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BIOSCIENCES INC.

Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended November 30, 2021 and 2020

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP

Suite 1605, 1166 Alberni Street
Vancouver, BC Canada V6E 3Z3

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NeonMind Biosciences Inc.

Opinion

We have audited the financial statements of NeonMind Biosciences Inc. (the "Company"), which comprise the statements of financial position as at November 30, 2021 and 2020, and the statements of operations and comprehensive loss, changes in shareholders' equity (deficit), and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company used cash of $5,205,151 for operating activities from continuing operations and incurred a net loss from continuing operations of $6,684,440 during the year ended November 30, 2021. As at November 30, 2021, the Company has an accumulated deficit of $13,088,891. These events or conditions, along with other matters as set forth in Note 1 of the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

March 30, 2022

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

	November 30, 2021	November 30, 2020
ASSETS		
Current assets		
Cash	$ 773,525	$ 1,170
Marketable securities (Note 3)	193,750	-
Amounts receivable (Note 5)	104,915	19,539
Inventory (Note 6)	-	17,155
Prepaid expenses and deposits (Note 7 and 11)	206,741	57,500
Total current assets	1,278,931	95,364
Non-current assets		
Restricted cash (Note 4)	57,500	-
Investment in associate (Note 8)	-	86,185
Equipment	2,693	-
Intangible assets (Note 9)	-	28,350
Total non-current assets	60,193	114,535
Total assets	$ 1,339,124	$ 209,899
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	$ 581,872	$ 179,862
Deferred revenue	-	220
Due to related parties (Note 11)	16,948	115,985
Total current liabilities	598,820	296,067
Non-current liabilities		
Convertible debentures (Note 10)	450,009	-
Promissory note (Note 11)	-	691,245
Total non-current liabilities	450,009	691,245
Total liabilities	1,048,829	987,312
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 12)	7,800,880	1,779,158
Reserve for convertible debentures	21,063	-
Equity reserves (Notes 12, 14 and 15)	5,557,243	3,324,813
Deficit	(13,088,891)	(5,881,384)
Total shareholders' equity (deficit)	290,295	(777,413)
Total liabilities and shareholders' equity (deficit)	$ 1,339,124	$ 209,899

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 23)

Approved and authorized for issuance on behalf of the Board of Directors on March 30, 2022:

/s/ "Penny White" Director

/s/ "Kari Richardson" Director

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

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

	Year ended	
	November 30, 2021	November 30, 2020
EXPENSES		
Amortization and depreciation (Note 9)	$ 688	$ -
Consulting fees (Note 11)	216,788	100,000
Investor relations (Note 11)	442,550	-
Listing expenses	19,785	5,000
Marketing, publicity, and digital media (Note 11)	1,786,672	86,478
Office and administrative (Note 11)	359,731	8,365
Pharmaceutical research and development	1,356,291	28,023
Professional fees (Note 11)	454,424	145,693
Share-based compensation (Notes 11, 14 and 15)	2,499,933	689,738
Wages (Note 11)	639,520	-
Total expenses	7,776,382	1,063,297
LOSS BEFORE OTHER ITEMS	(7,776,382)	(1,063,297)
OTHER ITEMS		
Investment gain (loss) (Note 16)	557,565	(1,078,815)
Other income (expense) (Note 17)	534,377	(25,568)
Total other items	1,091,942	(1,104,383)
NET LOSS FROM CONTINUING OPERATIONS	(6,684,440)	(2,167,680)
Net loss from discontinued operations (Note 21)	(523,067)	(509,515)
NET AND COMPREHENSIVE LOSS FOR THE YEAR	$ (7,207,507)	$ (2,677,195)
LOSS PER SHARE, BASIC AND FULLY DILUTED		
- Continuing operations	$ (0.06)	$ (0.02)
- Discontinued operations	$ (0.00)	$ (0.00)
Weighted average shares outstanding	117,995,931	117,002,000

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

NEONMIND BIOSCIENCES INC.

