

Bright Minds Biosciences Inc.
Condensed Interim Consolidated Financial Statements
For the three and six months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

Bright Minds Biosciences Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	Notes	March 31, 2021	September 30, 2020
		\$	\$
ASSETS			
Current Assets			
Cash		25,450,001	799,929
Sales tax receivable		36,256	-
Prepays	7	252,804	78,287
Due from Bright Minds Biosciences LLC		490	-
		25,739,551	878,216
Non-Current Assets			
Intangible assets	4	2,000	2,000
TOTAL ASSETS		25,741,551	880,216
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	5	409,238	150,923
TOTAL LIABILITIES		409,238	150,923
Shareholders' equity			
Share capital	6	27,239,872	980,661
Subscriptions receivable	6	(33,684)	(1,000)
Subscriptions received	6	10,000	147,426
Reserves	6	925,554	161,300
Deficit		(2,809,429)	(559,094)
TOTAL SHAREHOLDERS' EQUITY		25,332,313	729,293
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		25,741,551	880,216

Nature of operations and going concern (Note 1)

Subsequent events (Note 10)

Approved on behalf of the Board of Directors:

"Ian McDonald"

Director

"Alan Kozikowski"

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Bright Minds Biosciences Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

		For the three months ended March 31, 2021	For the three months ended March 31, 2020	For the six months ended March 31, 2021	For the six months ended March 31, 2020
	Notes	\$	\$	\$	\$
EXPENSES					
Consulting fees		37,401	-	40,800	-
Foreign exchange		26,965	-	59,594	-
Funds processing fees – private placements		1,455	-	18,665	-
Marketing, advertising, and investor relations		217,379	-	229,377	-
Office and administrative		24,639	169	52,034	250
Professional fees	7	141,804	-	271,871	-
Regulatory and filing		62,039	-	115,919	-
Research and development	7	946,354	5,973	1,218,821	47,887
Share-based compensation	6, 7	125,241	-	243,254	-
Net loss and comprehensive loss		(1,583,277)	(6,142)	(2,250,335)	(48,137)
Basic and diluted loss per share		(0.23)	(0.00)	(0.35)	(0.01)
Weighted average number of common shares outstanding					
-basic and diluted		6,928,429	4,119,600	6,352,107	4,119,600

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Bright Minds Biosciences Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Share Capital		Subscriptions receivable	Subscriptions received	Reserves	Deficit	Total
	Number of shares	Share capital					
		\$	\$	\$	\$	\$	\$
Balance as at September 30, 2019	4,119,600	205,980	(81,980)	-	-	(78,717)	45,283
Share subscriptions received	-	-	60,000	-	-	-	60,000
Share subscription received in advance	-	-	-	31,680	-	-	31,680
Net loss	-	-	-	-	-	(48,137)	(48,137)
Balance as at March 31, 2020	4,119,600	205,980	(21,980)	31,680	-	(126,854)	88,826
Balance as at September 30, 2020	4,743,541	980,661	(1,000)	147,426	161,300	(559,094)	729,293
Private placements	5,049,021	27,924,936	(32,684)	(147,426)	-	-	27,744,826
Finder's fees – cash	-	(916,317)	-	-	-	-	(916,317)
Finder's fees – broker warrants	-	(521,000)	-	-	521,000	-	-
Share issue costs	-	(266,908)	-	-	-	-	(266,908)
Special warrant conversion	16,000	20,000	-	-	-	-	20,000
Debt settlement with shares	14,799	18,500	-	-	-	-	18,500
Warrant exercise funds received in advance	-	-	-	10,000	-	-	10,000
Share-based compensation	-	-	-	-	243,254	-	243,254
Net loss	-	-	-	-	-	(2,250,335)	(2,250,335)
Balance as at March 31, 2021	9,823,361	27,239,872	(33,684)	10,000	925,554	(2,809,429)	25,332,313

