neon mind

BIOSCIENCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended February 28, 2023 and 2022

May 1, 2023

This Management's Discussion and Analysis ("MD&A") relates to the financial position and financial performance of NeonMind Biosciences Inc. ("NeonMind" and the "Company") for the three months ended February 28, 2023 and 2022. 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 audited financial statements for year ended November 30, 2022 and condensed interim financial statements for the three months ended February 28, 2023 and 2022 (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.

The Company has incurred net income of $218,707 and used $30,809 of cash for operating activities during the period ended February 28, 2023. As of February 28, 2023, the Company had an accumulated deficit of $14,904,536 and working capital deficit of $243,377. 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. As of February 28, 2023, the development of the Company's business was on hold pending additional funding required. 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. 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. 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.

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

As at the date of the MD&A, further development of operations and continuation of our normal business activities requires securing additional funding.

CORPORATE OVERVIEW

We were incorporated under the laws of the province of British Columbia, Canada on September 18, 2019 and are extra provincially registered in Ontario. We were developing two divisions, (i) a pharmaceutical division engaged in drug development of psychedelic compounds, and (ii) a medical services division, which is in the development stage.

In our pharmaceutical division, we were developing 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 aimed 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 proposed low dose synthetic psilocybin as a treatment to suppress appetite.

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, 2022, our common shares were listed on the Frankfurt Stock Exchange and on May 28, 2022, our common shares began trading on the OTCQB under the ticker symbol “NMDBF”.

On March 2, 2022, 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 2022, 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 2022, 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 2022 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 2022, 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 2022, 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 2022, Trevor Millar resigned as Chief Psychedelic Officer. Mr. Millar and Dr. Sagar Parikh were both appointed to the Advisory Board, and in September 2022, Dr. Roumen Milev and Dr. Gustavo Vazquez were appointed to the Advisory Board.

In August 2022, 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.

In September 2022, we completed a strategic review of our long-term strategy, while electing to focus on our core competencies of drug development and deployment of medical services we identified non-core assets for divestiture including our Consumer Products Division and our financial position in TLS

On September 16, 2022, a Type B pre-IND Meeting Request was submitted to the DDLO at the Food and Drug Administration (FDA) in support of our lead drug candidate NEO-001.

On September 22, 2022, we appointed Dr. Gustavo Vazques, MD, PhD, a Professor of Psychiatry at Queen’s University in Kingston, Ontario, and a noted expert in mood disorders and ketamine utilization, to our Specialty Clinics Advisory Board.

In November 2022, we formed a strategic alliance with SRx Health Solutions ("SRx"), a leading Canadian specialty healthcare services and medical treatment provider, to establish and operate a network of NeonMind-branded specialty clinics to deliver evidence-backed innovative treatments for a variety of mental health needs. We will leverage SRx's nationwide network of over 70 clinics, as well as its operational capabilities, to bring our unique treatment protocols to underserved populations in Canada.

On November 23, 2022, we successfully completed pre-IND consultation with the FDA, regarding proposed clinical trials for our lead obesity drug candidate, NEO-001. The Company expects to initiate a Phase 1/2 clinical study in 2022.

On January 13, 2022, we appointed Dr. Daniel Bainbridge, MD, FRCPC, past President of the Canadian Anesthesiologists Society, Professor from the Department of Anesthesia and Perioperative Medicine at the University of Western Ontario, and Anesthesia Consultant at London Health Sciences Centre, to our Specialty Clinics Advisory Board.

On February 17, 2022, we signed an agreement with SRx Health Solutions ("SRx") to open the Company's inaugural NeonMind specialty mental health clinic, located at the Queensway Professional Medical Centre in Mississauga, Ontario. The Mississauga location is the first in NeonMind's initiative to establish a national network of NeonMind-branded specialty clinics. These clinics will focus on delivering high-demand mental health treatments to underserved areas of Canada. The specialty services to be offered will incorporate innovative, evidence-based interventional psychiatric treatments for a variety of mood and anxiety disorders. The Mississauga clinic is expected to start seeing patients in the second half of 2022

On February 23, 2022, we announced the appointment of Dr. Dinesh Bhayana, MD, CCFP (EM), as Site Medical Director for our previously announced clinic location in Mississauga, Ontario. Dr. Bhayana is highly qualified in the treatments NeonMind seeks to provide, holding positions as Chief Medical Officer of Centre for Compassionate Care (C3) and Emergency and Addiction medicine physician with hospital privileges from Emergency Medicine and Psychiatry departments. Dr. Bhayana's scope of practice includes provision of low dose intravenous ketamine in an outpatient clinic granted by the College of Physicians and Surgeons of Ontario.

