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BIOSCIENCES INC.

Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

For the Three Months ended February 28, 2023 and 2022

(Unaudited)

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

	February 28, 2023 (Unaudited) (Restated – Note 15)	November 30, 2022
ASSETS		
Current assets		
Cash	$ 5,008	$ 35,817
Marketable securities (Note 3)	19,480	34,090
Amounts receivable	60,710	58,193
Prepaid expenses and deposits	-	1,330
Total assets	$ 85,198	$ 129,430
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 4 and 5)	$ 279,387	$ 676,775
Due to related parties (Note 5)	49,188	7,713
Convertible debentures (Note 4)	633,800	-
Total current liabilities	962,375	684,488
Non-current liabilities		
Convertible debentures (Note 4)	259,004	846,937
Total liabilities	1,221,379	1,531,425
SHAREHOLDERS' DEFICIT		
Share capital (Note 6)	8,379,697	8,379,697
Subscriptions received in advance	6,781	-
Reserve for convertible debentures (Note 4)	42,934	42,934
Equity reserves (Notes 6, 8, and 9)	5,338,943	5,298,617
Deficit	(14,904,536)	(15,123,243)
Total shareholders' deficit	(1,136,181)	(1,401,995)
Total liabilities and shareholders' deficit	$ 85,198	$ 129,430

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

Approved and authorized for issuance on behalf of the Board of Directors on May 9, 2023:

/s/ "Rob Tessarolo" — Director

/s/ "Cole Drezdoff" — Director

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

NEONMIND BIOSCIENCES INC.
Condensed Interim Statements of Operations
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended February 28, 2023	Three months ended February 28, 2022
EXPENSES		
Consulting fees (Note 5)	$ 45,000	$ 62,499
Depreciation	-	278
Investor relations (Note 5)	11,250	42,893
Listing	-	3,000
Marketing, publicity, and digital media (Note 5)	-	164,743
Office and administrative (Note 5)	4,299	70,847
Pharmaceutical research and development (Note 5)	-	79,117
Professional fees (Note 5)	28,300	67,110
Share-based compensation (Notes 5, 8 and 9)	40,326	119,981
Wages (Note 5)	1,063	176,368
Total expenses	130,238	786,836
LOSS BEFORE OTHER ITEMS	(130,238)	(786,836)
OTHER ITEMS		
Accretion expense (Note 4)	(45,867)	(36,273)
Foreign exchange gain (loss)	(548)	4,055
Gain on extinguishment of debt (Notes 5 and 10)	436,070	-
Interest expense (Note 4)	(26,100)	(18,750)
Unrealized gain(loss) on marketable securities (Note 3)	(14,610)	(43,750)
Total other items	348,945	(94,718)
NET INCOME (LOSS)	$ 218,707	$ (881,554)
Earnings (loss) per share,		
- Basic	$ 0.19	$ (0.83)
- Diluted	$ 0.16	$ (0.83)
Weighted average shares outstanding – Basic (Note 11)	1,123,419	1,060,037
Weighted average shares outstanding – Diluted (Note 11)	1,367,646	1,060,037

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

NEONMIND BIOSCIENCES INC.
Condensed Interim Statement of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital						
	Number of shares	Amount	Subscriptions received in advance	Reserve for convertible debentures	Equity reserves	Deficit	Total shareholders' equity (deficit)
BALANCE, NOVEMBER 30, 2021	1,058,055	$ 7,800,880	$ -	$ 21,063	$ 5,557,243	$ (13,088,891)	$ 290,295
Restricted share units issued for services	-	-	-	-	14,702	-	14,702
Restricted share units vested	13,416	134,702	-	-	(134,702)	-	-
Fair value of share-based compensation	-	-	-	-	55,618	-	55,618
Fair value of restricted share units granted	-	-	-	-	64,363	-	64,363
Net loss for the period	-	-	-	-	-	(881,554)	(881,554)
BALANCE, FEBRUARY 28, 2022	1,071,472	$ 7,935,582	$ -	$ 21,063	$ 5,557,224	$ (13,970,445)	$ (456,576)
BALANCE, NOVEMBER 30, 2022	1,206,749	$ 8,379,697	$ -	$ 42,934	$ 5,298,617	$ (15,123,243)	$ (1,401,995)
Cancellation of common shares	(83,330)	-	-	-	-	-	-
Subscriptions received in advance	-	-	6,781	-	-	-	6,781
Fair value of share-based compensation	-	-	-	-	40,326	-	40,326
Net income for the period	-	-	-	-	-	218,707	218,707
BALANCE, FEBRUARY 28, 2023	1,123,419	$ 8,379,697	$ 6,781	$ 42,934	$ 5,338,943	$ (14,904,536)	$ (1,136,181)