Statement of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian Dollars)

	Share capital					
	Number of shares	Amount	Reserve for convertible debentures	Equity reserves	Deficit	Total shareholders' equity (deficit)
BALANCE, NOVEMBER 30, 2019	122,151,000	$ 237,105	$ –	$ –	$ (1,365,240)	$ (1,128,135)
Units issued for cash	14,577,000	803,865	–	–	–	803,865
Share issuance costs	–	(112,549)	–	46,612	–	(65,937)
Shares issued on exercise of stock options	5,180,000	353,306	–	(244,306)	–	109,000
Shares issued for licensing fees	6,250,000	500,000	–	–	–	500,000
Units issued for purchase of investments	15,000,000	750,000	–	–	–	750,000
Units issued for services	210,000	10,500	–	–	–	10,500
Restricted share units issued for services	–	–	–	95,751	–	95,751
Share cancellations	(96,937,500)	(763,069)	–	2,602,018	(1,838,949)	–
Conversion of debt to paid-in capital	–	–	–	135,000	–	135,000
Fair value of stock options granted	–	–	–	476,789	–	476,789
Fair value of restricted share units granted	–	–	–	212,949	–	212,949
Net loss for the year	–	–	–	–	(2,677,195)	(2,677,195)
BALANCE, NOVEMBER 30, 2020	66,430,500	$ 1,779,158	$ –	$ 3,324,813	$ (5,881,384)	$ (777,413)
Units issued for cash	46,000,000	4,600,000	–	–	–	4,600,000
Share issuance costs	-	(855,043)	–	280,473	–	(574,570)
Shares issued on exercise of stock options	1,110,000	221,562	–	(110,562)	–	111,000
Shares issued on exercise of warrants	7,528,950	1,292,286	–	(37,407)	–	1,254,879
Units issued on exercise of Agent's Options	2,238,800	436,716	–	(216,262)	–	220,454
Restricted share units issued for services	–	–	–	20,487	–	20,487
Restricted share units vested	3,658,283	326,201	–	(326,201)	–	–
Equity portion of convertible debentures	–	–	21,063	121,969	–	143,032
Fair value of stock options granted	–	–	–	2,176,213	–	2,176,213
Fair value of restricted share units granted	–	–	–	323,720	–	323,720
Net loss for the year	–	–	–	–	(7,207,507)	(7,207,507)
BALANCE, NOVEMBER 30, 2021	126,966,533	$ 7,800,880	$ 21,063	$ 5,557,243	$ (13,088,891)	$ 290,295

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

NEONMIND BIOSCIENCES INC.
Statement of Cash Flows
(Expressed in Canadian Dollars)

	Year ended November 30, 2021	2020
OPERATING ACTIVITIES		
Net loss from continuing operations	$ (6,684,440)	$ (2,167,680)
Items not involving cash:		
Accretion	403	106,873
Amortization and depreciation	689	–
Exercise of stock options for bonus	–	100,000
Gain on extinguishment of debt	(576,383)	(106,873)
Gain on reclassification of investment	(93,027)	–
Gain on sale of investment	(450,000)	–
Impairment of investment in associate	–	279,868
Interest accrued on convertible debentures	208	–
Shares issued for services	–	10,500
Share of net loss of equity accounted investee	54,212	48,947
Share-based compensation	2,499,933	689,738
Shares received for licensing revenue	–	(415,000)
Shares issued for licensing fees	–	500,000
Unrealized loss (gain) on investment	(68,750)	750,000
Changes in non-cash operating working capital:		
Amounts receivable	(86,941)	(17,311)
Prepaid expenses and deposits	(149,241)	(57,500)
Accounts payable and accrued liabilities	493,468	194,142
Due to related parties	(145,282)	(304,994)
Net cash used in operating activities – continuing operations	(5,205,151)	(389,290)
Net cash used in operating activities – discontinued operations (Note 21)	(615,805)	(464,157)
INVESTING ACTIVITIES		
Proceeds from sale of investment	450,000	–
Purchase of property and equipment	(3,382)	–
Purchase of guaranteed investment certificate	(57,500)	–
Net cash provided by investing activities – continuing operations	389,118	–
FINANCING ACTIVITIES		
Proceeds from exercise of stock options	111,000	9,000
Proceeds from issuance of units	4,600,000	803,865
Share issuance costs	(574,570)	(65,937)
Proceeds from exercise of warrants	1,254,879	–
Proceeds from exercise of Agent's Options	220,454	–
Proceeds from issuance of convertible debentures (net of issuance costs)	592,430	–
Net cash provided by financing activities – continuing operations	6,204,193	746,928
CHANGE IN CASH	772,355	(106,519)
Cash, beginning of year	1,170	107,689
CASH, END OF YEAR	$ 773,525	$ 1,170

Supplemental disclosures (Note 18)

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

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. 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 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 from continuing operations of $6,684,440 and used $5,205,151 of cash for operating activities from continuing operations during the year ended November 30, 2021. As of November 30, 2021, the Company had an accumulated deficit of $13,088,891. The continued operations of the Company are dependent on future profitable operations, management's ability to manage costs, and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption be inappropriate. The impact of these adjustments could be material.

