 28, 2021 and February 29, 2020 and audited annual financial statements for the years ended November 30, 2020 and 2019 (collectively referred to as the "Financial Statements").

Financial information contained in this MD&A has been prepared on the basis that we will continue as a going concern, which assumes that we will be able to realize our assets and satisfy our 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 our ability to continue as a going concern.

We have recorded revenues of $8,115, incurred a net loss of $2,480,055, and used $1,899,671 of cash for operating activities during the three months ended February 28, 2021. As at February 28, 2021, we had working capital of $2,458,436 and an accumulated deficit of $8,361,439. Our continued operations are dependent on future profitable operations, management's ability to manage costs, and the future availability of equity or debt financing. Whether and when we can generate sufficient operating cash flows to pay for our expenditures and settle our obligations as they fall due is uncertain. These condensed interim 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 outbreak of the 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 our supply chain and operations. The COVID-19 pandemic has impacted and could further impact our operations and the operations of our suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. As a result of the pandemic, we experienced delays in our planned product launches. The extent to which the COVID-19 pandemic impacts our 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 our 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 us, and is working on alternative measures and resources to minimize such impact. Even after the COVID-19 pandemic has subsided, we may experience adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, we can not reasonably estimate the impact at this time on our business, liquidity, capital resources and financial results.

Except where otherwise indicated, all financial information is expressed in Canadian dollars.

CORPORATE OVERVIEW

We were incorporated under the laws of the province of British Columbia, Canada on September 18, 2019. We operate three divisions, (i) a pharmaceutical division engaged in drug development of psychedelic compounds, (ii) a consumer products division with a focus on non-psychoactive functional mushroom infused products, and (iii) a medical services division, which is in the planning stage, to offer drug enhanced psychotherapy services and other mental health treatments. We raised gross proceeds of approximately $6 million during the three months ended February 28, 2021, pursuant to an initial public offering ("IPO") and option and warrant exercises.

In our pharmaceutical division, we have two distinct psilocybin drug development programs targeting obesity. Psilocybin is a complex organic compound found naturally in a wide range of different species of mushrooms, known as psychedelic mushrooms ("Psilocybin"). Psychedelics are a hallucinogenic class of psychoactive drugs whose primary action is to trigger psychedelic experiences via serotonin 2A receptor agonism, causing specific psychological, visual and auditory changes, and altered states of consciousness. Our first drug candidate aims to use synthetic Psilocybin to enhance a patient's ability to adopt behaviours that cause weight loss and maintain that loss through psychedelic-assisted cognitive therapy. The second drug candidate proposes low dose synthetic Psilocybin as a treatment to suppress appetite.

Our consumer division currently sells four NeonMind branded coffee products infused with non-psychoactive functional mushrooms which are used for their health-promoting properties ("Functional Mushrooms") in Canada through our direct-to-consumer e-commerce platform, and we have plans to launch our coffee products as dietary supplements in the US in June 2021.

Our medical services division is currently in development. We will assemble a team of experts to plan and launch a chain of healthcare clinics in Canada to offer various treatments for mental health tailored to local market needs including psychedelic enhanced therapy.

A more detailed description of our three divisions is found below.

Division I: Pharmaceutical Drug Development Division

Our Planned Psilocybin Research

While Psilocybin has extensive research data and supportive literature, moving it towards a "regulated medicinal product" is an essential path to commercialization.

Preclinical Trials

We are exploring Psilocybin as a treatment for weight loss and have begun preclinical studies at the University of British Columbia ("UBC") to evaluate Psilocybin's effectiveness. We engaged Translational Life Sciences Inc. ("TLS"), which is a contract research organization, to design our preclinical trials examine Psilocybin as a potential treatment for obesity and weight management ("Preclinical Trials") and we engaged UBC to conduct our Preclinical Trials.

We expect to receive full results of our sponsored Preclinical Trials at UBC by late spring 2021 and we plan to initiate a Phase 2 Human Clinical Trial by March 2022 for our two drug candidates described below. The typical development roadmap to support a Phase 2 clinical trial for a product involves having completed a complex interconnected sequence of evaluations on the products quality (CMC – chemistry, manufacture, and controls), preclinical efficacy, safety pharmacology and toxicology, and preclinical and clinical pharmacological characterization.