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

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

	Three months ended February 28, 2023	Three months ended February 28, 2022
OPERATING ACTIVITIES		
Net income (loss)	$ 218,707	$ (881,554)
Items not involving cash:		
Accretion expense	45,867	36,273
Depreciation	-	278
Gain on extinguishment of debt	(436,070)	-
Interest accrued on convertible debentures	25,599	18,750
Share-based compensation	40,326	119,981
Unrealized loss (gain) on marketable securities	14,610	43,750
Changes in non-cash operating working capital:		
Amounts receivable	(2,517)	(8,571)
Prepaid expenses and deposits	1,330	1,850
Accounts payable and accrued liabilities	19,864	41,427
Due to related parties	41,475	(8,537)
Net cash used in operating activities	(30,809)	(636,353)
CHANGE IN CASH	(30,809)	(636,353)
Cash, beginning of period	35,817	773,525
CASH, END OF PERIOD	$ 5,008	$ 137,172

Supplemental disclosures (Note 12)

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

1. Nature of Operations and Continuance of Business

NeonMind Biosciences 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 condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company has incurred 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 $877,177. 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, and 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.

2. Significant Accounting Policies

Statement of Compliance

These condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, and based on the principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee. These condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended November 30, 2022, which include the Company's significant accounting policies, and have been prepared in accordance with the same methods of application.

Basis of Presentation

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

Significant areas requiring the use of estimates include the carrying value of marketable securities, 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 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.

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.

(Expressed in Canadian Dollars)

3. Marketable Securities and Investments

Below is a summary of the Company's marketable securities as of February 28, 2023 and 2022:

	November 30, 2022 fair value	Unrealized loss	February 28, 2023 fair value
KPBF Shares	$ 34,090	$ (14,610)	$ 19,480

	November 30, 2021 fair value	Unrealized loss	February 28, 2022 fair value
KPBF Shares	$ 193,750	$ (43,750)	$ 150,000

Marketable Securities

Komo Plant Based Foods Inc. ("KPBF")

On January 30, 2023, KPBF effected a 10:1 share consolidation. All share and per share amounts in these financial statements have been retroactively adjusted for the share consolidation.

As at February 28, 2023, the Company held 97,400 shares (November 30, 2022 – 97,400) of KPBF.

4. Convertible Debentures

	November 29, 2021 issuance	April 8, 2022 issuance	Total
Carrying amount of liability at November 30, 2021	$ 450,009	$ –	$ 450,009
Accretion	36,273	-	36,273
Carrying amount of liability at February 28, 2022	505,032	$ –	505,032
Carrying amount of liability at November 30, 2022	$ 594,923	$ 252,014	$ 846,937
Accretion	38,877	6,990	45,867
Carrying amount of liability at February 28, 2023	$ 633,800	$ 259,004	$ 892,804
Current portion	633,800	-	633,800
Non-current portion	-	259,044	259,044

November 29, 2021 issuance (the "2021 Debentures")

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 66 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 Company issued an aggregate of 50,000 warrants to the debenture holders.

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 $14.40 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 $16.80 per share for a period of 36 months from the date of issue.

4. 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 5,208 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 $14.40 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 $16.80 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 $16.92; 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 three months ended February 28, 2023, the Company accrued interest of $18,750 (2022 - $18,750) relating to the Debentures, which has been recorded in accounts payable and accrued liabilities.

<u>April 8, 2022 issuance (the "2022 Debentures")</u>

On April 8, 2022, the Company issued 285 convertible debenture units at a price of $1,000 per unit for gross proceeds of $285,000, and 109 convertible debenture units at a price of $1,000 per unit to settle accounts payable of $109,000. Each unit consisted of a repayable note with a face value of $1,000 (the "Debentures") and 79 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 Company issued an aggregate of 31,192 warrants to the debenture holders. 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 $9.00 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 $9.60 per share for a period of 36 months from the date of issue.

In connection with the issuance of the Debentures, the Company paid broker fees of $14,000 and granted 1,108 agent's options (the "Agent's Options") with a fair value of $3,809 entitling the holder to purchase a unit of the Company (the "Agent's Option Unit") at $9.00 per Agent's Option until April 8, 2024. 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 $9.60 for a period of 36 months from the Agent's Options issue date of April 8, 2022. 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 $6.00; annualized volatility of 129%; expected life of 2 years; dividend yield of 0%; expected forfeiture rate of 0%; and risk-free rate of 2.42%.

During the three months ended February 28, 2023, the Company accrued interest of $7,350 (2022 - $nil) relating to the Debentures, which has been recorded in accounts payable and accrued liabilities.

On April 27, 2023, the holders of the 2021 Debentures and 2022 Debentures agreed to modify the maturity dates to December 4, 2024. Refer to Note 16.