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

2. Significant Accounting Policies

Statement of Compliance

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

Basis of Presentation

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

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

Significant Accounting Estimates and Judgments

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

Significant areas requiring the use of estimates include the collectability of accounts receivable, net realizable value of inventory, useful life and carrying value of property 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 had 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 year ended November 30, 2021, Komo Foods entered into a merger agreement and management determined that significant influence in Komo Foods no longer existed (Notes 3 and 8) and the Company reclassified its investment to fair value through profit and loss under IFRS 9, *Financial Instruments*.

2. Significant Accounting Policies (continued)

Significant Accounting Estimates and Judgments (continued)

Management also requires the use of judgment with respect to the assessment of fair value of investment in a private company. The fair value of common shares in a private company 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 investment in common shares are measured at fair value through profit or loss and unrealized gains and losses are recorded in the statement of operations.

Cash and Cash Equivalents

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

Equipment

Equipment consists of computer equipment, and is recorded at cost. The Company depreciates the cost of equipment over the following useful lives:

Computer equipment – 3 years

Intangible Assets

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

Impairment of non-current assets

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

Income (Loss) Per Share

Basic Income (loss) per common share is computed by dividing their respective net income (loss) by the weighted average number of common shares outstanding during the year. The computation of diluted income per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The dilutive effect of convertible securities is reflected in the diluted income per share by application of the "if converted" method. The dilutive effect of outstanding incentive stock options and their equivalents is reflected in the diluted income per share by application of the treasury stock method. As at November 30, 2021, there were 161,651,500 (2020 – 103,639,833) potentially dilutive shares outstanding.

2. Significant Accounting Policies (continued)

Income Taxes

Current income tax:

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

Deferred income tax:

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

Investment in Associates

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

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

2. Significant Accounting Policies (continued)

Investment in Associates (continued)

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

Financial Instruments

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

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

Financial instrument	Classification under IFRS 9
Cash	Amortized cost
Marketable securities	FVTPL
Restricted cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Due to related parties	Amortized cost
Promissory note	Amortized cost

Non-derivative financial assets:

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

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

Impairment:

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

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

2. Significant Accounting Policies (continued)

Financial Instruments (continued)

Non-derivative financial liabilities:

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

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

Share Capital

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

Compound Instruments – Convertible Debentures

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar instrument without a conversion feature. The amount is recorded as a liability at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The calculated liability component is deducted from the total fair value of the compound instrument, with the residual value assigned to the equity component.

Transaction costs related to the issuance of convertible debentures are allocated proportionately to the liability and equity components based on their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debenture using the effective interest method. Transaction costs relating to the equity component are recognized as a deduction from equity.

Revenue Recognition

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

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

	2021	2020
Revenues earned at a point in time (Note 21)	$ 16,075	$ 415,803
Revenues earned over time	–	–
	$ 16,075	$ 415,803

Share-based Payments

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

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

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

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no material effect on the statement of financial position or the reported results of operations. An adjustment has been made on the statement of operations and comprehensive loss to reclassify research and development expenses into two separate line items, being research and development – consumer products (Note 21) 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. 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 and Investments

Below is a summary of the Company's marketable securities as of November 30, 2021:

	November 30, 2020 fair value	Additions	Proceeds from sale	Realized gain (loss)	Unrealized gain (loss)	November 30, 2021 fair value
Komo YUM Shares	$ –	$ 125,000	$ –	$ –	$ 68,750	$ 193,750
TLS Shares	–	–	(450,000)	450,000	–	–
Total	$ –	$ 125,000	$ (450,000)	$ 450,000	$ 68,750	$ 193,750

(Expressed in Canadian Dollars)

3. Marketable Securities and Investments (continued)

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 Company's investment in Komo Foods was previously accounted for as an Investment in Associate (Note 8). 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 the date of the merger. 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 November 30, 2021, the Company holds 1,250,000 shares (2020 – 1,250,000) of Komo YUM.