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Bright Minds Biosciences Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the six months ended March 31, 2021	For the six months ended March 31, 2020
	\$	\$
Operating activities		
Net loss for the period	(2,250,335)	(48,137)
Non-cash items:		
Foreign exchange	3,798	-
Share-based compensation	243,254	-
Changes in non-cash operating working capital items:		
Sales tax receivable	(36,256)	-
Prepays	(174,517)	-
Due from Bright Minds Biosciences LLC	(490)	-
Accounts payable and accrued liabilities	257,563	(49,419)
Net cash used in operating activities	(1,956,983)	(97,556)
Financing activities		
Private placement proceeds	27,784,078	-
Finder's fees	(916,317)	-
Share issuance costs	(266,908)	-
Warrant exercise funds received in advance	10,000	-
Private placement proceeds received in advance	-	91,680
Net cash from financing activities	26,610,853	91,680
Change in cash	24,653,870	(5,876)
Effect of foreign exchange on cash	(3,798)	-
Cash, beginning of period	799,929	79,991
Cash, end of period	25,450,001	74,115
SUPPLEMENTARY INFORMATION		
Debt settled by issuing shares	18,500	-
Fair value ascribed by brokers' warrants issued	521,000	-
Share issuance costs included in accounts payable and accrued liabilities	752	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Bright Minds Biosciences Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Bright Minds Biosciences Inc. ("the Company") was incorporated under the Business Corporations Act of British Columbia on May 31, 2019. The Company's objective is to generate income and achieve long term profitable growth through the development of therapeutics to improve the lives of patients with certain severe and life-altering diseases. On February 8, 2021, the Company started trading on the Canadian Stock Exchange ("CSE") under the symbol DRUG. The head office, and principal address of the Company are located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7, Canada.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at March 31, 2021, the Company is not able to finance day to day activities through operations and has incurred a loss of \$2,250,335 for the period ended March 31, 2021. The Company has a deficit of \$2,809,429 since inception and negative operating cash flows. As at March 31, 2021, the Company has working capital of \$25,330,313 (September 30, 2020 - \$727,293). The continuing operations of the Company are dependent upon its ability to attain profitable operations and generate funds therefrom. Management intends to finance operating costs with equity financings, loans from directors and companies controlled by directors and/or private placement of common shares. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

The coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities specifically related to possible disruptions in the operations of the laboratories upon whom the Company relies, including laboratories situated in various parts of the United States and Europe. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These financial statements were authorized for issue on May 31, 2021 by the directors of the Company.

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of May 31, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended September 30, 2020 except as otherwise noted. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending September 30, 2021 could result in restatement of these unaudited condensed consolidated interim financial statements.

Basis of preparation

Depending on the applicable IFRS requirements, the measurement basis used in the preparation of these financial statements is cost, net realizable value, fair value or recoverable amount. These financial statements, except for the statement of cash flows, are based on the accrual basis.

Bright Minds Biosciences Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These financial statements include the accounts of the Company and its inactive, wholly-owned subsidiary Psilocybinlabs Ltd. (see Note 4).

Functional currency

The functional currency of the Company and its subsidiary is the Canadian Dollar.

Please refer to Note 3 of the audited consolidated financials of the Company for the year ended September 30, 2020 for full disclosure of the Significant Accounting Policies.

4. SHARE EXCHANGE

Psilocybinlabs Ltd. ("PL") was incorporated under the laws of the province of British Columbia on April 25, 2019, with the incorporator share being held by a company controlled by the CEO of the Company. On May 17, 2019, this share was transferred to the Company. On April 25, 2019, PL entered into a confirmatory assignment and waiver (the "CAW") with an individual, which was amended and restated on May 17, 2019. Pursuant to the amended and restated CAW, this individual assigned all of the right, title and interest, including all other intellectual property rights (the Rights, as described) to PL. As compensation for the assignment of the Rights, PL issued 100,000 common shares valued at \$2,000 to this individual. On August 7, 2019, the Company then purchased the 100,000 common shares of PL by issuing 100,000 common shares of the Company valued at \$2,000.

The Company has recorded the reacquisition of PL as an asset acquisition as follows:

Purchase Price Consideration:

	\$
Common shares issued	<u>2,000</u>

Assets acquired:

Intangible assets	<u>2,000</u>
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5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021	September 30, 2020
	\$	\$
Accounts payable	409,238	138,423
Accrued liabilities	-	12,500
Total accounts payable and accrued liabilities	<u>409,238</u>	<u>150,923</u>

Bright Minds Biosciences Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

6. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

On November 10, 2020, the Directors of the Company approved the consolidation of the Company's issued and outstanding common shares on a 2.5:1 basis. All common shares, stock options and warrant references in these financial statements reflect the effect of the share consolidation.

Issued share capital for the six months ended March 31, 2021

On November 2, 2020, the Company closed the second tranche of a non-brokered private placement financing through the issuance of 1,629,138 common shares at a price \$1.25 per common share for gross proceeds of \$2,036,422.

