



Condensed Interim Financial Statements  
(Expressed in Canadian Dollars)

For the Three and Six Months Ended May 31, 2021 and 2020  
(Unaudited)

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

	May 31, 2021 <u>(unaudited)</u>	November 30, 2020 <u></u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 1,782,219	\$ 1,170
Marketable securities (Note 3)	125,000	-
Short-term investments (Note 4)	57,500	-
Accounts receivable (Note 5)	94,505	19,539
Inventory	51,906	17,155
Prepaid expenses and deposits (Note 6)	216,962	57,500
Total current assets	<u>2,328,092</u>	<u>95,364</u>
Non-current assets		
Investment in associate (Note 7)	-	86,185
Property and equipment	3,259	-
Intangible assets (Note 8)	26,325	28,350
Total non-current assets	<u>29,584</u>	<u>114,535</u>
Total assets	<u>\$ 2,357,676</u>	<u>\$ 209,899</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 299,600	\$ 179,862
Deferred revenue	-	220
Due to related parties (Note 9)	12,532	115,985
Promissory note (Note 9)	691,245	-
Total current liabilities	<u>1,003,377</u>	<u>296,067</u>
Non-current liabilities		
Promissory note (Note 9)	-	691,245
Total liabilities	<u>1,033,377</u>	<u>987,312</u>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Share capital (Note 10)	7,186,187	1,779,158
Equity reserves (Notes 11, 12 and 13)	5,173,464	3,324,813
Accumulated deficit	(11,005,352)	(5,881,384)
Total shareholders' equity (deficit)	<u>1,354,299</u>	<u>(777,413)</u>
Total liabilities and shareholders' equity (deficit)	<u>\$ 2,357,676</u>	<u>\$ 209,899</u>

Nature of operations and continuance of business (Note 1)  
Subsequent events (Note 16)

Approved and authorized for issuance on behalf of the Board of Directors on July 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		Six months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Sales	\$ 4,534	\$ -	\$ 12,649	\$ -
Cost of sales	1,548	-	3,579	-
Gross Profit	2,986	-	9,070	-
<b>EXPENSES</b>				
Amortization and depreciation (Note 8)	1,120	25,205	2,147	29,863
Consulting fees (Note 9)	59,124	140,626	98,540	177,376
Information systems	-	-	1,480	1,575
Investor relations (Note 9)	127,268	-	223,101	-
Listing expenses	5,685	-	12,285	-
Office and administrative (Note 9)	121,057	10,378	233,947	10,446
Marketing, publicity and digital media (Note 9)	836,216	78,461	1,639,657	95,938
Research and development – consumer products (Note 9)	36,002	10,488	84,528	74,964
Research and development - medical	171,758	2,000	439,037	2,000
Professional fees (Note 9)	134,672	16,600	362,154	21,450
Share-based compensation (Notes 9, 12 and 13)	1,056,227	201,647	1,816,151	389,506
Wages (Note 9)	182,374	-	261,972	-
Total expenses	2,731,503	485,405	5,174,999	803,118
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(2,728,517)</b>	<b>(485,405)</b>	<b>(5,165,929)</b>	<b>(803,118)</b>
<b>OTHER ITEMS</b>				
Foreign exchange gain	3,146	-	3,146	-
Loss on investment in associate (Note 7)	(11,569)	(9,152)	(54,212)	(9,152)
Gain on reclassification of investment (Note 7)	93,027	-	93,027	-
Total other items	84,604	(9,152)	41,961	(9,152)
<b>NET AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ (2,643,913)</b>	<b>\$ (494,557)</b>	<b>\$ (5,123,968)</b>	<b>\$ (812,270)</b>
<b>LOSS PER SHARE, BASIC AND FULLY DILUTED</b>	<b>\$ (0.02)</b>	<b>\$ (0.00)</b>	<b>\$ (0.06)</b>	<b>\$ (0.01)</b>
Weighted average shares outstanding	120,540,654	141,786,000	88,482,750	137,928,000

