MANAGEMENT DISCUSSION AND ANALYSIS

For the Three and Nine months Ended August 31, 2021 and 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 and nine months ended August 31, 2021 and August 31, 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 and nine months ended August 31, 2021 and August 31, 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 $3,426 and $16,075, incurred a net loss of $1,433,437 and $6,557,405, respectively, for the three and nine months ended August 31, 2021, and used $5,049,316 of cash for operating activities during the nine months ended August 31, 2021. As at August 31, 2021, we had working capital of $408,979 and an accumulated deficit of $12,438,789. 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 two divisions, (i) a pharmaceutical division engaged in drug development of psychedelic compounds, and (ii) 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 $4.7 million during the nine months ended August 31, 2021 pursuant to an initial public offering ("IPO").

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 medical services division is currently in development. We are assembling 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 two divisions is found below.

Division I: Pharmaceutical Drug Development Division

Our Psilocybin Research Plan

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

The typical development roadmap to making a regulatory application for approval involves having completed a complex interconnected sequence of evaluations on the product's quality (CMC – chemistry, manufacture, and controls), preclinical efficacy, safety pharmacology and toxicology, preclinical and clinical pharmacological characterization and clinical dosing, safety and efficacy.

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 to examine Psilocybin as a potential treatment for obesity and weight management ("Preclinical Trials") and we engaged UBC to conduct our Preclinical Trials.

Our initial preclinical trial was completed in Q1 2021 and we initiated a second preclinical trial in Q2 2021 and expect to have complete results in Q4 2021.

We have two distinct Psilocybin drug development programs targeting obesity. Our first drug candidate (NEO-001) 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 (NEO-002) 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.

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.

In July 2021, our Research and Development Working Group completed an integrated drug development plan for our lead drug candidate targeting obesity, NEO-001, a high-dose psilocybin treatment coupled with behavior therapy and

lifestyle intervention, which aims to improve the efficacy of chronic weight management in adults. We have identified a regulatory strategy, including a target indication and product profile that we believe will best position NeonMind as we advance our first lead candidate through development.

We are targeting a Pre-IND meeting with the FDA in Q4 2021 to confirm potential to expedite development via the appropriate regulatory pathway and a Pre-CTA Consultation Meeting with Health Canada during the same timeframe. NeonMind anticipates initiating a Phase 1/2 proof-of-concept study in obese patients in the first half of 2022.

Division II: 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.

We operated a Consumer Products Division which manufactured and distributed functional mushroom infused coffee products. Following a strategic review of the long term strategy for NeonMind, in September 2021, we entered into an asset purchase agreement with Better Plant Sciences Inc. ("Better Plant") for the sale of our functional food assets, including our NeonMind branded coffee products and their related intellectual property and marketing assets, as well as a non-exclusive license to use the NeonMind brand name. The consideration received for the sale was $645,000, plus a 3% royalty of net product sales for a term of 25 years after cumulative net product sales of over $1,000,000 are reached by Better Plant.

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 complementary 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 the near future:

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.

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 an Advisory Board, 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)
Advance Psilocybin Research Plan	Establish deal flow targets to bolster product development pipeline and identify opportunities for strategic alliances	Ongoing
	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	Q3 2021
	Pre-investigational new drug (Pre-IND) meeting meeting with the FDA and CTA consultation meeting with Health Canada	Q3 2021
	Completion of Psilocybin Preclinical Trial 002	Q4 2021
	Assemble key documents to submit an IND (investigational new drug) to FDA and CTA (clinical trial application) to Health Canada	Q4 2021
	Initiate NEO-PSIL-001 Phase 1/2 proof-of-concept study in obese patients	H1 2022
Launch Medical Services Division	Add clinical operations and psychiatric experts to our advisory team	Q3 2021
	Complete jurisdictional scan to select the right community and locations	Q4 2021
	Complete expert interviews to validate service gaps, identify and design mental health program offering	Q4 2021
	Launch the provision of medical services for mental health	Q2 2022

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 and nine months ended August 31, 2021 and August 31, 2020.

	Three months ended		Nine months ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
	$	$	$	$
Revenues	3,426	-	16,075	-
Net loss	1,433,437	845,237	6,557,405	1,657,507
Basic and diluted loss per share	0.01	0.01	0.06	0.01
Dividends declared and paid out	-	-	-	-

	August 31, 2021	November 30, 2020
	$	$
Total assets	1,379,433	209,899
Total liabilities	942,167	987,312

DEVELOPMENT OF BUSINESS

We 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.