On January 6, 2021, the Company issued 14,799 common shares at a deemed price of \$1.25 per share to settle an \$18,500 debt owing to a consultant pursuant to a debt settlement agreement entered into by the Company with the consultant.

On March 17, 2021, the Company issued 3,419,883 Units at a price per Unit of \$7.57 for aggregate gross proceeds of \$25,888,514. Each Unit comprised one common share and one-half of one common share purchase warrant of the Company. Each warrant is exercisable to acquire one common share of the Company at an exercise price of \$9.46 per warrant until March 17, 2024, subject to adjustment and acceleration in certain events. If the daily volume weighted average trading price of the common shares on the CSE is equal to or greater than \$13.25 per common share for any 10 consecutive trading days, the Company shall have the right to accelerate the expiry date of the warrants to a date that is at least 30 trading days following the date of the Company issuing a press release disclosing such acceleration. The underwriters were paid fees for their services in the amount of \$916,317 and received compensation warrants entitling them to purchase an aggregate of 132,666 common shares at a price of \$7.57 per common share for a period of thirty-six months following closing. These warrants have an ascribed value of \$521,000.

Issued share capital for the year ended September 30, 2020

On September 30, 2020, the Company closed the first tranche of a non-brokered private placement financing through the issuance of 623,941 common shares at a price \$1.25 per common share for gross proceeds of \$779,924.

Special Warrants and Resulting Share Issuance

In October 2020, the Company entered into subscription agreements for special warrants (the "SWs") whereby the subscribers subscribed for a total of 18,300 SWs at \$1.25 per SW, with the SWs providing that each SW is deemed to be exercised, without payment of any additional consideration and without any further action by the SW holders, for one SW share, subject to adjustment in accordance with the provisions of the SW certificate on the SW exercise date.

On November 2, 2020, the Company issued 18,300 SWs for gross proceeds of \$22,875. On January 19, 2021, as a result of a compliance review of the SW offering by the British Columbia Securities Commission, the Company rescinded the issuance of 2,300 SWs and refunded the \$2,875 in proceeds received. On February 3, 2021, the \$20,000 in escrowed proceeds was released to the Company, the SWs were deemed to be exercised for SW shares and 16,000 common shares of the Company were issued to the SW holders.

Share subscriptions received/receivable

During the fiscal year ended September 30, 2020, the Company received \$147,426 in subscriptions for 294,852 common shares relating to the private placement that closed on November 2, 2020.

Bright Minds Biosciences Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

Stock options

The Company's stock option plan provides for stock options to be issued to directors, officers, employees and consultants of the Company, its subsidiaries and any personal holding company of such individuals so that they may participate in the growth and development of the Company. Subject to the specific provisions of the stock option plan, eligibility, vesting period, terms of the options and the number of options granted are to be determined by the Board of Directors at the time of grant. The stock option plan allows the Board of Directors to issue up to 10% of the Company's outstanding common shares as stock options.

Options granted during the three and six months ended March 31, 2021

On November 17, 2020, the Company granted 467,000 options, to the Chief Financial Officer of the Company, two directors of the Company and seven consultants. These options have an exercise price of \$1.25 per share, expire on November 17, 2025 and vest as follows:

- 25,000 options – 100% on the date of grant;
- 14,000 options – 25% on the Company's listing date, 25% on the first anniversary of the listing date and 50% on the second anniversary of the listing date;
- 4,000 options – 50% on the Company's listing date and 50% on the six-month anniversary of the listing date; and
- 424,000 options – 33% on the first anniversary of the grant date, 33% on the second anniversary of the grant date and 33% on the third anniversary of the grant date.

The fair value of these stock options was measured using the Black Scholes option pricing model using the following inputs: i) exercise price: \$1.25; ii) share price: \$1.25; iii) term: 5 years; iv) volatility: 100%; v) discount rate: 0.43%; and dividends: nil.

Options granted during the year ended September 30, 2020

On July 23, 2020, the Company granted 150,000 options to the Company's Chief Medical Officer. The fair value of these stock options was measured using the Black Scholes option pricing model using the following inputs: i) exercise price: \$1.25; ii) share price: \$1.25; iii) term: 5 years; iv) volatility: 100%; v) discount rate: 0.35%; and dividends: nil.