(Expressed in Canadian Dollars)

5. Related Party Transactions

The compensation of key management personnel and related parties were as follows:

	Three months ended February 28, 2023	Three months ended February 28, 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, the Company 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, the Company incurred no related party marketing expenses (2022 - $1,693), no related party investor relations expenses (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, the Company owed $28,000 (November 30, 2022 - $nil) to a company which shares a 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, the Company owed $15,000 (November 30, 2022 - $4,750) to a company controlled by the CFO of the Company, which is included in accounts payable and accrued liabilities. During the period ended February 28, 2023, the Company settled $20,000 of amounts owing to a company controlled by the CFO for $15,000, resulting in a gain on settlement of debt of $5,000. The amounts owing are unsecured, non-interest bearing, and due on demand.

As at February 28, 2023, the Company owed $20,000 (November 30, 2022 - $20,000) to the CEO of the Company, which is included in accounts payable and accrued liabilities. During the period ended February 28, 2023, the Company settled $35,000 of amounts owing to the CEO for $20,000, resulting in a gain on settlement of debt of $15,000. The amounts owing are unsecured, non-interest bearing, and due on demand.

During the period ended February 28, 2023, the Company settled $15,000 of amounts owing to a director of the Company for $nil, resulting in a gain on settlement of debt of $15,000.

6. Share Capital

Authorized: unlimited number of common shares without par value.

On April 18, 2022, the Company effected a 4:1 share consolidation and on January 24, 2023, the Company effected a 30:1 share consolidation. All share and per share amounts in these condensed interim financial statements have been retroactively adjusted for the share consolidations.

During the three months ended February 28, 2023, the Company completed the following transactions:

(a) The Company cancelled 83,330 common shares which were previously issued to an officer of the Company pursuant to the Company's RSU plan.

(Expressed in Canadian Dollars)

6. Share Capital (continued)

During the three months ended February 28, 2022, the Company completed the following transactions:

(b) The Company issued 13,416 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $134,702 was transferred from equity reserves to share capital upon conversion.

7. 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, 2021	1,130,825	$ 30.00
Issued	32,300	9.60
Expired	(1,037,283)	29.70
Balance, November 30, 2022	125,842	$ 15.00
Expired	(38,324)	17.39
Balance, February 28, 2023	87,518	$ 14.14

As at February 28, 2023, the following share purchase warrants were outstanding:

Number of warrants	Exercise price	Expiry date
5,209	$ 16.80	November 29, 2023
1,108	$ 9.60	April 8, 2024
50,004	$ 16.80	November 29, 2024
31,197	$ 9.60	April 8, 2025
87,518		

8. 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.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price
Outstanding, November 30, 2021	162,103	$ 24.00
Granted	169,959	3.04
Expired/cancelled	(134,353)	25.41
Outstanding, November 30, 2022	197,709	$ 5.55
Expired/cancelled	(125,750)	3.16
Outstanding, February 28, 2023	71,959	$ 9.73
Exercisable, February 28, 2023	64,022	$ 9.51

(Expressed in Canadian Dollars)

8. Stock Options (continued)

Additional information regarding stock options outstanding and exercisable as at February 28, 2023, is as follows:

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
\$3.00 - \$11.70	39,376	36,043	2.41
\$12.00 - \$18.00	25,917	21,417	1.05
\$30.00 - \$34.80	6,666	6,562	0.27
	71,959	64,022	3.72

Share-based compensation expense related to stock options was determined using the Black-Scholes option pricing model. During the three months ended February 28, 2023, the Company recognized share-based compensation expense relating to stock options of \$26,992 (2022 –\$55,618) in equity reserves, of which \$27,314 (2022 - \$131,411) pertains to directors and officers of the Company. The expense pertaining to directors and officers of the Company for the three months ended February 28, 2022 is larger than the overall expense as a result of accounting for stock options cancelled during the period. The weighted average fair value of options granted during the three months ended February 28, 2023, was \$nil (2022 - \$5.98) per option. Weighted average assumptions used in calculating the fair value of share-based compensation expense, including no expected dividends or forfeitures, are as follows:

	2023	2022
Risk-free interest rate	3.48%	1.64%
Expected volatility	200%	124%
Expected life (years)	4.41	4.52

As at February 28, 2023, there was \$1,145 (November 30, 2022 - \$37,295) of unrecognized share-based compensation related to unvested stock options.

9. 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.

On April 18, 2022, the Company effected a 4:1 share consolidation and on January 24, 2023, the Company effected a 30:1 share consolidation. Figures in the tables below have been retroactively adjusted for the share consolidation.