On January 18, 2021, our common shares were listed on the Frankfurt Stock Exchange and on May 28, 2021, our common shares began trading on the OTCQB under the ticker symbol “NMDBF”.

On March 2, 2021, announced proprietary data from our initial Preclinical Trial at UBC demonstrating that both low and high dose psilocybin successfully reduced weight gain within 5 days in an animal model.

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 April, we announced a New Specialty Clinics Division for the delivery of evidence-backed innovative treatments for a variety of mental health needs. This will include psychedelic modalities and other newer treatments for mood disorders such as depression.

We appointed Ernie Ho, VP, Corporate Development with his initial focus to be the development of the team to build out medical services as well as to identify and assess partnership and acquisition targets.

In May 2021, we formed a Specialty Medical Clinic Advisory Board to guide the planning and operation of NeonMind branded clinics across Canada. Members of the advisory board will be composed of experts on provincial and local health care access and advocacy, ketamine treatment and psychotherapy protocols, and clinical operations, strategy, and growth.

In June 2021, we finalized target product profiles, establishing optimal and minimally acceptable profiles for a successful program considering medical needs, differentiation strategy, target use and access to medicine strategy. Dr. Panenka also ceased to be a member of the Advisory Board.

In July 2021, Trevor Millar resigned as Chief Psychedelic Officer. Mr. Millar and Dr. Sagar Parikh were both appointed to the Advisory Board, and in September 2021, Dr. Roumen Milev and Dr. Gustavo Vazquez were appointed to the Advisory Board.

In August 2021, we reorganized our Pharmaceutical Division to accelerate the execution of our Integrated Drug Development Plan for NEO-001 to treat obesity and established an R&D Advisory Board. As part of the reorganization, Philippe Martin was appointed Chairman of the Company's R&D Advisory Board.

On September 16, 2021, a Type B (Pre-IND) Meeting Request was submitted to the Division of Diabetes, Lipid Disorders, and Obesity (DDLO) at FDA in support of our lead drug candidate NEO-001.

Our completed review of the long-term strategy for NeonMind reflects a focus on advancing psychedelic treatments and our core competencies of drug-development and deployment of medical services and the divestiture of consumer related and other non-core assets.

OVERALL PERFORMANCE

For the three and nine months ended August 31, 2021, we recognized total revenue of $3,426 and $16,075 as compared to $nil for the same periods of the prior year. Revenue included sales of four functional mushroom coffees from our Consumer Products Division, which were launched through ecommerce in November 2020. Our Pharmaceutical Drug Development Division and Medical Services Division are in a research and development stage and did not generate revenues. In September 2021, we sold our consumer product assets as we determined such business did not fit our long-term strategies.

For the three and nine months ended August 31, 2021, we incurred a net loss of $1,433,437 and $6,557,405 respectively. The losses were primarily driven by research and operating expenses and costs relating to our IPO.

Expenses before other items amounted to $1,874,281 and $7,049,280 for the three and nine months ended August 31, 2021 as compared to $390,842 and $1,193,960 for the same periods of the prior year. Expenses primarily consisted of share-based compensation of $446,404 and $2,262,555, marketing, publicity and digital media expenses of $256,618 and $1,896,275, medical research and development expenses of $521,220 and $960,257, and professional fees of $111,620 and $473,774, for the three and nine months ended August 31, 2021, respectively. Expenses primarily consisted of share-based compensation of $152,540 and $542,046, consulting fees of $81,016 and $258,392, for the three and nine months ended August 31, 2020, respectively. 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.

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 and nine months ended August 31, 2021 and August 31, 2020 is as follows:

	Three months ended		Nine months ended	
	August 31, 2021 $	August 31, 2020 $	August 31, 2021 $	August 31, 2020 $
Net loss for the period	(1,433,437)	(845,237)	(6,557,405)	(1,657,507)
Add:				
Amortization & Depreciation	1,298	25,205	3,445	55,068
Interest	10,681	8,711	30,908	17,328
Adjustments:				
Share-based compensation	446,404	152,540	2,262,555	542,046
Loss on impairment of intangible assets	-	444,932	-	444,932
Gain on sale of investment	(450,000)	-	(450,000)	-
Loss on investment in associate	-	9,463	54,212	18,615
Gain on reclassification of investment	-	-	(93,027)	-
Adjusted EBITDA	(1,425,054)	(204,386)	(4,749,312)	(579,518)

DISCUSSION ON OPERATIONS

Revenue

For the three and nine months ended August 31, 2021, we recognized total revenue of $3,426 and $16,075 as compared to $nil for the same periods of the prior year. Revenue included sales of four functional mushroom coffees, which were launched through ecommerce in November 2020. In September 2021, we sold our consumer product assets as we determined such business did not fit our long-term strategies.