Investments

Translational Life Sciences Inc. ("TLS")

On February 4, 2020, the Company 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, the Company recognized an unrealized loss of $750,000 on its 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, the Company entered into a share purchase agreement to sell the 7,285,000 common shares of TLS for consideration of $450,000. As the fair value of the shares was previously written down to $nil, the Company recorded a gain on sale of investment of $450,000 in the statement of operations.

4. Restricted Cash

During the year ended November 30, 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. All renewals and replacements and all interest shall be held by the bank as continuing security.

5. Amounts Receivable

	November 30, 2021	November 30, 2020
Trade accounts receivable	$ -	$ 2,228
Other receivables	104,915	17,311
Total amounts receivable	$ 104,915	$ 19,539

(Expressed in Canadian Dollars)

6. Inventory

	November 30, 2021	November 30, 2020
Finished goods	$ -	$ 10,439
Packaging and raw materials	-	6,716
Total inventory	$ -	$ 17,155

On September 10, 2021, the Company entered into an agreement whereby all inventory was sold to the Company's former parent company, Better Plant Sciences Inc. ("Better Plant") (Note 11). No additional inventory was purchased or produced subsequent to the completion of this agreement.

7. Prepaid Expenses and Deposits

	November 30, 2021	November 30, 2020
Deposits	$ 74,786	$ 5,000
Prepaid services	131,955	52,500
Total prepaid expenses and deposits	$ 206,741	$ 57,500

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.

8. 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 had 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).

(Expressed in Canadian Dollars)

8. Investment in Associate (continued)

During the year ended November 30, 2021, the Company recorded its proportionate loss from Komo Foods of $54,212 (November 30, 2020 - $48,947). The carrying value of the Company's investment in Komo Foods at the time of the merger was $31,973 prior to being reclassified as an investment recorded at fair value through profit and loss (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 in the statement of operations.

The following table outlines the changes in investment in associate that are accounted for using the equity method for the six months ended May 31, 2021 and the year ended November 30, 2020. As the Company does not have the same reporting date as its associate, the Company was provided with unaudited financial statements for the six months ended May 31, 2021 and the year ended November 30, 2020, to calculate the portion of net loss attributable to the Company.

	From January 1, 2021 to May 31, 2021	Year ended November 30, 2020
Komo Foods net income (loss)	$ (1,955,755)	$ (1,222,758)
% ownership	2.66%	4.00%
Portion of net income (loss) from investment in associate	$ (54,212)	$ (48,947)

Subsequent to May 31, 2021, the Company no longer recorded the investment in Komo Foods as an investment in associate using the equity method, therefore the net income subsequent to this period is not relevant to the measurement of the investment as it is recorded at fair value through profit and loss.

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

	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	$ 31,973

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	18,790	805,908

(Expressed in Canadian Dollars)

9. 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.

On September 10, 2021, the Company sold its assets associated with the functional mushroom coffee products to Better Plant (Note 11). As the Company will no longer be generating revenue using the Product Formulations as it has discontinued the business line, management has determined that the Product Formulations have no future value to the Company and the remaining carrying value was impaired during the year ended November 30, 2021.

	Product Formulations
Cost:	
Balance, November 30, 2020	$ 32,400
Impairment	(32,400)
Balance, November 30, 2021	-
Accumulated depreciation:	
Balance, November 30, 2020	4,050
Additions	3,148
Impairment	(7,198)
Balance, November 30, 2021	$ -
Carrying amounts:	
As at November 30, 2020	$ 28,350
As at November 30, 2021	$ -

10. Convertible Debentures

Proceeds from issue of convertible debentures	$ 750,000
Transaction costs – cash	(157,570)
Net proceeds	592,430
Transaction costs – non-cash	(61,993)
Amount classified as equity	(21,063)
Fair value of warrants attached to units	(59,976)
Accrued interest	208
Accretion	403
Carrying amount of liability at November 30, 2021	$ 450,009

On November 29, 2021, the Company issued 750 convertible debenture units at a price of $1,000 per unit for gross proceeds of $750,000. Each unit consisted of a repayable note with a face value of $1,000 (the "Debentures") and 8,000 warrants to purchase common shares of the Company. The Debentures bear interest at a rate of 10% per annum on an accrual basis from issuance, calculated and payable semi-annually in arrears on May 31 and November 30 of each year.