We have two distinct Psilocybin drug development programs targeting obesity. Our first drug candidate aims to use synthetic Psilocybin to enhance a patient's ability to adopt behaviours that cause weight loss and maintain that loss through psychedelic-assisted cognitive therapy. The drug candidate employs Psilocybin as an agonist to the serotonin receptor 5-HT2A, which is involved in the hallucinogenic effect of psychedelics.

The second drug candidate proposes low dose synthetic Psilocybin as a treatment to suppress appetite and employs low-dose Psilocybin as an agonist to the 5-HT2C receptor, which controls appetite.

Development Plan with Certara

In March 2021 we engaged Certara to provide us with an integrated development plan and for strategic clinical pharmacology, toxicology, CMC, preclinical pharmacology, regulatory strategy and integrated drug development support, including expert leaders in therapeutics development with significant tenures in biotech, pharma research and development and the United States Food and Drug Administration (the "FDA") and the European Medicines Agency ("EMA"). Certara provides biosimulation software to transform traditional biopharmaceutical research and development with a scientific team that has more than 3,500 years of collective drug discovery and development experience. Certara has agreed to provide us with access to their experts in drug development strategy, due diligence, clinical pharmacology, regulatory science (including ex-FDA and EMA experts) and the full spectra of drug development subject matter experts across Certara. These experts will be available to support us in areas relating to the development of Psilocybin as a regulated medicinal product.

The Certara project proposal describes two specific areas that seek to create maximum value for NeonMind:

(i) Certara shall provide strategic evaluation and planning specifically, Certara will provide us with expert drug development advice to establish an integrated development plant for Psilocybin for the treatment of obesity; and

(ii) Certara shall offer development stewardship providing us with a world class virtual development team to support the execution of Psilocybin for our treatment of obesity programs.

The strategic evaluation and planning stage follows a three-phase integrated due diligence evaluation approach that is applied over an eight-to-twelve-week time frame, which began in mid-March 2021.

Division II: Consumer Products Division

In November 2020, we launched four Functional Mushroom infused coffees: two brewed coffees and two instant coffees and launched our direct-to-consumer eCommerce platform. We completed the formulas, designed packaging and labels in compliance with applicable regulations, ordered raw materials and packaging, and completed research and development with a GMP manufacturing facility including producing samples of each coffee for third-party nutritional analysis for labelling purposes. We plan to continue to manufacture our products through a co-packer. We obtain the raw ingredients for our products globally.

In June 2021, we plan to launch a line of dietary supplements with Functional Mushroom infused coffees through our direct-to-consumer e-commerce platform and to expand distribution through retail chain outreach strategy in the United States (the "US"). All ingredients and packaging materials required for this launch have been procured.

Division III: Medical Services Division

Our medical services division is currently in development. We are assembling a team of experts to plan and launch a chain of NeonMind-branded specialty clinics in Canada. Working with health care communities and tailoring the services to local market needs, these clinics will offer evidence-backed innovative treatments for a variety of mental health needs including psychedelic modalities and other newer treatments for mood disorders such as depression.

Our go-to-market strategy may include partnerships with existing health clinics to offer NeonMind mental health services as well as standalone NeonMind clinics. The NeonMind clinic team will build an integrated services platform and comprehensive set of programs aimed at delivering specialized treatments combined with traditional modalities for a variety of mental health conditions and right-sized for local needs.

In Canada, ketamine and esketamine are currently the only psychedelic substances that may legally be prescribed and administered in medical clinics, but there is a large and growing pipeline of psychedelic drug development programs with clinical trials underway evaluating other substances including psilocybin. Importantly recent clinical trial results with psilocybin treatment are showing promise.

The platform will be designed to expand to increase offerings of drug-enhanced psychotherapies over time. NeonMind aims to gain an early-mover advantage, establish a strategic footprint, and have operations ready to accommodate a future surge from potential psychedelic drug approvals.

If additional psychedelic medicines are approved for use in Canada, we will evaluate them for use in clinics and, where appropriate, develop protocols to incorporate them into our therapeutic offering.