*(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	Deficit	Total shareholders' equity (deficit)
	Number of shares	Amount			
<b>BALANCE, NOVEMBER 30, 2019</b>	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	-	(108,360)	42,424	-	(65,936)
Shares issued on exercise of stock options	5,180,000	353,306	(244,306)	-	109,000
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
Restricted share units issued for services	-	-	28,985	-	28,985
Share cancellations	(59,000,000)	(818,565)	1,874,869	(1,056,304)	-
Fair value of stock options granted	-	-	356,805	-	356,805
Fair value of restricted share units granted	-	-	32,701	-	32,701
Net loss for the period	-	-	-	(812,270)	(812,270)
<b>BALANCE, MAY 31, 2020</b>	<b>104,368,000</b>	<b>\$1,727,851</b>	<b>\$2,091,478</b>	<b>\$ (3,233,814)</b>	<b>\$585,515</b>
<b>BALANCE, NOVEMBER 30, 2020</b>	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	6,484,300	1,202,645	-	-	1,202,645
Units issued on exercise of Agent's Options	1,538,800	268,241	(117,787)	-	150,454
Restricted share units vested	2,064,383	177,338	(177,338)	-	-
Fair value of stock options granted	-	-	1,599,520	-	1,599,520
Fair value of restricted share units granted	-	-	216,631	-	216,631
Net loss for the period	-	-	-	(5,123,968)	(5,123,968)
<b>BALANCE, MAY 31, 2021</b>	<b>123,127,983</b>	<b>\$ 7,186,187</b>	<b>\$ 5,173,464</b>	<b>\$ (11,005,352)</b>	<b>\$ 1,354,299</b>

(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)

	Six months ended May 31,	
	2021	2020
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (5,123,968)	\$ (812,270)
Items not involving cash:		
Amortization and depreciation	2,147	29,863
Share-based compensation	1,816,151	389,506
Shares issued for services	-	10,500
Restricted share units issued for services	-	28,985
Exercise of stock options for bonus	-	100,000
Loss on investment in associate	54,212	9,152
Gain on reclassification of investment	(93,027)	-
Changes in non-cash operating working capital:		
Accounts receivable	(74,966)	-
Inventory	(34,751)	-
Prepaid expenses and deposits	(159,462)	(70,000)
Accounts payable and accrued liabilities	119,738	80,614
Deferred revenue	(220)	-
Due to related parties	(103,453)	(498,939)
Net cash used in operating activities	<u>(3,597,599)</u>	<u>(732,589)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(3,381)	-
Purchase of GIC	(57,500)	-
Net cash used in investing activities	<u>(60,881)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	4,600,000	803,865
Share issuance costs	(574,570)	(65,936)
Proceeds from exercise of stock options	61,000	9,000
Proceeds from exercise of warrants	1,202,645	-
Proceeds from exercise of Agent's Options	150,454	-
Net cash provided by financing activities	<u>5,439,529</u>	<u>746,929</u>
<b>CHANGE IN CASH</b>	1,781,049	14,340
Cash, beginning of period	1,170	107,689
<b>CASH, END OF PERIOD</b>	<u>\$ 1,782,219</u>	<u>\$ 122,029</u>
<b>Non-cash investing and financing activities:</b>		
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	244,306
Transfer of contributed surplus on exercise of warrants	117,787	-
Fair value of Agent's Options issued as finder's fees	365,260	-
Fair value of brokers' warrants issued as finder's fees	-	42,424
Fair value of warrants issued in exchange for return of shares	-	1,819,373
Shares cancelled in exchange for removal of share sale restrictions	-	55,496
Value of restricted share units converted	<u>177,338</u>	<u>-</u>

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

# NEONMIND BIOSCIENCES INC.

Notes to the Condensed Interim Financial Statements

May 31, 2021 and 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 \$5,123,968 and used \$3,597,599 of cash for operating activities during the six months ended May 31, 2021. As of May 31, 2021, the Company had a working capital of \$1,324,715 and an accumulated deficit of \$11,005,352. 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 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 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

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(Expressed in Canadian Dollars)

(Unaudited)

### 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 property, plant and equipment and intangible assets, carrying value of investment in associate, 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 condensed interim 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 had previously 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 was a key component of Komo Food’s business in prior periods. As a result, Komo Foods was considered an associate of the Company, and the investment in Komo Foods was 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. During the six months ended May 31, 2021, Komo Foods entered into a merger agreement and management determined that significant influence in Komo Foods no longer existed (Note 3 and 5) and the Company reclassified its investment to fair value through profit and loss under IFRS 9.