The following table summarizes the movements in the Company's outstanding stock options for the six months ended March 31, 2021 and the year ended September 30, 2020:

	Number of options	Weighted average exercise price
Balance at September 30, 2019	-	-
Granted	150,000	\$ 1.25
Balance at September 30, 2020	150,000	\$ 1.25
Granted	467,000	\$ 1.25
Cancelled*	(20,000)	\$ 1.25
Balance at March 31, 2021	597,000	\$ 1.25

* On January 21, 2021, the Company cancelled 20,000 options granted to a consultant in error on November 17, 2020.

As at March 31, 2021, the options have a weighted average remaining life of 4.56 years (September 30, 2020 – 4.81).

Bright Minds Biosciences Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

The following table summarizes the stock options issued and outstanding:

Options Outstanding and Exercisable			
Expiry Date	Number of options	Exercise price	Remaining life (Years)
July 23, 2025	150,000	\$1.25	4.32
November 17, 2025	447,000	\$1.25	4.64

Restricted share unit plan

The Company's restricted share unit ("RSU") plan provides RSUs to be issued to directors, officers, employees and consultants of the Company, its subsidiaries and any personal holding company of such individuals so that they may participate in the growth and development of the Company. Subject to the specific provisions of the RSU plan, eligibility, vesting period, terms of the RSUs and the number of RSUs granted are to be determined by the Board of Directors at the time of the grant. The RSU plan allows the Board of Directors to issue common shares of the company as equity settled RSUs, provided that, when combined, the maximum number of common shares reserved for issuance under all share-based compensation arrangements of the Company does not exceed 10% of the Company's outstanding common shares.

On July 23, 2020 and September 18, 2020, the Company issued 150,000 RSUs and 230,000 RSUs, respectively, to the Chief Medical Officer of the Company. These RSUs vest on an annual basis over a period of four years commencing on the first anniversary of the grant date.

The following table summarizes the movements in the Company's outstanding RSUs for the six months ended March 31, 2021 and the year ended September 30, 2020:

	Equity settled	Cash settled	Total
Balance at September 30, 2019	-	-	-
Granted	380,000	-	380,000
Vested	-	-	-
Balance at September 30, 2020 and March 31, 2021	380,000	-	380,000

The estimated fair value of the equity settled RSUs granted during the year ended September 30, 2020 was \$475,000 and will be recognized as an expense over the vesting period of the RSUs.

The accounting fair value of the equity settled RSUs as at the grant date was estimated by management using the following inputs:

	Year ended September 30, 2020
Share price on grant date	\$ 1.25
Forfeiture rate	0%

Bright Minds Biosciences Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

Share-based compensation expense recognized in the statements of comprehensive loss is comprised of the following:

	Period ended March 31, 2021	Period ended March 31, 2020
	\$	\$
Stock options	119,085	-
Restricted share units – equity settled grants	124,169	-
Total equity settled share-based compensation expense	243,254	-
Restricted share units – cash settled grants	-	-
Total share-based compensation expense	243,254	-

Warrants

The following table summarizes the movements in the Company's outstanding warrants for the six months ended March 31, 2021 and the year ended September 30, 2020:

	Number of warrants	Weighted average exercise price
Balance at September 30, 2019	-	\$ -
Issued	4,079,600	0.05
Balance at September 30, 2020	4,079,600	0.05
Issued	1,709,938	9.46
Issued - broker	132,666	7.57
Balance at March 31, 2021	5,922,204	\$ 2.94

On November 2, 2020, the Directors of the Company reduced the exercise price of the outstanding warrants from \$0.125 to \$0.05 effective July 11, 2020.

On March 17, 2021, the Company granted 132,666 compensation warrants to underwriters. The fair value of these share purchase warrants of \$521,000 was measured using the Black Scholes option pricing model using the following inputs: i) exercise price: \$7.57; ii) share price: \$6.65; iii) term: 3 years; iv) volatility: 100%; v) discount rate: 0.35%; and dividends: nil. The fair value of these broker warrants was recorded as a reduction against share capital.

As at March 31, 2021, the warrants have a weighted average remaining life of 3.22 (September 30, 2020 – 3.83) years.

The following table summarizes the warrants issued and outstanding:

Expiry date	Warrants Outstanding	
	Number of warrants	Exercise price
July 30, 2024	4,079,600	\$ 0.05
March 17, 2024	1,709,938	\$ 9.57
March 17, 2024	132,666	\$ 7.57

Bright Minds Biosciences Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

Related party transactions were recorded at the exchange value, which is the consideration determined and agreed to by the related parties. The Company's related parties include directors, key management and companies controlled by directors and key management.