On March 3, 2022, we expanded our clinic infrastructure network by forming an additional strategic alliance with another leading Canadian specialty healthcare services and medical treatment provider, BioScript Solutions ("BioScript"). We will leverage BioScript's nationwide network of over 100 clinics, as well as its operational capabilities, to bring our unique treatment protocols to underserved populations in Canada.

On March 22, 2022, we filed a new patent application with the United States Patent and Trademark Office related to a novel mechanism of weight loss targeted to specific fat subtypes.

On March 23, 2022, we released preclinical data demonstrating the efficacy of psilocybin in reducing weight gain in obese subjects. In previous preclinical studies, we have shown efficacy in reducing weight gain in healthy subjects with normal weight. This latest study suggests a broader therapeutic potential of psilocybin in weight management and supports the current development track of our drug candidates.

On March 23, 2022, we announced we were setting up to offer low dose intravenous ketamine therapy for mood and anxiety disorders (IV-Ket) as an initial treatment at its recently announced, inaugural specialty mental health clinic location in Mississauga, Ontario, pending clinic licensing.

On April 8, 2022, we closed a convertible debenture private placement offering (the "Offering"). Pursuant to the Offering, the Company issued 285 units at a price of $1,000 per unit (the "Units") for gross proceeds of $285,000, and 109 units at a price of $1,000 per unit to settle accounts payable of $109,000. Each Unit consists of one unsecured convertible debenture in the principal amount of $1,000 and 2,375 warrants to purchase common shares of the Company.

On April 18, 2022, we completed a consolidation of our issued and outstanding common shares of the Company on the basis of one (1) post-consolidation common share for every four (4) pre-consolidation common shares. All share and per share amounts in this MD&A have been retroactively adjusted for the share consolidation.

During the year ended November 30, 2022, we implemented changes to our Board of Directors and senior management. Effective May 30, 2022, Rob Tessarolo was appointed as Chairman of the Board of NeonMind and resigned from his role as President and Chief Executive Officer. Penny White was appointed as Chief Executive Officer of NeonMind. Ms. White continues as a member of the Board of Directors and is no longer Executive Chairman of the Board. Also on May 30, 2022, Kari Richardson and Jeff B Smith resigned as Directors of the Board of Directors. Kari Richardson was appointed to serve on the Company's advisory board. Cole Drezdoff was appointed to the Board of Directors. On December 7, 2022, Rob Tessarolo was reappointed to the position of the President and the Chief Executive Officer.

On December 14, 2022, we announced that we had signed a binding letter agreement dated December 14, 2022 (the "Letter Agreement") with Lancaster Critical Resources Inc. ("Lancaster Critical Resources") whereby the parties have agreed to complete a reverse merger transaction that will result in Lancaster Critical Resources becoming a wholly-owned subsidiary of the Company. Lancaster Critical Resources is a private company which is committed to powering the transition to a low carbon economy through the acquisition, exploration and development of properties that are prospective for Lithium. It has the right to acquire 100% of the Alkali Flat Lithium Project - a lithium brine exploration project located in southwestern New Mexico, USA. Subsequent to the year end, on March 21, 2023 we entered into a definitive merger agreement with Lancaster Critical Resources and our wholly owned subsidiary, 1405306 B.C. Ltd. to replace the Letter Agreement.

SELECTED ANNUAL INFORMATION

Management considers that the main indicators of our performance are the following: revenues, net income and loss, total assets, earnings or loss per share. The following information was derived from our audited financial statements for the years ended November 30, 2022 and 2021.