## NEONMIND BIOSCIENCES INC.

Notes to the Condensed Interim Financial Statements

May 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

### 2. Significant Accounting Policies (continued)

#### 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. Marketable securities

Below is a summary of the Company's marketable securities as of May 31, 2021:

	Nov. 30, 2020 fair value	Additions	Unrealized gain (loss)	May 31, 2021 fair value
Current Assets:				
Komo YUM-Shares	\$ -	\$ 125,000	\$ -	\$ 125,000
Total	\$ -	\$ 125,000	\$ -	\$ 125,000

#### Marketable Securities

##### *Komo Plant Based Foods Inc. (formerly Fasttask Technologies Inc.) ("Komo YUM")*

On May 31, 2021, Komo Foods entered into a merger agreement with Komo YUM whereby Komo Foods became a wholly owned subsidiary of Komo YUM and all Komo Foods shares were exchanged 1-to-1 for Komo YUM shares. The transaction was deemed as a reverse acquisition under IFRS 3 *Business Combinations*.

The Company's investment in Komo Foods was previously accounted for as an Investment in Associate (Note 5). As a result of the merger, the Company's holdings of 1,250,000 shares of Komo Foods were exchanged for 1,250,000 shares of Komo YUM. Management performed an analysis to determine whether significant influence over Komo YUM remained after the merger. Management concluded that the Company no longer has significant influence over Komo YUM as its ownership decreased to 1.5% of the outstanding shares at May 31, 2021. In addition to the decreased ownership, the Company does not have any representation on the board of directors, having no common directors between the Company and Komo YUM.

As at May 31, 2021, the Company holds 1,250,000 shares (May 31, 2020 – 1,250,000) of Komo YUM.

### 4. Short-term investments

During the period ended May 31, 2021, the Company invested in a variable rate GIC in the principal amount of \$57,500 as security for the credit card with the Company's banking institution.



## NEONMIND BIOSCIENCES INC.

Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian Dollars)

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### 5. Accounts receivable

	May 31, 2021	November 30, 2020
Trade accounts receivable	\$ 2,674	\$ 2,228
Other receivables	91,831	17,311
Total accounts receivable	<u>\$ 94,505</u>	<u>\$ 19,539</u>

### 6. Prepaid Expenses and Deposits

	May 31, 2021	November 30, 2020
Deposit	\$ 68,646	\$ 5,000
Prepaid services	148,316	52,500
	<u>\$ 216,962</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.

### 7. 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.

On May 31, 2021, Komo Foods entered into a merger agreement with Komo YUM. Prior to the merger, the Company had determined that it had significant influence in Komo Foods as it shared a common CFO, and there had been significant transactions including the licensing agreement entered into with Komo Foods. As a result of having significant influence in Komo Foods, the Company's investment in Komo Foods was accounted for as an investment in an associate 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.

Subsequent to the merger, the Company's shares of Komo Foods were exchanged 1-to-1 for Komo YUM shares and it was determined that the Company no longer has significant influence over Komo YUM. As a result, the Company began accounting for the investment in Komo Foods at fair value through profit or loss (Note 3).

During the six months ended May 31, 2021, the Company recorded its proportionate loss from Komo Foods of \$54,212 (May 31, 2020 - \$9,152). The carrying value of the Company's investment in Komo Foods as at May 31, 2021 was \$31,973 prior to being reclassified as an investment recorded at fair value through profit and loss (Note 3) (November 30, 2020 - \$86,185). The difference between the carrying value of \$31,973 and the fair value of \$125,000 was recorded as a gain on reclassification of investment of \$93,027 on the condensed interim statement of operations and comprehensive loss.