STRATEGIES AND ANTICIPATED MILESTONES

In the long term, we are focused on value creation through psychedelic drug development within unique indications for the treatment of obesity, compulsive eating disorder and as an aid to weight loss and its maintenance. Our preclinical signal supports the development of complimentary psychedelic drug development plans with low and high dose Psilocybin.

In the near term, we are assembling research and development capabilities dedicated to creating a dossier of scientific evidence to support regulatory approval for these novel treatments that can positively impact millions of people.

Further, we established internal business development processes to identify and evaluate opportunities to develop or acquire research assets and/or complimentary business to diversify our offering of psychedelic solutions and footprint in mental health.

We have four core objectives for 2021:

1. **Plan** - establish a comprehensive integrated development plan in support of our two Psilocybin programs predicated upon our target product profiles and gap analysis to FDA/Health Canada requirements for new drug applications.

2. **Resource** - assemble talent and raise adequate capital to advance and accelerate our integrated development plan.

3. **Execute** - the "next steps" in developing Psilocybin for the treatment of obesity and to launch our first medical services clinic in Canada.

4. **Assemble** - evaluate and pursue opportunities to bolster our development pipeline and /or add complementary businesses in the psychedelic sector.

Our plan is to work with Certara and finalize a fully integrated drug development program in spring 2021 which will allow us to confidently execute the steps necessary to developing an important novel psychedelic therapeutic for obesity and weight management.

Having identified an attractive market opportunity to introduce specialty mental health clinics and provide ketamine treatment plus other traditional/innovative services adapted to local market needs, we are assembling a team of clinical operations experts and mental health clinicians to launch this new business.

To achieve the broad business objectives set out above, we have established the following milestones:

Objective	Milestone Description	Timeframe for Completion (Fiscal quarters)
Commence Phase 2 Human Clinical Trial	Finalize comprehensive integrated drug development program to define the research plans necessary to develop each of our two novel psychedelic therapeutics for obesity, weight loss and/or its maintenance	Q2 2021
	Finalize target product profiles establishing optimal and minimally acceptable profile for a successful program considering medical need, differentiation strategy, target use and access to medicine strategy	Q2 2021
	Establish deal flow targets to bolster product development pipeline and identify opportunities for strategic alliances	Q2 2021
	Based on our integrated development plan we expect to begin executing initial steps to satisfy CMC, non-clinical, pre-clinical and clinical research plans requirements.	Q3 2021
	Completion of Psilocybin Preclinical Trials	Q3 2021
	Pre-investigational new drug application meeting with the FDA	Q4 2021
	Commence Phase 2 Human Clinical Trial	Q2 2022
Increase Revenues for Consumer Product Sales	Dietary Supplement launch in the US	Q3 2021
	Engage social media influencers to build a consumer base	Q3 2021
	Launch extensive paid advertising campaigns in 10 US cities	Q4 2021
	Increase product offering	Q1 2022

Launch Medical Services Division	Add clinical operations and psychiatric experts to our advisory team	Q2 2021
	Complete jurisdictional scan to select the right community and locations	Q3 2021
	Complete expert interviews to validate service gaps, identify and design mental health program offering	Q3 2021
	Launch the provision of medical services for mental health	Q4 2021

SELECTED ANNUAL INFORMATION

Management considers that the main indicators of our performance are the following: revenues, net income and loss, total assets, earnings/loss per share. The following information was derived from our unaudited condensed interim financial statements for the three months ended February 28, 2021 and February 29, 2020.

	Three months ended and as of	
	February 28, 2021	February 29, 2020
	$	$
Revenues	8,115	-
Net loss	2,480,055	317,713
Basic and diluted loss per share	0.03	0.00
Total assets	3,533,403	1,705,456
Dividends declared and paid out	-	-

The net loss for the three months ended February 28, 2021 primarily consisted of share-based compensation of $759,924, marketing, publicity and digital media expenses of $803,441, medical research and development expenses of $267,279, professional fees of $227,482 and other operating expenses of $385,370.

The net loss for the three months ended February 29, 2020 primarily consisted of share-based compensation of $187,859, research and development expenses of $64,476, and other operating expenses of $65,378.

The increase in operating expenses in the current period was due to the fact that we were more active in our day-to-day operations compared to the prior year.