	2022	2022
Revenues	$ -	$ -
Loss before other items	(1,751,370)	(7,776,382)
Net loss from continuing operations	(2,034,352)	(6,684,440)
Basic and diluted loss per shares from continuing operations	(1.80)	(6.80)
Total assets	129,430	1,339,124
Dividends declared and paid out in cash	-	-

OVERALL PERFORMANCE

For the three months ended February 28, 2023 and 2022, we did not recognize any revenue.

For the three months ended February 28, 2023 and 2022, we had net income of $218,707, primarily driven by gains from settlement of debts, offset by operating expenses. We had a net loss of $881,554 in the same period of the prior year driven by operating expenses.

DISCUSSION ON OPERATIONS

Revenue

We did not generate any revenue for the three months ended February 28, 2023 and 2022. We disposed of our assets in the consumer products division in the prior year and business was discontinued. We placed out pharmaceutical research business on hold pending a contemplated merger with Lancaster Critical Resources.

Consulting fees

We engage consultants and contractors regularly to obtain expertise in various business areas. For three months ended February 28, 2023, we incurred consulting fees of $45,000 as compared to $62,499 of the same period in the prior year. The decrease in consulting fees was due to reduced business activities.

Depreciation

For the three months ended February 28, 2023, we did not incur depreciation expense as compared to $278 for the same period in the prior year. Depreciation expenses were related to office equipment assets.

Investor relations

For the three months ended February 28, 2023, we incurred investor relations expenses of $11,250 as compared to $42,893 for the same period in the prior year. We reduced activities in investor relations to reserve working capital.

Listing expenses

Listing fees were related to the application and ongoing fees for the listing of our common shares on the Canadian Securities Exchanges (CSE). For the three months ended February 28, 2023, we did not record listing fees as compared to $3,000 for the same period in the prior year.

Marketing, publicity and digital media

Marketing, publicity and digital media expenses included advertising media spent to promote our corporate brand. For the three months ended February 28, 2023, we did not record any marketing, publicity and digital media expenses as compared to $164,743 for the same period in the prior year. The decrease in marketing, publicity and digital media expenses are due to cost saving measures to reserve working capital.

Office and administrative expenses

Office and administrative expenses primarily included insurance fees, broker and filing fees, and other general office expenses. For the three months ended February 28, 2023, we recorded office and administration expenses of $4,299 as compared to $70,847 for the same period in the prior year. The decrease in office and administrative expenses was due to cost saving measures.

Pharmaceutical research and development

Pharmaceutical research and development expenses included costs of our medical research and our preclinical trials. For the three months ended February 28, 2023, we did not incur any pharmaceutical research and development costs as compared to $79,117 for the same period in the prior year. We have placed our research projects on hold.

Professional fees

Professional fees include legal, recruitment, accounting, audit and taxation fees. For the three months ended February 28, 2023, we incurred professional fees of $28,300 as compared to $67,110 for the same period in the prior year. The decrease was primarily driven by reduced business activities.

Share-based compensation

Share-based compensation costs are related to stock options granted to our directors, officers, employees and consultants. For the three months ended February 28, 2023, we recorded share-based compensation expense of $40,326 as compared to expenses of $119,981 for the same period in the prior year.

Wages

Wages for the three months ended February 28, 2023 were $1,063, as compared to $176,368 for the same period in the prior year. The decrease in wages was driven by downsizing of the team to reserve working capital.

Other Items

During the three months ended February 28, 2023, we recorded other income of $348,945 as compared to other expense of $94,718 for the same period of the prior year.

Below is a list of other items for the three months ended February 28, 2023 and 2022.

	Three months ended February 28,	
	2023	2022
	$	$
Accretion expense	(45,867)	(36,273)
Foreign exchange gain	19,555	4,055
Gain on extinguishment of debt	415,967	-
Interest expense	(26,100)	(18,750)
Unrealized gain(loss) on marketable securities	(14,610)	(43,750)
Total other items	348,945	(94,718)

Net income (loss)

For the three months ended February 28, 2023, we recorded a net income of $218,707 driven by gains from settlement of debts as compared to net loss of $881,554 for the same period of the prior year which was mostly consisted of operating expenses.