Compensation of Key Management Personnel

Key management personnel are those persons that have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly, and by definition include the directors of the Company.

As at March 31, 2021, \$63,579 (September 30, 2020 - \$Nil) was payable to officers of the Company for fees and expenses incurred on behalf of the Company. In addition, \$50,110 (September 30, 2020 - \$Nil) advanced to an officer of the Company was included in prepaids.

The following table summarizes expenses related to key management personnel:

	Period ended March 31, 2021	Period ended March 31, 2020
	\$	\$
Professional fees	39,800	-
Research and development	88,978	-
Share-based compensation	56,298	-
	185,076	-

See Note 8 for related party contractual obligations.

8. CONTRACTUAL OBLIGATIONS

Option agreement

On May 26, 2020, the Company entered into an option agreement (the "OA") with the University of Illinois at Chicago (the "UIC") whereby the Company obtained the right to evaluate certain of the UIC's technology (as defined) for the purpose of making a decision as to whether to exclusively license the rights to the technology. Pursuant to the OA, the Company paid a US\$5,000 (\$6,999) non-refundable option fee and was granted an exclusive option to evaluate the technology and obtain an exclusive license to the patents and patent applications (as listed) and a non-exclusive right to use the technology for non-commercial research purposes. The option expires on the earlier of 90 days or the execution of a license agreement between the Company and the UIC. The company can extend the first option period three additional times for an additional 90 days each with payment of a US\$5,000 option extension fee for each 90-day option period. During the option period and any renewals thereof, the Company must pay all out of pocket expenses incurred by the UIC in connection with the preparation, filing, prosecution and maintenance of the patent applications and patents under the patent rights.

On April 23, 2021, the Company entered into the License Agreement with the UIC pursuant to the exercise of its OA. Pursuant to the terms and conditions of the License Agreement, the UIC granted the Company to exclusive licenses for payment of: A signing fee of USD\$100,000, less USD\$15,000 paid by the Company pursuant to the Option Agreement; and (ii) 63,000 commons shares at a deemed price of \$5.85 per Common Share to the UIC on April 28, 2021.

See Note 10.

Bright Minds Biosciences Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

8. CONTRACTUAL OBLIGATIONS (continued)

Related Party Contracts

On June 5, 2020, the Company entered into an independent consultant agreement (the “ICA”) whereby the consultant, a private corporation incorporated in the State of California, USA, was engaged and the consultant’s representative will serve as the Company’s Chief Medical Officer, with the services being provided in California. As compensation for performing these services, the consultant or the consultant’s representative will participate in the Company’s equity incentive plans and will be eligible for cash payments in respect of fees at such time as the Company begins to compensate other C-level personnel in cash and in similar proportion to total compensation (the “fees”). The non-cash portion of the consultant’s fees for the first year of the term was in the form of a grant of 150,000 vested stock options and 150,000 RSUs (see Note 6). The services will continue for an initial term of one year unless sooner terminated. The ICA can be terminated by either party giving the other 30 days written notice or by mutual written agreement. At the end of the initial term, the ICA will automatically be extended for additional one-year period(s) unless either party gives the other 30 days written notice. As at March 31, 2021, the Board of Directors authorized a monthly fee of \$15,000 USD.

On October 29, 2020, the Company entered into an independent contractor agreement (the “ICA”) whereby the contractor was engaged to serve as the Company’s Chief Science Officer on an as-needed basis. The contractor will be compensated for these services as determined by the Board of Directors of the Company. The services will continue for an initial term of one year unless sooner terminated. The ICA can be terminated by the Company providing five working days written notice, the contractor providing three months’ written notice or by mutual written agreement. At the end of the initial term, the ICA will automatically be extended for additional one-year period(s) unless the Company provides the contractor with 30 days written notice. As at March 31, 2021, the Board of Directors authorized a monthly fee of \$15,000 USD.