The Debentures have a redemption date that is 24 months from the date of issuance and are convertible in full or in part, at the holders' option, into common shares of the Company at a price of $0.12 per common share, at any time prior to their redemption. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.14 per share for a period of 36 months from the date of issue.

(Expressed in Canadian Dollars)

10. Convertible Debentures (continued)

In connection with the issuance of the Debentures, the Company paid broker fees of $82,570, commission fees of $75,000, and granted 625,000 agent's options (the "Agent's Options") with a fair value of $61,993 entitling the holder to purchase a unit of the Company (the "Agent's Option Unit") at $0.12 per Agent's Option until November 29, 2023. 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 at a price of $0.14 for a period of 36 months from the Agent's Options issue date of November 29, 2021. 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 $0.141; annualized volatility of 132%; expected life of 2 years; dividend yield of 0%; expected forfeiture rate of 0%; and risk-free rate of 1.08%.

During the year ended November 30, 2021, the Company accrued interest of $208 (2020 - $nil) relating to the Debentures.

11. Related Party Transactions

During the years ended November 30, 2021 and 2020 compensation of key management personnel and related parties were as follows:

	Year ended November 30, 2021	Year ended November 30, 2020
Consulting fees	$ 216,788	$ -
Share-based compensation	2,171,336	593,482
Wages	615,799	–
	$ 3,003,923	$ 593,482

As at November 30, 2021, Better Plant held a $10,000 deposit from the Company (November 30, 2020 - $nil) which is included in prepaid expenses and deposits. As at November 30, 2021, the Company owed $16,948 (November 30, 2020 - $832,675) to Better Plant. The current year balance is unsecured, non-interest bearing, and due on demand. The prior year balance is comprised of a promissory note balance of $691,245, interest payable of $25,945 relating to the promissory note, and the remaining balance of $115,845. The latter two balances were included in accounts payable and accrued liabilities at November 30, 2020.

The prior year promissory note balance of $691,245 was bearing interest at 5% compounded annually, and was originally 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.

On September 10, 2021, the Company entered into an agreement with Better Plant for the sale of functional food assets related to the Company's consumer division. The following assets were transferred by the Company to Better Plant: four mushroom coffee products being sold in Canada at the time of sale 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.

11. Related Party Transactions (continued)

As consideration for the assets, Better Plant paid $645,000 including taxes, which was offset by the balance due on a promissory note of a remaining balance of $645,000 owed by the Company to Better Plant. The fair value of the assets sold was determined to be $68,617, resulting in a gain on extinguishment of debt of $576,383. In addition, a 3% royalty of net product sales for a term of 25 years will be payable to the Company after the Better Plant reaches cumulative net product sales of over $1,000,000. For the year ended November 30, 2021, the Company did not earn any royalty revenues from Better Plant.

During the year ended November 30, 2021, the Company incurred marketing expenses of $59,719 (November 30, 2020 - $52,115), investor relations expenses of $53,639 (November 30, 2020 - $nil), professional fees of $138,307 (November 30, 2020 - $103,681), office and administrative expenses of $62,121 (November 30, 2020 - $14,135), and consumer product research and development expenses of $65,140 (November 30, 2020 - $34,500) from Better Plant. Better Plant provided such services to the Company pursuant to an operating agreement dated August 30, 2020.

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

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

12. Share Capital

Authorized: unlimited number of common shares without par value.

During the year ended November 30, 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's 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 $280,473, 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 121%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0% and a risk-free rate of 0.20%.

12. Share Capital (continued)

(b) The Company issued 1,110,000 common shares for proceeds of $111,000 pursuant to the exercise of stock options. The fair value of the stock options of $110,562 was transferred from equity reserves to share capital upon exercise.

(c) The Company issued 7,528,950 common shares for proceeds of $1,254,879 pursuant to the exercise of warrants. The fair value of the warrants of $37,407 was transferred from equity reserves to share capital upon exercise.

(d) The Company issued 2,238,800 Agent's Option Shares and 2,238,800 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of $220,454. 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 $216,262 was transferred from equity reserves to share capital upon exercise.

(e) The Company issued 3,658,283 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $326,201 was transferred from equity reserves to share capital upon conversion, all of which pertains to directors and officers of the Company.

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

(f) 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%.

(g) 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.

(h) 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%.

(i) 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%.

12. Share Capital (continued)

(j) 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.