Our Pharmaceutical Drug Development division and Medical Services division are in a research and development stage and did not generate revenues.

Cost of sales

For the three and nine months ended August 31, 2021, we recorded cost of sales of $1,171 and $4,750 from the sales of functional mushroom coffees.

Marketing, publicity and digital media

For the three and nine months ended August 31, 2021, we incurred marketing, publicity and digital media costs of $256,618 and $1,896,275, as compared to $37,376 and $133,314 for the same periods 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 and nine months ended August 31, 2021, we incurred amortization and depreciation expense of $1,298 and $3,445, as compared to $25,205 and $55,068 for the same periods of the prior year. Amortization and depreciation expenses in the current year were primarily 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 and nine months ended August 31, 2021, we incurred consulting fees of $59,124 and $157,664, compared to $81,016 and $258,392 for the same periods of the prior year.

Information system

For the three and nine months ended August 31, 2021, we incurred expenses in information systems of $500 and $1,980 relating to our ecommerce website, as compared to $nil and $1,575 for the same periods of the prior year.

Investor relations

For the three and nine months ended August 31, 2021, we incurred investor relations expenses of $121,320 and $344,421 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 periods of the prior year.

Listing expenses

Listing fees were related to the application and ongoing fees for the listing of our common shares on the CSE. For the three and nine months ended August 31, 2021, we incurred listing fees of $3,750 and $16,035. We did not incur such fees in the same periods of the prior year.

Office and administrative expenses

For the three and nine months ended August 31, 2021, we incurred office and administration expenses of $101,986 and $335,933 as compared to $14,003 and $24,449 for the same periods of the prior year. The increase in office and administrative expenses was due to an increase in business activity in the current year, as compared to the same periods of the prior year which were the early stages of the business. Office and administrative expenses primarily included insurance fees, broker and filing fees, interest expense and other general 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 and nine months ended August 31, 2021, we incurred consumer product research and development expenses of $42,075 and $126,603, as compared to $25,410 and $100,374 for the same periods 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 and nine months ended August 31, 2021, we incurred medical research and development costs of $521,220 and $960,257 as compared to $6,100 and $8,100 for the same periods of the prior year. The increase was a result of increased activity in developing our medical research segment in the current year.

Professional fees

Professional fees include legal, recruitment, accounting, audit and taxation fees. For the three and nine months ended August 31, 2021, we incurred professional fees of $111,620 and $473,774, as compared to $49,192 and $70,642 for the same periods 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 August 31, 2021, we had 19,975,000 stock options and 6,237,500 restricted share units granted and outstanding for our directors, officers, employees and consultants, and we incurred share-based compensation expense of $446,404 and $2,262,555 for the three and nine months ended August 31, 2021, as compared to $152,540 and $542,046 for the same periods 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 and nine months ended August 31, 2021 were $208,366 and $470,338, as compared to $nil for the same periods of the prior year. The increase in wages was driven by the expansion of the team to support business development and clinical research activities.

Loss on impairment of intangible assets

On February 12, 2020, we entered into a license agreement with Urban Juve, whereby we were granted a license to use Urban Juve's proprietary extraction technology and all related intellectual property rights, in exchange for $500,000, payable in 6,250,000 shares of the Company. Due to the impact of the COVID-19 pandemic, the commercialization of our products has been delayed, and utilization of the licensed technology has been deferred. As a result, management assessed that the extraction technology no longer meets the capitalization standards of IAS 38, and recognized an impairment loss of $444,932 on the carrying value of the extraction technology as at August 31, 2020.

We did not incur such losses in the same periods of the current year.

Gain on sale of investment

On February 4, 2020, we entered into share purchase agreements to acquire 7,285,000 common shares of TLS, in exchange for 15,000,000 units of the Company with a fair value of $750,000. During the year ended November 30, 2020, we recognized an unrealized loss of $750,000 on our investment as TLS was still in the early stages of development in its business and there was material uncertainty on the marketability of the shares.