## NEONMIND BIOSCIENCES INC.

Notes to the Condensed Interim Financial Statements

May 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

### 7. 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 and six months ended May 31, 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 and six months ended May 31, 2021, to calculate the portion of net loss attributable to the Company.

	Six months ended May 31, 2021	Six months ended May 31, 2020
Komo Foods net income (loss)	\$ (1,955,755)	\$ (228,549)
% ownership	2.66%	4.00%
Portion of net income (loss) from investment in associate	<u>\$ (54,212)</u>	<u>\$ (9,152)</u>

The following table outlines the carrying amount of the investment in Komo Foods as at May 31, 2021:

	Investment in associate
Carrying value of investment, November 30, 2020	\$ 86,185
Loss from investment in associate	(54,212)
Carrying value of investment, May 31, 2021	<u>\$ 31,973</u>

The following table summarizes the financial information of Komo Foods as at May 31 prior to the merger, and for the period then ended:

	May 31, 2021	November 30, 2020
Cash	\$ 384,995	\$ 21,157
Current assets	474,505	143,234
Total assets	477,734	143,234
Current and total liabilities	<u>18,790</u>	<u>805,908</u>

	Three months ended May 31, 2021	Three months ended May 31, 2020	Six months ended May 31, 2021	Six months ended May 31, 2020
Net loss and comprehensive loss for the period	<u>\$ (434,796)</u>	<u>\$ (222,515)</u>	<u>\$ (1,955,755)</u>	<u>\$ (485,537)</u>

### 8. Intangible Assets

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 ("The 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.

## NEONMIND BIOSCIENCES INC.

Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

### 8. Intangible Assets (continued)

	Product Formulations
Cost:	
Balance, November 30, 2020	\$ 32,400
Additions	–
Balance, May 31, 2021	<u>32,400</u>
Accumulated depreciation:	
Balance, November 30, 2020	4,050
Additions	2,025
Balance, May 31, 2021	<u>\$ 6,075</u>
Carrying amounts:	
As at November 30, 2020	<u>\$ 28,350</u>
As at May 31, 2021	<u>\$ 26,325</u>

### 9. Related Party Transactions

During the three and six months ended May 31, 2021 and 2020 compensation of key management personnel and related parties were as follows:

	Three months ended		Six months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Consulting fees	\$ 59,124	\$ 31,500	\$ 98,540	\$ 63,000
Share-based compensation	980,264	192,200	1,596,755	334,734
Wages expense	174,359	–	248,376	–
	<u>\$ 1,213,747</u>	<u>\$ 223,700</u>	<u>\$ 1,943,671</u>	<u>\$ 397,734</u>

As at May 31, 2021, the Company owed \$749,945 (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 due and payable 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.

Amounts owing also included interest payable balance of \$43,614 (November 30, 2020 - \$25,945) relating to the promissory note which is included in accounts payable and accrued liabilities. The remaining balance of \$12,532 (November 30, 2020 - \$115,485) is unsecured, non-interest bearing, and due on demand.

## NEONMIND BIOSCIENCES INC.

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(Expressed in Canadian Dollars)

(Unaudited)

### 9. Related Party Transactions (continued)

During the six months ended May 31, 2021, the Company incurred marketing expenses of \$41,985 (May 31, 2020 - \$nil), investor relations expenses of \$36,295 (May 31, 2020 - \$nil), professional fees of \$32,169 (May 31, 2020 - \$nil), office & administrative expenses of \$33,363 (May 31, 2020 - \$nil), and consumer product research and development expenses of \$42,067 (May 31, 2020 - \$73,486) from Better Plant. Pursuant to an operating agreement dated August 30, 2020, Better Plant provided such services to the Company.

### 10. Share Capital

Authorized: unlimited number of common shares without par value.

During the six months ended May 31, 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.
- (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.

## NEONMIND BIOSCIENCES INC.

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### 10. Share Capital (continued)

- (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.
- (s) On February 26, 2021, the Company issued 115,000 common shares for proceeds of \$23,000 pursuant to the exercise of warrants.