(k) 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%.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) On February 20, 2020, the Company issued 6,250,000 common shares pursuant to a license agreement with Urban Juve for a fair value of $500,000.

(r) 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.

(s) 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.

(t) 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.

12. Share Capital (continued)

(u) 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.

(v) 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 $2,602,018 and determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of $0.06; an annualized volatility of 155%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 0.29%.

(w) 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.

(x) 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 $13,705 and issued 171,300 brokers' warrants with a fair value of $9,201, which are exercisable at $0.08 per unit for a period of 12 months. The estimated fair value associated with the brokers' warrants granted was determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of $0.08; an annualized volatility of 195%; an expected life of 1 year; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 0.29%.

(y) On October 21, 2020, the Company entered into a share cancellation agreement with Better Plant for the purpose of having the share structure of the Company more likely to meet stock exchange listing standards in preparation for a planned initial public offering. Pursuant to the agreement, the Company cancelled 37,000,000 common shares for no consideration.

(z) On October 21, 2020, the Company entered into a share cancellation agreement with Urban Juve for the purpose of having the share structure of the Company more likely to meet stock exchange listing standards in preparation for a planned initial public offering. Pursuant to the agreement, the Company cancelled 937,500 common shares for no consideration.

(aa) The Company issued 180,000 common shares for proceeds of $9,000 pursuant to the exercise of stock options. The fair value of the stock options of $8,187 was transferred from equity reserves to share capital upon exercise.

(Expressed in Canadian Dollars)

13. 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, 2019	2,150,000	$ 0.50
Issued	86,002,950	0.29
Balance, November 30, 2020	88,152,950	$ 0.30
Issued	59,463,800	0.19
Exercised	(9,767,750)	0.15
Expired	(2,150,000)	0.50
Balance, November 30, 2021	135,699,000	$ 0.25
Exercisable, November 30, 2021	82,149,000	$ 0.25

As at November 30, 2021, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price	Expiry date
4,270,000	$ 0.50	December 19, 2021
41,400,000	$ 0.20	December 30, 2021[1]
1,000,000	$ 0.50	January 10, 2022
4,246,500	$ 0.50	January 15, 2022
1,800,000	$ 0.50	January 21, 2022
200,000	$ 0.50	January 22, 2022
200,000	$ 0.50	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
2,532,500	$ 0.10	December 30, 2022
2,067,500	$ 0.20	December 30, 2022
625,000	$ 0.14	November 29, 2023
6,000,000	$ 0.14	November 29, 2024
135,699,000		

[1] Subsequent to year-end, the expiry date and exercise price of these options was amended (Note 23).

14. 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.

(Expressed in Canadian Dollars)

14. 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, 2019	-	$ -
Granted	16,700,000	0.05
Exercised	(5,180,000)	0.02
Expired/Cancelled	(5,230,000)	0.02
Outstanding, November 30, 2020	6,290,000	$ 0.10
Granted	14,955,000	0.23
Exercised	(1,110,000)	0.10
Expired/Cancelled	(682,500)	0.10
Outstanding, November 30, 2021	19,452,500	$ 0.20
Exercisable, November 30, 2021	10,910,000	$ 0.20

Additional information regarding stock options outstanding and exercisable as at November 30, 2021, is as follows:

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
$0.10 - $0.19	7,580,000	4,212,500	1.49
$0.20 - $0.29	11,847,500	6,672,500	2.53
$0.30 - $0.32	25,000	25,000	0.01
	19,452,500	10,910,000	4.03

Share-based compensation expense related to stock options was determined using the Black-Scholes option pricing model. During the year ended November 30, 2021, the Company recognized share-based compensation expense relating to stock options of $2,176,214 (2020 - $476,789) in equity reserves, of which $1,884,006 (2020 - $380,533) pertains to directors and officers of the Company. The weighted average fair value of options granted during the year ended November 30, 2021, was $0.18 (2020 - $0.05) per share. The weighted average share price for stock options exercised was $0.18 (2020 - $0.06). Weighted average assumptions used in calculating the fair value of share-based compensation expense, including no expected dividends or forfeitures, are as follows:

	2021	2020
Risk-free interest rate	0.70%	1.14%
Dividend yield	0%	0%
Expected volatility	123%	150%
Expected life (years)	4.88	5.00

As at November 30, 2021 there was $589,721 (November 30, 2020 - $127,297) of unrecognized share-based compensation related to unvested stock options.