On August 19, 2021, we entered into a share purchase agreement to sell 7,825,000 common shares of TLS for consideration of $450,000. As the fair value of the shares was previously written down to $nil, we recorded a gain on sale of the shares of $450,000.

We did not incur such gains in the same periods of the prior year.

Loss on investment in associate

During the three and nine months ended August 31, 2021, we recorded a proportionate share of losses from Komo Plant Based Comfort Foods Inc. ("Komo Foods") of $nil and $54,212, as compared to $9,463 and $18,615 in the same periods of the prior year.

Gain on reclassification of investment

We had previously recorded our investment in Komo Foods as an investment in an associate of the Company using the equity method.

On May 31, 2021, Komo Foods entered into a merger agreement with Komo Plant Based Foods Inc. (formerly "Fasttask Technologies Inc.") ("Komo YUM") whereby Komo Foods became a wholly owned subsidiary of Komo YUM and all Komo Foods shares were exchanged on a 1-to-1 basis for Komo YUM shares. The transaction was deemed as a reverse acquisition under IFRS 3 Business Combinations.

As a result of the merger, we no longer had significant influence as our ownership decreased to 1.5% of the outstanding shares of Komo YUM at May 31, 2021. In addition to the decreased ownership, we do not have any representation on the board of directors, having no common directors between the Company and Komo YUM. Therefore, we reclassified our investment in Komo YUM as an investment recorded at fair value through profit and loss, instead of an investment in associate.

The carrying value of our investment in Komo YUM as at May 31, 2021 was $31,973 prior to being reclassified as an investment recorded at fair value through profit and loss. 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.

We did not incur such gains in the same periods of the prior year.

Net loss and comprehensive loss

We incurred a net and comprehensive loss of $1,433,437 and $6,557,405 for the three and nine months ended August 31, 2021, as compared to $845,237 and $1,657,507 for the same periods of the prior year. Loss per share on basic and fully diluted basis was $0.01 and $0.06 for the three and nine months ended August 31, 2021, compared to $0.01 for both of the same periods of the prior year.

Dividends

No dividends were declared or paid for the three and nine months ended August 31, 2021 and August 31, 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:

	Q3 2021 $	Q2 2021 $	Q1 2021 $	Q4 2020 $
Revenue	3,426	4,534	8,115	415,803
Net loss	1,433,437	2,643,913	2,480,055	2,677,195
Basic & diluted loss per share	0.01	0.02	0.03	0.02

	Q3 2020 $	Q2 2020 $	Q1 2020 $	Q4 2019 $
Revenue	-	-	-	-
Net loss	845,237	494,557	317,713	1,365,240
Basic & diluted loss per share	0.01	0.00	0.00	0.02

LIQUIDITY

	August 31, 2021	November 30, 2020
Current ratio[1]	1.43	0.32
Cash	$ 850,501	$ 1,170
Working capital surplus (deficit) [2]	$ 408,979	$ (200,703)
Equity (Deficit)	$ 437,266	$ (777,413)

(1) Current ratio is current assets divided by current liabilities.
(2) Working capital is current assets minus current liabilities

Cash Position

As at August 31, 2021, we had $850,501 in cash. During the nine months ended August 31, 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 nine months ended August 31, 2021, we spent $5,049,316 of cash in operating activities primarily to finance operating expenses including research and development in both the medical and consumer product divisions, marketing, publicity and digital media, wages, and expenses related to IPO and listing on CSE. Cash used in investing activities was $60,882 for the nine months ended August 31, 2021, for the purchase of equipment and financial investments. Cash provided by financing activities was $5,959,529 for the nine months ended August 31, 2021, which was primarily from proceeds received from the issuance of units through the IPO and proceeds received from the exercise of warrants and options.

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 $408,979 as at August 31, 2021, which is primarily due to an increase in cash relating to proceeds from our IPO and proceeds from warrant exercises, as well as an increase in short-term investments, accounts receivable, inventory and prepaid expenses.

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 August 31, 2021, we had cash of $850,501. We are authorized to issue an unlimited number of common shares. As at August 31, 2021, there were 125,065,483 common shares issued and outstanding. We had 132,268,650 share purchase warrants outstanding with weighted average exercise price of $0.26. We had 19,975,000 stock options outstanding with weighted average exercise price of $0.20 per share. We also had 6,237,500 restricted share units outstanding.