## NEONMIND BIOSCIENCES INC.

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### 10. Share Capital (continued)

- (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.
- (u) On March 2, 2021, the Company issued 50,000 common shares for proceeds of \$10,000 pursuant to the exercise of warrants.
- (v) On March 4, 2021, the Company issued 100,000 common shares for proceeds of \$20,000 pursuant to the exercise of warrants.
- (w) On March 8, 2021, the Company issued 20,000 common shares for proceeds of \$4,000 pursuant to the exercise of warrants.
- (x) On March 12, 2021, the Company issued 915,000 common shares for proceeds of \$183,000 pursuant to the exercise of warrants.
- (y) On March 12, 2021, the Company issued 175,000 Agent's Option Shares and 175,000 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of \$17,500. 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 \$13,896 was transferred from equity reserves to share capital upon exercise.
- (z) On March 17, 2021, the Company issued 100,000 common shares for proceeds of \$20,000 pursuant to the exercise of warrants.
- (aa) On March 23, 2021, the Company issued 175,000 Agent's Option Shares and 175,000 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of \$17,500. 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 \$13,896 was transferred from equity reserves to share capital upon exercise.
- (bb) On April 16, 2021, the Company issued 25,000 common shares for proceeds of \$5,000 pursuant to the exercise of warrants.
- (cc) On April 20, 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.
- (dd) On April 22, 2021, the Company issued 250,000 common shares for proceeds of \$37,500 pursuant to the exercise of warrants.
- (ee) On May 3, 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.
- (ff) On May 4, 2021, the Company issued 171,300 Agent's Option Shares and 171,300 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of \$13,704. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at \$0.15 per common share until May 14, 2021. The fair value of the Agent's Option Warrants of \$9,201 was transferred from equity reserves to share capital upon exercise.

## NEONMIND BIOSCIENCES INC.

Notes to the Condensed Interim Financial Statements

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### 10. Share Capital (continued)

- (gg) On May 7, 2021, the Company issued 421,300 common shares for proceeds of \$63,195 pursuant to the exercise of warrants.
- (hh) On May 7, 2021, the Company issued 37,500 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of \$9,188 was transferred from equity reserves to share capital upon conversion.
- (ii) On May 27, 2021, the Company issued 30,000 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of \$8,400 was transferred from equity reserves to share capital upon conversion.

During the six months ended May 31, 2020, the Company completed the following transactions:

- (jj) 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%.
- (kk) 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.
- (ll) 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%.
- (mm) 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%.
- (nn) 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.

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### 10. Share Capital (continued)

- (oo) 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%.
- (pp) 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.
- (qq) 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.
- (rr) 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.
- (ss) 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.
- (tt) 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.
- (uu) 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.
- (vv) 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 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.
- (ww) 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 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.
- (xx) 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 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.
- (yy) 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.



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### 10. Share Capital (continued)

- (zz) On April 30, 2020, the Company issued 100,000 common shares for cash 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.
- (aaa) On May 4, 2020, the Company issued 50,000 common shares for cash 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.
- (bbb) 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.
- (ccc) On May 6, 2020, the Company entered into a share cancellation agreement with Yield Growth 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 granted was \$1,819,373 and determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of \$0.06; an annualized volatility of 160%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 0.29%.
- (ddd) On May 8, 2020, the Company issued 5,000,000 common shares pursuant to the exercise of stock options as a \$100,000 bonus to the President and CEO of the Company. The proceeds receivable of \$100,000 was offset by a bonus payable to the President and CRO of the Company. The fair value of the stock options of \$236,119 was transferred from equity reserves to share capital upon exercise.
- (eee) 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 consists 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 \$13,704 and issued 171,300 brokers' warrants with a fair value of \$5,013, 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 \$0.06; an annualized volatility of 156%; an expected life of 1 year; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 0.29%.