	Number of Restricted share units
Balance, November 30, 2021	54,167
Granted	121,750
Cancelled	(30,000)
Vested	(137,583)
Balance, November 30, 2022	8,334
Cancelled	(8,334)
Balance, February 28, 2023	-

(Expressed in Canadian Dollars)

9. Restricted Share Units (continued)

Share-based compensation expense relating to restricted share units was determined using the fair value of common shares of the Company on the date of grant. During the three months ended February 28, 2023, the Company recognized share-based compensation expense relating to restricted share units of $13,333 (2022 - $64,363) in equity reserves, $12,450 (2022 - $39,286) of which pertains to directors and officers of the Company. During the three months ended February 28, 2023, the Company granted restricted share units with a fair value of $nil (2022 - $14,702) in exchange for consulting services. During the three months ended February 28, 2023, the Company cancelled 8,334 (2022 – nil) unvested restricted share units with a fair value of $13,333 (2022 - $nil). The weighted average fair value of restricted share units granted during the three months ended February 28, 2023, was $nil (2022 - $8.40) per share.

As at February 28, 2023, there was $nil (November 30, 2022 - $13,333) of unrecognized share-based compensation related to unvested restricted share units.

10. Debt Settlements

During the period ended February 28, 2023, the Company paid $27,032 (US$20,000) to settle accounts payable owed to a non-related party of $400,982 (US$296,672), resulting in a gain on settlement of debt of $373,950 and settled $33,900 of amounts owed to a former employee of the Company for $6,780, which will be settled with common shares of the Company, resulting in a gain on settlement of debt of $27,120.

11. Earnings (Loss) Per Share

a) Basic

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the period.

	Three months ended February 28, 2023	Three months ended February 28, 2022
Net income (loss)	$ 218,707	$ (881,554)
Weighted average number of shares outstanding during the period	1,123,419	1,060,037
Basic net income (loss) per share	$ 0.19	$ (0.83)

b) Diluted

Net income (loss) per diluted share is calculated by dividing the net income (loss) by the weighted average number of shares outstanding during the period adjusted for the effects of potentially dilutive stock options and warrants. For the three months ended February 28, 2022, there was a net loss. Accordingly, all share options and warrants would be considered anti-dilutive and have been excluded from the calculation of diluted earnings (loss) per share for this period. The weighted average shares outstanding and weighted average diluted shares outstanding are therefore the same.

	Three months ended February 28, 2023	Three months ended February 28, 2022
Net income (loss)	$ 218,707	$ (881,554)
Weighted average number of shares for net income per diluted share	1,367,646	1,060,037
Diluted net income (loss) per share	$ 0.16	$ (0.83)

(Expressed in Canadian Dollars)

12. Supplemental Disclosures

	Three months ended February 28, 2023	Three months ended February 28, 2022
Non-cash investing and financing activities:		
Restricted share units issued for services	$ -	$ 14,702
Subscriptions received for debt settlement	6,781	-
Fair value of restricted share units converted	-	134,702

13. 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.

14. 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.

(Expressed in Canadian Dollars)

14. Financial Instruments and Risk Management (continued)

Foreign Exchange Rate and Interest Rate Risk

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

Liquidity Risk

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

Price Risk

The Company is exposed to price risk with respect to its 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.

15. Restatement

The condensed interim financial statements as at February 28, 2023 and for the three months ended February 28, 2023 and 2022 have been restated to properly reclassify the 2021 Debentures from a non-current liability to a current liability given the maturity date of the debentures are within 12 months of the period end date. The impact of the restatement resulted in an increase in the working capital deficit of the Company of $633,800. There was no impact to the Company's condensed interim statements of operations, changes in shareholders' equity, or cash flows.

The impact of the restatement on the condensed interim statement of financial position is as follows:

	Previously Reported	Adjustment	Restated
Current Liabilities			
Convertible debentures	-	633,800	633,800
Total Current Liabilities	328,575	633,800	962,375
Non-Current Liabilities			
Convertible debentures	892,804	(633,800)	259,004

16. Subsequent Events

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

On March 21, 2023, the Company signed a definitive merger agreement with Lancaster Lithium Inc. ("Lancaster Lithium") for a reverse merger transaction (the "Transaction"). Lancaster Lithium 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, the Company 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 Lithium 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 Lithium and Subco will become a wholly-owned subsidiary of the Company, and the Company will change its name to Lancaster Lithium Inc. and continue to advance the Lancaster Lithium exploration and development strategy.

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

On April 27, 2023, the Company reached the following agreements with the registered holders of the 2021 Debentures and the 2022 Debentures:

(a) Conversion of principal amount of $49,600 and accrued interest of $129,196 into units of the Company, through a non-brokered private placement, at $0.20 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable at $0.40 per share for a period of 36 months from the time of issuance.

(b) The maturity date of the remaining principal balance of the 2021 Debentures and 2022 Debentures in the total amount of $994,400 was extended to December 4, 2024. Interest will continue to accrue at 10% per annum and will be payable on the maturity date. All other terms of the convertible debentures remain unchanged.