Scientific advisory board agreements

On June 1, 2020, July 14, 2020 and April 12, 2021, the Company entered into scientific advisory board agreements (the “SABAs”) whereby the advisors were retained to serve as members of the Company’s scientific advisory board and as consultants to the Company and senior management in the areas of scientific, technical and business advice. As compensation for performing these services, the Company will pay the advisors hourly rates of \$150 and \$160 per hour. The Company also granted 130,000 share purchase options to the advisors as part of the Company’s November 17, 2020 and April 28, 2021 grant of options of which 20,000 options were cancelled on January 21, 2021 (Note 6 and 10). The advisors have the same hour requirements and restrictions as noted below. The services will continue for initial terms of one year unless sooner terminated. At the end of the initial terms, the SABAs will automatically be extended for an additional one-year period(s) unless either party gives the other 30 days written notice.

Consulting agreements

The Company has entered into numerous consulting agreements (the “CAs”) whereby the consultants were retained to serve as advisors to the Company and senior management in the areas of public relations and content creation and scientific, technical and business advice. As compensation for performing these services, the Company will pay the advisors hourly rates of \$150, \$300, \$400 and \$600. The Company also granted 302,000 share purchase options to six advisors as part of the Company’s November 17, 2020 and April 28, 2021 grant of options (Note 6 and 10). The advisors being paid \$400 and \$600 per hour will reserve at least six full days of services to the Company and such additional days as requested by the Company each annual period, but not to exceed 36 full days of service per year unless otherwise agreed and up to a maximum of 288 hours total per year, unless otherwise agreed. The services will continue for initial terms of one year unless sooner terminated. At the end of the initial terms, the CAs will automatically be extended for an additional one-year period(s) unless either party gives the other 30 days written notice.

On October 9, 2020, the Company entered into a consulting agreement whereby the consultant was retained to serve as an advisor to the Company in the areas of scientific, technical and business advice. As compensation for performing these services, the Company will pay the advisor an hourly rate of US\$130. The Company granted 90,000 stock options to the consultant on November 17, 2020 (Note 6).

Bright Minds Biosciences Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the periods ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

8. CONTRACTUAL OBLIGATIONS (continued)

On November 6, 2020, the Company entered into a sponsored research agreement (the “SRA”) with the University of Texas Medical Branch (the “UTMB”) whereby the UTMB conducted a research program on behalf of the Company. Pursuant to the SRA, the agreement is effective as of October 15, 2020 and the research program was carried out through to its conclusion on February 15, 2021. As consideration for UTMB’s performance, the Company paid US\$66,764 which was recorded in research and development costs.

On November 17, 2020, the Company entered into an ICA whereby the contractor was engaged to serve as the Company’s Vice President (Discovery). The contractor will be compensated for these services as determined by the Board of Directors of the Company. The services will continue for an initial term of one year unless sooner terminated. The ICA can be terminated by the Company providing five working days written notice, the contractor providing three months’ written notice or by mutual written agreement. At the end of the initial term, the ICA will automatically be extended for additional one-year period(s) unless the Company provides the contractor with 30 days written notice. As at March 31, 2021, the Board of Directors approved a fee of \$15,000 USD per month billed on a month-to-month basis.

9. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The following table summarizes the carrying value of financial assets and liabilities:

	March 31, 2021	September 30, 2020
FVTPL	\$	\$
Cash	25,450,001	799,929
Amortized cost		
Accounts payable and accrued liabilities	409,238	150,923

Fair value measurement

Financial assets and liabilities that are recognized on the statement of financial position at fair value can be classified in a hierarchy that is based on the significance of the inputs used in making the measurements.

The levels in the hierarchy are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company’s cash is classified as Level 1, whereas accounts payable and accrued liabilities are classified as Level 2. As at March 31, 2021, the Company believes that the carrying values of cash and accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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9. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash balance. At March 31, 2021, the Company had cash of \$25,450,001. Of this amount, \$11,494 was held in one trust account and the remainder was deposited in a bank account held with a major bank in Canada. Because of the balance on deposit with one bank, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The maximum exposure to credit risk is the carrying amount of the Company's financial instruments. The credit risk is assessed as low.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. At March 31, 2021, the company had the following foreign currency balances – cash (US\$ 122,369) and accounts payable (US\$ 237,865 and EURO 3,764) and prepaid (US\$ 80,900). The Company is not exposed to significant foreign exchange risk.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company's main source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. At March 31, 2021, the company had cash of \$25,450,001 to cover current liabilities of \$409,238.

Capital Management

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital. In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change during the period ended March 31, 2021.