### 11. 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	52,138,800	0.19
Exercised	(8,023,100)	0.17
Balance, May 31, 2021	132,268,650	\$ 0.26

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### 11. Share Purchase Warrants (continued)

As at May 31, 2021, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price	Expiry date
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
3,232,500	\$ 0.10	December 30, 2022
42,767,500	\$ 0.20	December 30, 2022
<u>132,268,650</u>		

### 12. 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.

## NEONMIND BIOSCIENCES INC.

Notes to the Condensed Interim Financial Statements

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### 12. 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	11,885,000	0.26
Exercised	(610,000)	0.10
Expired/Cancelled	(510,000)	0.10
Outstanding, May 31, 2021	17,055,000	\$ 0.21
Exercisable, May 31, 2021	7,627,500	\$ 0.20

Additional information regarding stock options outstanding and exercisable as at May 31, 2021, is as follows:

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
\$0.10 - \$0.32	17,055,000	7,627,500	4.42

Share-based compensation expense related to stock options was determined using the Black-Scholes option pricing model. During the six months ended May 31, 2021, the Company recognized share-based compensation expense relating to stock options of \$1,599,520 (May 31, 2020 - \$356,805) in equity reserves, of which \$1,380,124 (May 31, 2020 - \$302,033) pertains to directors and officers of the Company. The weighted average fair value of options granted during the six months ended May 31, 2021, was \$0.22 (May 31, 2020 - \$0.05) per share. The weighted average share price for stock options exercised was \$0.23 (May 31, 2020 - \$0.02). 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 May 31, 2021 there was \$1,159,176 (November 30, 2020 - \$127,297) of unrecognized share-based compensation related to unvested stock options.

### 13. 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	800,000
Vested	(2,064,383)
Balance, May 31, 2021	7,932,500

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### 13. 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 six months ended May 31, 2021, the Company recognized share-based compensation expense relating to restricted share units of \$216,631 (May 31, 2020 - \$32,701) 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 six months ended May 31, 2021, was \$0.24 (May 31, 2020 - \$0.0003) per share.

As at May 31, 2021 there was \$405,919 (May 31, 2020 - \$483,306) of unrecognized share-based compensation related to unvested restricted share units.

### 14. 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.

### 15. Financial Instruments and Risk Management

#### 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 May 31, 2021, as follows:

	Fair Value Measurements Using			Balance, May 31, 2021
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Marketable securities	\$ -	\$ 125,000	\$ -	\$ 125,000
Short-term investments	57,500	-	-	57,500
	<u>\$ 57,500</u>	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ 182,500</u>

The fair values of financial instruments, including cash, accounts 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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### 15. Financial Instruments and Risk Management (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.

### 16. Subsequent Events

Subsequent to May 31, 2021, the Company issued 500,000 Agent's Option Shares and 500,000 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of \$50,000. Each Agent's Option 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 \$39,702 was transferred from equity reserves to share capital upon exercise.

Subsequent to May 31, 2021, the Company issued 1,237,500 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of \$105,188 was transferred from equity reserves to share capital upon conversion.

On July 20, 2021, the Company issued 350,000 stock options to consultants, which are exercisable at a price of \$0.15 per share for a period of five years. The stock options vest over twelve months in four equal tranches, with the first vesting period commencing four months after the grant date.

On July 20, 2021, the Company issued 1,450,000 stock options to consultants, which are exercisable at a price of \$0.15 per share for a period of five years. The stock options vest over thirty months in ten equal tranches, with the first vesting period commencing four months after the grant date.

On July 20, 2021, the Company issued 1,000,000 stock options to senior officers, which are exercisable at a price of \$0.15 per share for a period of five years. The stock options vest in full four months after the grant date.

On July 26, 2021, the Company granted 200,000 restricted share units to an advisor. 50% of the restricted share units vest four months after the grant date, and the remaining 50% vest twelve months after the grant date.

On July 26, 2021, the Company cancelled 470,000 unvested restricted share units previously issued to officers of the Company.

On July 26, 2021, the Company issued 120,000 stock options to a consultant, which are exercisable at a price of \$0.14 per share for a period of five years. The stock options vest over twelve months in four equal tranches.