15. 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.

(Expressed in Canadian Dollars)

15. Restricted Share Units (continued)

	Number of Restricted share units
Balance, November 30, 2019	-
Granted	10,196,883
Expired/Cancelled	(1,000,000)
Balance, November 30, 2020	9,196,883
Granted	1,618,900
Cancelled	(657,500)
Vested	(3,658,283)
Balance, November 30, 2021	6,500,000

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 year ended November 30, 2021, the Company recognized share-based compensation expense relating to restricted share units of $323,720 (2020 - $212,949) in equity reserves, $287,330 (2020 - $212,949) of which pertains to directors and officers of the Company. During the year ended November 30, 2021, the Company granted restricted share units with a total fair value of $20,488 (2020 - $212,949) in exchange for consulting services. During the year ended November 30, 2021, the Company cancelled 657,500 unvested restricted share units (2020 – nil) with a fair value of $159,538 (2020 - $nil). The weighted average fair value of restricted share units granted during the year ended November 30, 2021, was $0.18 (2020 - $0.06) per share.

As at November 30, 2021 there was $183,567 (2020 - $427,051) of unrecognized share-based compensation related to unvested restricted share units.

16. Investment Gain (Loss)

	Year ended November 30, 2021	2020
Gain on reclassification of investment (Note 8)	$ 93,027	$ -
Gain on sale of investment (Note 3)	450,000	-
Impairment on investment in associate (Note 8)	-	(279,868)
Share of net loss of equity accounted investee (Note 8)	(54,212)	(48,947)
Unrealized gain (loss) on investment (Note 3)	68,750	(750,000)
	$ 557,565	$ (1,078,815)

17. Other Income (Expense)

	Year ended November 30, 2021	2020
Accretion expense (Notes 10 and 11)	$ (403)	$ (106,873)
Foreign exchange gain (loss)	(8,569)	378
Gain on extinguishment of debt (Note 11)	576,383	106,873
Interest expense (Notes 10 and 11)	(33,034)	(25,946)
	$ 534,377	$ (25,568)

(Expressed in Canadian Dollars)

18. Supplemental Disclosures

	Year ended November 30, 2021	2020
Non-cash investing and financing activities:		
Related party balance converted into additional paid-in capital	$ -	$ 135,000
Units issued for purchase of investment	–	750,000
Restricted share units issued to settle accounts payable	20,847	95,751
Transfer of fair value of options to share capital upon exercise	110,562	244,306
Transfer of fair value of warrants to share capital upon exercise	37,407	–
Transfer of fair value of agent's options to share capital upon exercise	216,262	–
Equity portion of convertible debentures	143,032	–
Fair value of Agent's Options issued as finder's fees	280,473	–
Fair value of brokers' warrants issued as finder's fees	61,993	46,612
Fair value of warrants issued in exchange for return of shares	–	2,602,018
Fair value of restricted share units converted	326,201	–

19. 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.

20. Financial Instruments and Risk Management

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the statement of financial position as at November 30, 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, November 30, 2021
Marketable securities	$ 193,750	$ –	$ –	$ 193,750
Restricted cash	57,500	–	–	57,500
Convertible debentures	–	450,009	–	450,009
	$ 251,250	$ 450,009	$ –	$ 701,259

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

20. Financial Instruments and Risk Management (continued)

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 cash. The Company minimizes its credit risk associated with its cash balance by dealing with major financial institutions in Canada and has no other significant concentration of credit risk arising from operations. The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate and Interest Rate Risk

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

Liquidity Risk

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

Price Risk

The Company is exposed to price risk with respect to its marketable securities, 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.

21. Discontinued Operations

The Company entered into an Asset Purchase Agreement dated September 10, 2021 with Better Plant in which the Company agreed to sell certain assets in consideration for $645,000 (Note 11).

As a result of the sale of the assets pertaining to the functional mushroom coffee consumer products (the "Consumer Products Division"), as well as management's decision to no longer pursue this retail division, the Consumer Products Division meets the criteria to be classified as discontinued operations as of September 10, 2021, and therefore the results of operations of the Consumer Products Division for all periods have been classified as discontinued operations on the statements of operations.