Dividends

No dividends were declared or paid for the three months ended February 28, 2023 and 2022.

SUMMARY OF QUARTERLY RESULTS

The summary of our quarterly results are as follows. For the quarters ended:

	Feb. 28, 2023 $	Nov. 30, 2022 $	Aug. 31, 2022 $	May 31, 2022 $
Revenue	-	-	-	-
Net Income (loss)	218,707	(178,614)	(74,066)	(900,118)
Basic earnings (loss) per share	0.19	(0.15)	(0.06)	(0.80)
Diluted earnings (loss) per share	0.16	(0.15)	(0.06)	(0.80)
	Feb. 28, 2022 $	Nov. 30, 2021 $	Aug. 31, 2021 $	May 31, 2022 $
Revenue	-	-	-	-
Net Income (loss)	(881,554)	(650,102)	(1,433,437)	(2,643,913)
Basic and diluted loss per share	(0.79)	(0.62)	(1.38)	(2.41)
Diluted earnings (loss) per share	(0.79)	(0.62)	(1.38)	(2.41)

LIQUIDITY

	February 28, 2023		November 30, 2022	
Current ratio(1)		0.3		0.2
Cash	$	5,008	$	35,817
Working capital surplus (deficit) (2)	$	(243,377)	$	(555,018)
Debt (3)	$	892,804	$	846,937
Equity (Deficit)	$	(1,205,081)	$	(1,401,995)

(1) Current ratio is current assets divided by current liabilities.
(2) Working capital is current assets minus current liabilities.
(3) Debt consisted of the fair value of convertible debentures.

Cash Position

As at February 28, 2023, we had $5,008 in cash. During the three months ended February 28, 2023, we spent $30,809 of cash in operating activities to finance operating expenses. We did not incur and cash transactions from financing and investing activities for the three months ended February 28, 2023 and 2022.

Working Capital

We had a working capital deficit of $243,377 as at February 28, 2023, which primarily consisted of cash, marketable securities, taxes receivable and prepaid expenses and deposits, offset by accounts payable. We had working capital of $555,018 as at November 30, 2022. The decrease in working capital deficit was primarily driven by settlement of debt with gain.

As at the date of the MD&A, we are experiencing difficulties in obtaining sufficient working capital, and further development of our assets is on hold pending additional funding required. We are actively seeking refinancing opportunities to resume our normal business activities.

CAPITAL RESOURCES AND MANAGEMENT

As at February 28, 2023, we had $5,008 in cash. We are authorized to issue an unlimited number of common shares. As at February 28, 2023, there were 1,123,419 common shares issued and outstanding. We had 87,518 share purchase warrants outstanding with weighted average exercise price of $14.14 per share. We had 71,959 stock options outstanding with weighted average exercise price of $9.73 per share.

Convertible debentures

- On November 29, 2022, we issued convertible debentures in an aggregated amount of $750,000. The convertible debentures carry an annual coupon rate of 10% payable semi-annually and matures in two years. The debentures are convertible into the company's common shares at $14.40 per share anytime before or when they mature. Along with the convertible debentures, the Company issued 50,000 warrants to the debenture holders. Each warrant can be exercised to purchase one additional common share at $16.80 per shares for a period of 36 months.

- On April 8, 2022, we issued 285 convertible debenture units at a price of $1,000 per unit for gross proceeds of $285,000, and 109 convertible debentures units at a price of $1,000 per unit to settle accounts payable of $109,000. The convertible debentures carry an annual coupon rate of 10% payable semi-annually and matures in two years. The debentures are convertible into the company's common shares at $9.00 per share anytime before or when they mature. Along with the convertible debentures, we issued 31,192 warrants to the debenture holders. Each warrant can be exercised to purchase one additional common share at $9.60 per shares for a period of 36 months.