OVERALL PERFORMANCE

We successfully completed our IPO, which was oversubscribed, and the broker exercised their full over-allotment issuance, and our common shares were listed on the Canadian Securities Exchange under the ticker symbol "NEON". We raised funds from the IPO in the gross amount of $4,600,000. Subsequent to the IPO, we received an additional $1.3 million in warrant and option exercises.

On January 18, 2021, our common shares were listed on the Frankfurt Stock Exchange. Our common shares are currently trading on the OTC Pink Sheets under the ticker symbol “NMDBF” and we have completed an application for our common shares to be quoted on the OTCQB.

In the medical research division and in November 2020, we initiated our Preclinical Trial at UBC to develop a product which can be used as a treatment to promote and cause weight loss which contains Psilocybin.

From January to March 2021, we added significantly to our drug development team with six expert consultants across North America experienced in the areas of therapeutic drug development, Psilocybin research, eating disorders and obesity research and treatment, drug manufacturing, business development and product development.

In February 2021, we purchased an initial order of GMP (good manufacturing practices as mandated by Canadian regulations) grade psilocybin from Psygen Labs Inc. for our planned phase 2 human clinical trial expected to begin in Q2 2022.

In March 2021 we engaged Certara, a global leader in model-informed drug development, to provide strategic integrated drug development support for the investigation of our Psilocybin based drug candidates for the treatment of obesity and to provide us with an integrated development plan.

In the consumer products division and in mid-November 2020, we launched four mushroom infused coffee products in Canada through our ecommerce website. We generated revenue from product sales of $8,115 during the three months ended February 28, 2021. We did not generate any revenues from product sales for the same period of the prior year.

Expenses before other items amounted to $2,443,496 for the three months ended February 28, 2021 as compared to $317,713 for the same period of the prior year. Expenses primarily consisted of share-based compensation of $759,924, marketing, publicity and digital media expenses of $803,441, medical research and development expenses of $267,279, professional fees of $227,482 and other operating expenses of $385,370.

ADJUSTED EBITDA

Adjusted EBITDA, a measure used by management to indicate operating performance, is defined as earnings before interest, taxes, depreciation and amortization, excluding certain non-operating amounts as shown below. Adjusted EBITDA is not a recognized term under IFRS and is not intended to be an alternative either to gross profit or income before taxes as a measure of operating performance or to cash flows from operating activities as a measure of liquidity.

Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow available for discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. We use Adjusted EBITDA to supplement IFRS results to provide a more complete understanding of the factors and trends affecting the business than IFRS results alone. Because not all companies use identical calculations, the presentation of Adjusted EBITDA may not be comparable to other similarly titled measurements used by other companies. Readers should not consider Adjusted EBITDA in isolation or as a substitute for profit (loss) for the period as determined by IFRS, or as a substitute for an analysis of our Financial Statements.

Reconciliation of Adjusted EBITDA for the three months ended February 28, 2021 and February 29, 2020 is as follows:

	2021 $	2020 $
Net loss for the period	(2,480,055)	(317,713)
Add:		
Amortization & Depreciation	1,027	4,658
Interest	9,034	-
Adjustments:		
Share-based compensation	759,924	187,859
Loss on investment in associate	42,643	-
Adjusted EBITDA	(1,667,427)	(125,196)

DISCUSSION ON OPERATIONS

Revenue

For the three months ended February 28, 2021, we recognized total revenue of $8,115 as compared to $nil for the same period of the prior year. Revenue included sales of four functional mushroom coffees, which were launched through ecommerce in November 2020.

Cost of sales

For the three months ended February 28, 2021, we recorded cost of sales of $2,031 from the sales of functional mushroom coffees.

Marketing, publicity and digital media

For the three months ended February 28, 2021, we incurred marketing, publicity and digital media costs of $803,441 as compared to $17,477 for the same period of the prior year. Marketing, publicity and digital media expenses included advertising and marketing for the launch of our mushroom infused coffee products and media spent to promote our corporate brand in the preparation of our IPO.

Amortization and depreciation

For the three months ended February 28, 2021, we incurred amortization and depreciation expense of $1,027 as compared to $4,658 for the same period of the prior year. Amortization and depreciation expenses were related to product formulations which are being amortized over 8 years.

Consulting fees

We are an emerging business which engages consultants and contractors regularly to obtain expertise in various business areas. For the three months ended February 28, 2021, we incurred consulting fees of $39,416, compared to $36,750 for the same period of the prior year.