(Expressed in Canadian Dollars)

21. Discontinued Operations (continued)

Net Loss from Discontinued Operations

Consumer Products Division	Year ended November 30, 2021	2020
REVENUE		
Product sales	$ 16,013	$ 803
Licensing (Note 11)	-	415,000
Total revenue	16,013	415,803
Cost of sales	5,154	250
Gross profit	10,859	415,553
EXPENSES		
Amortization	3,148	4,050
Consulting fees	-	23,026
Information systems	1,980	9,575
Licensing fees (Note 11)	-	500,000
Office and administrative	5,610	1,360
Marketing, publicity, and digital media	308,163	98,371
Research and development – consumer products	133,973	241,497
Professional fees	55,850	47,189
Total expenses	508,724	925,068
LOSS BEFORE OTHER EXPENSE	(497,865)	(509,515)
OTHER ITEMS		
Impairment of intangible assets (Note 9)	(25,202)	-
Net loss	$ (523,067)	$ (509,515)

Cash Flows from Discontinued Operations

Consumer Products Division	Year ended November 30, 2021	2020
OPERATING ACTIVITIES		
Net loss	$ (523,067)	$ (509,515)
Items not involving cash		
Depreciation	3,148	4,050
Impairment of intangible assets	25,202	-
Changes in non-cash operating working capital		
Accounts receivable	1,565	(2,228)
Inventory	(51,462)	(17,155)
Accounts payable and accrued liabilities	(70,971)	60,471
Deferred revenue	(220)	220
Net cash used in operating activities	$ (615,805)	$ (464,157)

(Expressed in Canadian Dollars)

22. Income Taxes

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

	2021	2020
Net loss	$ (7,207,507)	$ (2,677,195)
Statutory income tax rate	27%	27%
Income tax provision at statutory rate	(1,946,027)	(722,843)
Tax effect of:		
Permanent differences and other	323,172	168,705
Change in unrecognized deferred income tax assets	1,622,855	554,138
Income tax provision	$ –	$ –

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

	2021	2020
Deferred income tax assets (liabilities)		
Non-capital losses carried forward	$ 1,797,666	$ 151,642
Capital losses carried forward	40,500	-
Marketable securities	(18,563)	-
Investment	-	202,500
Investment in associate	112,050	88,780
Intangible assets	479,166	465,589
Share issuance costs	134,789	14,242
Total gross deferred income tax assets	2,545,608	922,753
Unrecognized deferred income tax assets	(2,545,608)	(922,753)
Net deferred income tax assets	$ –	$ –

As at November 30, 2021, the Company has non-capital losses carried forward of $6,658,021 which are available to offset future years' taxable income. These losses expire as follows:

Year of expiry	Non-capital loss carryforward
2039	$ 71,412
2040	681,274
2041	5,905,335
	$ 6,658,021

23. Subsequent Events

On December 20, 2021, the Company granted 108,897 restricted share units to consultants. The restricted share units vested in full immediately upon grant.

On December 20, 2021, the Company granted 600,000 stock options to a consultant, which are exercisable at a price of $0.10 per share for a period of 5 years. The stock options vest over 30 months in 10 equal tranches, with the first vesting period commencing 4 months after the grant date.

On December 20, 2021, the Company granted 100,000 stock options to a consultant, which are exercisable at a price of $0.10 per share for a period of 5 years. The stock options vest over 12 months in 4 equal tranches, with the first vesting period commencing 4 months after the grant date.

On December 29, 2021, the Company issued 1,200,000 common shares pursuant to the vesting of restricted share units.

23. Subsequent Events (continued)

On January 12, 2022, the Company granted 200,000 restricted share units to an advisor. The restricted share units vest in two equal tranches over a period of 12 months, with the first vesting period commencing four months after the grant date.

On January 29, 2022, the Company issued 200,000 common shares pursuant to the vesting of restricted share units.

On February 28, 2022, the Company granted 101,131 restricted share units to consultants. The restricted share units vested in full immediately upon grant.

Subsequent to November 30, 2021, the Company amended the terms of 41,400,000 warrants which were previously issued in connection with the initial public offering of the Company that closed on December 30, 2020. The warrants originally entitled the holders to purchase one common share in the capital of the Company at a price of $0.20 for a period of 12 months. The expiry date of the warrants has been extended to June 30, 2022, and the exercise price has been reduced to $0.14.

Subsequent to November 30, 2021, the Company cancelled 1,867,500 stock options previously issued to employees and consultants of the Company.