Our objective is to maintain a capital base to support the development of the business through equity issuance and strategic alliances. As at the date of this MD&A, we are experiencing difficulties in obtaining sufficient funding to support our business activities due to unfavourable market conditions. Further development of our assets and business initiatives is pending additional funding required. We are actively seeking alternate value creation strategies which could include refinancing opportunities, divestiture opportunities, and/or merger options.

OFF-BALANCE SHEET ARRANGEMENTS

As at February 28, 2023, we had no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the three months ended February 28, 2023 and 2022, compensation of key management personnel and related parties were as follows:

	Three months ended February 28,	
	2023	2022
Consulting fees	$ 45,000	$ 59,124
Share-based compensation	39,764	170,697
Wages	-	167,500
	$ 84,764	$ 397,321

As at February 28, 2023, we owed $21,188 (November 30, 2022 - $7,713) to Better Plant Sciences Inc. ("Better Plant"), a company with common officers and directors, which is included in due to related parties. The balance is unsecured, non-interest bearing, and due on demand.

During the three months ended February 28, 2023, we incurred no related party marketing expenses (2022 - $1,693), no related party investor relations expenses of $nil (2022 - $13,594), professional fees of $9,800 (2022 - $21,139), office and administrative expenses of $2,450 (2022 - $9,220) from Better Plant. Better Plant provided such services to the Company pursuant to an operating agreement dated August 30, 2020.

As at February 28, 2023, we owed $28,000 (November 30, 2022 - $4,750) to Lancaster, a company shared a common CFO with the Company, which is included in due to related parties. The amount owing is unsecured, non-interest bearing, and due on demand.

As at February 28, 2023, we owed $35,000 (November 30, 2022 - $20,000) to directors and officers of the Company, which is included in accounts payable and accrued liabilities. The amounts owing are unsecured, non-interest bearing, and due on demand.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 useful life and carrying value of property and equipment, fair value of convertible debentures and 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.

We had previously determined that it had significant influence in Komo Foods despite holding less than 20% of the voting rights in Komo Foods because we share a common CFO, and the fact that we 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 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 three months ended February 28, 2023, Komo Foods entered into a merger agreement and management determined that significant influence in Komo Foods no longer existed and we reclassified its investment to fair value through profit and loss under IFRS 9, Financial Instruments.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

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.

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 February 28, 2023, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, February 28, 2023
Marketable securities	$ 19,480	$ –	$ –	$ 19,480

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

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligation. The Company's credit risk is primarily attributable to 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

We are 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. 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 its marketable securities, which consists of common shares held in publicly-traded companies and is dependent upon the market price or the fair value of the common shares for those companies. The market price or the fair value of the common shares of those companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting (“ICOFR”)

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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of NeonMind;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that our receipts and expenditures are made only in accordance with authorization of management and our directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the annual or interim financial statements.

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

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

SUBSEQUENT EVENTS

On March 13, 2023, we incorporated a fully owned subsidiary, 1405306 B.C. Ltd. (“Subco").

On March 21, 2023, we signed a definitive merger agreement with Lancaster Critical Resources Inc. (“Lancaster”) for a reverse merger transaction (the “Transaction”). Lancaster is a private company which is committed to powering the transition to a low carbon economy through the acquisition, exploration and development of properties that are prospective for Lithium. It has the right to acquire 100% of the Alkali Flat Lithium Project - a lithium brine exploration project located in southwestern New Mexico, USA (the “Property”).

After obtaining all necessary approvals, the Transaction will be completed via a three-cornered amalgamation between the Company, Lancaster Lithium, and Subco. In this process, we will acquire 100% of the issued and outstanding Lancaster Lithium common shares in exchange for common shares of the Company on a 1:1 basis. The outstanding warrants and options of Lancaster will be exchanged into warrants and options of the Company on an identical basis. Upon closing the Transaction, the company resulting from the amalgamation of Lancaster and Subco will become a wholly-owned subsidiary of the Company, and the Company will change its name to Lancaster Critical Resource Inc. and continue to advance the Lancaster exploration and development strategy.

The closing of the Transaction is contingent upon several conditions, including approval from a special majority of Lancaster shareholders and approval from the Canadian Securities Exchange.