Information system

For the three months ended February 28, 2021, we incurred expenses in information systems of $1,480 relating to our ecommerce website, as compared to $1 ,575 for the same period of the prior year.

Investor relations

For the three months ended February 28, 2021, we incurred investor relations expenses of $95,833 to support our IPO and to expand our visibility within the North American and European investment community. We did not incur such expenses in the same period of the prior year.

Listing expenses

Listing fees were related to the application and the listing of our commons shares on the CSE. For the three months ended February 28, 2021, we incurred listing fees of $6,600. We did not incur such fees in the same period of the prior year.

Office and administrative expenses

For the three months ended February 28, 2021, we incurred office and administration expenses of $112,890 as compared to $68 of the prior period. The increase in office and administrative expenses was due to an increase in business activity in the current year, as compared to the same period of the prior year which was in the early stages of the business. Office and administrative expenses included $65,346 of insurance fees, $10,045 of broker and filing fees, $9,034 of interest expense and $28,465 of other office expenses.

Research and development – consumer products

Consumer product research and development included costs of the development of mushroom infused coffee products, which launched in November 2020. For the three months ended February 28, 2021, we incurred consumer product research and development expenses of $48,526, as compared to $64,476 for the same period of the prior year.

Research and development – medical

Medical research and development expenses included costs of our medical research and our preclinical trials. For the three months ended February 28, 2021, we incurred medical research and development costs of $267,279 as compared to $nil for the same period of the prior year. The increase was a result of increased activity in developing our medical research segment during the current quarter.

Professional fees

Professional fees include legal, recruitment, accounting, audit and taxation fees. For the three months ended February 28, 2021, we incurred professional fees of $227,482 as compared to $4,850 for the same period of the prior year. The increase was primarily driven by legal and accounting fees related to the IPO process, as well as recruitment fees to expand the team.

Share-based compensation

As at February 28, 2021, we had 15,855,000 stock options and 8,175,000 restricted share units granted and outstanding for our directors, officers, employees and consultants, and we incurred share-based compensation expense of $759,924, compared to $187,859 for the same period of the prior year. We expect to continue to utilize stock options, and other forms of equity instruments, to incentivize our teams.

Wages

Wages for the three months ended February 28, 2021 was $79,598, as compared to $nil for the same period of the prior year. The increase in wages were driven by the expansion of the team to support business development and clinical research activities.

Loss on investment in associate

During the three months ended February 28, 2021, we recorded a proportionate share of losses from Komo Plant Based Comfort Foods Inc. ("Komo Foods") of $42,643. We did not incur such losses in the same period of the prior year.

Net loss and comprehensive loss

We incurred a net and comprehensive loss of $2,480,055 as compared to $317,713 for the same period of the prior year. Loss per share on basic and fully diluted basis was $0.03, compared to $0.00 for the prior year.

Dividends

No dividends were declared or paid for the three months ended February 28, 2021 and February 29, 2020.

SUMMARY OF QUARTERLY RESULTS

We were incorporated on September 18, 2019. The summary of our quarterly results are as follows:

For the quarters ended:

	February 28, 2021	November 30, 2020	August 31, 2020
	$	$	$
Net loss	2,480,055	1,019,688	845,237
Basic loss per share	0.03	0.02	0.01
Diluted loss per share	0.03	0.02	0.01

	May 31, 2020	February 29, 2020	November 30, 2019
	$	$	$
Net loss	494,557	317,713	1,365,240
Basic loss per share	0.00	0.00	0.02
Diluted loss per share	0.00	0.00	0.02

LIQUIDITY

	February 28, 2021	November 30, 2020
Current ratio[1]	3.45	0.32
Cash	$ 3,128,344	$ 1,170
Working capital surplus (deficit) [2]	$ 2,458,436	$ (200,703)
Debt[3]	$ -	$ -
Equity (Deficit)	$ 2,530,586	$ (777,413)

(1) Current ratio is current assets divided by current liabilities.
(2) Working capital is current assets minus current liabilities
(3) Debt is defined as any commercial debt.