10. SUBSEQUENT EVENTS

Events not disclosed elsewhere in these financial statements are as follows:

On April 23, 2021, 1,948,000 share purchase warrants were exercised for \$0.05 per share for gross proceeds of \$97,400. As at March 31, 2021, the Company received \$10,000 of the gross proceeds in advance of the exercise.

On April 23, 2021, the Company entered into the License Agreement with the UIC pursuant to the exercise of its OA. Pursuant to the terms and conditions of the License Agreement, the UIC granted the Company to exclusive licenses for payment of: A signing fee of USD\$100,000, less USD\$15,000 paid by the Company pursuant to the Option Agreement; and (ii) 63,000 commons shares at a deemed price of \$5.85 per Common Share to the UIC on April 28, 2021.

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10. SUBSEQUENT EVENTS (continued)

On April 23, 2021, the Company entered into an exclusive license agreement with equity (the “LA”) with the Board of Trustees of the UIC (the “University”) whereby the University granted to the Company, in all fields of use and worldwide, an exclusive, non-transferable license with the right to sublicense under the University’s rights in and to the Patent Rights (as defined) and a non-exclusive, non-transferable license with the right to sublicense under the University’s rights in and to the Technical Information (as defined) to make, have made, construct, have constructed, use, import, sell, and offer for sale royalty-bearing Product (as defined). As consideration for the grant of license, the Company will pay the following amounts (in USD\$) to the University:

- *Signing Fee* – a signing fee of \$100,000 less \$15,000 in option fees was paid and 63,000 common shares of the Company were issued to the University;
- *Net Sales* – royalties on Net Sales (as defined) ranging from 3% (under \$1 billion) to 4.5% (over \$2 billion), with such royalty payments being credited toward the annual minimum for the license year in which the royalty payment accrues;
- *Sublicensee Revenues* – royalties (as for net sales above) on Sublicensee Revenue (as defined), with such royalty payments being credited toward the annual minimum for the license year in which the royalty payment accrues and 12% on all non-royalty revenue until the Company has raised \$7.5 million and then 10% thereafter;
- *Annual Minimums* – if the total royalties paid to the University for any license year are less than the following annual minimums, the Company must pay the University the amount equal to the shortfall:
 - Years 1 and 2 – \$nil;
 - Year 3 – \$5,000;
 - Year 4 – \$15,000;
 - Year 5 – \$35,000;
 - Year 6 and thereafter – \$50,000; and
 - After first commercial sale – \$250,000 or net sales royalty, whichever is higher.

- *Milestone Payments* – milestone payments after the occurrence of the following milestone events:

Prior to any sublicensing agreements, joint ventures or change of control:

- \$10,000 upon dosing the first patient in a Phase I trial;
- \$50,000 upon dosing the first patient in the first Phase II trial;
- \$250,000 upon dosing the first patient in a Phase III trial in the first clinical indication; and
- \$2 million upon the first commercial sale of each clinical indication.

After any sublicensing agreements, joint ventures or change of control:

- As above;
- \$250,000 upon dosing the first patient in each Phase II trial;
- \$500,000 upon dosing the first patient in each Phase III trial; and
- \$2 million upon the first commercial sale of each clinical indication.

Unless otherwise agreed to in writing by the University, the Company will reimburse the University for all documented costs and expenses in connection with the Patent Rights, including the preparation, filing, prosecution, maintenance and defense thereof. From time to time, the anticipated costs and expenses may be significant and, upon request, the Company will pay the estimated costs and expenses in advance of such costs and expenses being incurred by the University.

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10. SUBSEQUENT EVENTS (continued)

The term of the LA ends on the later of the last to expire of the Patent Rights, expiration of regulatory exclusivity for Product or when the Company provides notice that use of Technical Information has ceased. The University has the right to terminate the LA if the Company fails to make any required payments or is in breach of any provision of the LA. The Company may terminate the LA at any time upon providing at least 90 days written notice to the University.

See Note 8.

On April 28, 2021, the Company granted 240,000 options, to three consultants of the Company. These options have an exercise price of \$7.60 per share, and expire on April 28, 2026 and vest as follows:

- 160,000 options – 25% on the first anniversary of the grant date, 25% on the second anniversary of the grant date, 25% on the third anniversary of the grant date and 25% on the fourth anniversary of the grant date;
- 80,000 options – 25% on the on the six-month anniversary of the grant date, 25% on the first anniversary of the grant date, 25% on the eighteen-month anniversary of the grant date and 25% on the second anniversary of the grant date.