Our objective is to maintain a strong capital base to support the development of the business through equity issuance and strategic alliances.

OFF-BALANCE SHEET ARRANGEMENTS

As at August 31, 2021 and November 30, 2020, we had no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

	Three months ended		Nine months ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Consulting Fees	59,124	72,399	157,664	135,399
Share-based compensation	375,020	128,520	1,971,776	463,254
Wages expense	199,923	–	448,299	–
	$ 634,067	$ 200,919	$ 2,577,739	$ 598,653

As at August 31, 2021, we owed $744,804 (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), bearing interest at 5% compounded annually, and due and payable 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, we 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. The promissory note was settled subsequent to period end.

Amounts owing also included interest payable balance of $52,760 (November 30, 2020 - $25,945) relating to the promissory note which is included in accounts payable and accrued liabilities. The remaining balance of $799 (November 30, 2020 - $115,485) is unsecured, non-interest bearing, and due on demand.

During the nine months ended August 31, 2021, we incurred marketing expenses of $54,277 (August 31, 2020 - $nil), investor relations expenses of $42,858 (August 31, 2020 - $nil), professional fees of $118,401 (August 31, 2020 - $nil), office & administrative expenses of $52,892 (August 31, 2020 - $nil), and consumer product research and development expenses of $62,770 (August 31, 2020 - $95,500) from Better Plant. Better Plant provided such services to us pursuant to an operating agreement dated August 30, 2020.

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 property, plant and equipment and 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 condensed interim 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 had previously determined that we had 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 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 our 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 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. During the nine months ended August 31, 2021, Komo Foods entered into a merger agreement and management determined that significant influence in Komo Foods no longer existed and reclassified its investment to fair value through profit and loss under IFRS 9.

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

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. An adjustment has been made on the condensed interim statement of operations and comprehensive loss to reclassify research and development expenses into two separate line items, being research and development – consumer products and research and development – medical.

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 August 31, 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, August 31, 2021
Marketable securities	$ 125,000	$ –	$ –	$ 125,000
Short-term investments	57,500	–	–	57,500
	$ 182,500	$ –	$ –	$ 182,500

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. 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 are 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

On September 10, 2021, we entered into an agreement with Better Plant whereby Better Plant agreed to purchase the functional food assets related to our consumer division. The following assets were transferred by us to Better Plant: four mushroom coffee products currently being sold in Canada and four mushroom coffee dietary products, including existing inventory, raw materials and packaging for all eight products, social media accounts related to the products, a domain neonmind.com and the neonmind.com Shopify-enabled website in Canada and the US, as well as associated marketing materials and a license to use the brand NeonMind in association with the products.

In consideration for the assets, we received $645,000 including taxes, plus a royalty of 3% of net product sales for a term of 25 years once Better Plant reaches over $1,000,000 of cumulative net product sales. The payment of $645,000 was made by setting off the balance due on a promissory note for $645,000 owed by us to Better Plant which had a maturity date in February 2022.

On September 29, 2021, we granted 400,000 restricted share units to advisors. The restricted share units vest in two equal tranches over twelve months, with the first vesting period commencing four months after the grant date.

On September 29, 2021, we granted 19,663 restricted share units to consultants. The restricted share units vested in full immediately upon grant.

On September 29, 2021, we issued 150,000 stock options to consultants, which are exercisable at a price of $0.13 per share for a period of 5 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 October 27, 2021, we granted 199,237 restricted share units to consultants as partial payment of invoices. The restricted share units vested in full immediately upon grant, and are subject to a 12-month hold period from the vesting date.

Subsequent to August 31, 2021, we issued 57,163 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $11,547 was transferred from equity reserves to share capital upon conversion.

Subsequent to August 31, 2021, we issued 1,044,650 common shares pursuant to the exercise of warrants at a price of $0.05 for gross proceeds of $52,233. The fair value of the warrants of $37,411 was transferred from equity reserves to share capital upon exercise.

Subsequent to August 31, 2021, we issued 500,000 common shares pursuant to the exercise of stock options at a price of $0.10 for gross proceeds of $50,000. The fair value of the stock options of $72,928 was transferred from equity reserves to share capital upon exercise.

Subsequent to August 31, 2021, we cancelled 160,000 stock options previously issued to consultants of the Company.