Cash Position

As at February 28, 2021, we had $3,128,344 in cash. During the three months ended February 28, 2021, we completed our IPO fund raising of $4.6 million in gross proceeds and approximately $1 million from the exercise of warrants and stock options.

During the three months ended February 28, 2021, we spent $1,899,671 of cash in operating activities primarily to finance operating expenses including those related to IPO and listing on CSE. Cash used in investing activities was $1,285 for the three months ended February 28, 2021, for the purchase of equipment. Cash provided by financing activities was $5,028,130 for the three months ended February 28, 2021, which was primarily from proceeds received from the issuance of units through the IPO and proceeds received from the exercise of warrants.

As at November 30, 2020, we had $1,170 in cash. During the year ended November 30, 2020, we spent $853,447 of cash in operating activities primarily to finance operating expenses including those related to IPO and listing on CSE. Cash provided by financing activities was $746,928 for the year ended November 30, 2020, which was primarily from proceeds received from the issuance of units through private placements. We did not have investing activities during this period.

Working Capital

We had a working capital surplus of $2,458,436 as at February 28, 2021, which is primarily due to an increase in cash relating to proceeds from our IPO and proceeds from warrant exercises.

We had a working capital deficit of $200,703 as at November 30, 2020, which is due to an increase in accounts payable and accrued liabilities as a result of timing of expenditures and proceeds from financing relating to our operations. Subsequent to November 30, 2020, we raised $4.6 million in gross proceeds from our IPO and almost $1.3 million in proceeds from the exercise of warrants and stock options.

CAPITAL RESOURCES AND MANAGEMENT

As at February 28, 2021, we had cash of $3,128,344. We are authorized to issue an unlimited number of common shares. As at February 28, 2021, there were 120,082,883 common shares issued and outstanding. We had 134,149,950 share purchase warrants outstanding with weighted average exercise price of $0.26. We had 15,855,000 stock options outstanding with weighted average exercise price of $0.20 per share. We also had 8,175,000 restricted share units outstanding.

Our objective is to maintain a strong capital base to support the development of the business including launching products of our own brands through the commercialization of products from over 100 formulas for beverages and wellness products that include edible mushrooms as a key ingredient, as well as the development of our research and clinical trials.

OFF-BALANCE SHEET ARRANGEMENTS

As at February 28, 2021 and November 30, 2020, we had no off-balance sheet arrangements.

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
	$ 729,924	$ 210,441

As at February 28, 2021, we owed $848,199 (November 30, 2020 - $832,675) to our 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, we 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 due date on the promissory note was amended 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.

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, we 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 we have 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.

We have determined that we have significant influence in Komo Foods despite holding less than 20% of the voting rights in Komo Foods due to sharing a common CFO, and the fact that Komo Foods entered into a license agreement with us which is a key component of Komo Food's business as at February 28, 2021. As a result, Komo Foods is considered an associate of NeonMind, 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 our 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.

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. We have 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.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

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

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, February 28, 2021
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. Our credit risk is primarily attributable to accounts receivable. We minimize our credit risk associated with our cash balance by dealing with major financial institutions in Canada and we have 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

We are not exposed to any significant foreign exchange rate or interest rate risk.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. We manage 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

We are exposed to price risk with respect to our 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.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to NeonMind, including our consolidated subsidiaries, is made known to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal Control over Financial Reporting ("ICOFR")

Our management, with the participation of our CEO and CFO, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the CEO and CFO, our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of NeonMind;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that our receipts and expenditures are made only in accordance with authorization of management and our directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the annual or interim financial statements.

Limitations on the Effectiveness of Disclosure Controls and the Design of ICOFR

Our management, including the CEO and CFO, do not expect that our disclosure controls and procedures and ICFR will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system objectives will be met. The likelihood of achievement is affected by limitations inherent in all internal control systems. These inherent limitations include the realities that judgments or decision making can be faulty, and that breakdowns occur because of simple errors or mistakes. Controls can also be circumvented in numerous ways including collusion, overrides and deception. In addition to the inherent limitations, the design of a control system must reflect that there are resource constraints, and the expected benefit of controls must be considered relative to the expected costs. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Further, no evaluation of controls can provide absolute assurance that all control issues within a company will be detected.

SUBSEQUENT EVENTS

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

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

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

- On March 9, 2021, we 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, we 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, we 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, we 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.