FORM 5

<u>QUARTERLY LISTING STATEMENT</u>

Name of Listed Issuer: **<u>NeonMind Biosciences Inc.</u>** (the “Issuer”)

Trading Symbol: **<u>NEON</u>**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

All related party transactions have been disclosed in the Issuer's financial statements for the interim period ended May 31, 2021.

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.

(b) A description of the transaction(s), including those for which no amount has been recorded.

(c) The recorded amount of the transactions classified by financial statement category.

(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.

(e) Contractual obligations with Related Persons, separate from other contractual obligations.

(f) Contingencies involving Related Persons, separate from other contingencies.

2. Summary of securities issued and options granted during the period.

All securities issued and options granted have been disclosed in the notes to the Issuer's financial statements for the interim period ended May 31, 2021.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and Relationship	Generic Description of Other Optionees	Exercise Price	Expiry Date	Market Price on Date of Grant

3. Summary of securities as at the end of the reporting period.

A summary of securities has been provided in the Issuer's financial statements for the interim period ended May 31, 2021.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. **List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

Name of Director	Position(s) Held
Penny White	Director and Executive Chairman
Kari Richardson	Director
Jeff Smith	Director
Rob Tessarolo	CEO and President
Yucai (Rick) Huang	CFO
Trevor Millar	Chief Psychedelic Officer
Ernie Ho	VP, Corporate Development
Amber Allen	VP, Sales
Heather Williamson	Corporate Secretary

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CSE Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated July 29, 2021

Rob Tessarolo
Name of Director or Senior Officer

"Rob Tessarolo"
Signature

Chief Executive Officer and President
Official Capacity

Issuer Details

Name of Issuer	For Quarter Ended	Date of Report (YY/MM/DD)
NeonMind Biosciences Inc.	**May 31, 2021**	**21/07/29**
Issuer Address **Suite 200, 1238 Homer Street**		
City/Province/Postal Code **Vancouver, BC V6B 2Y5**	Issuer Fax No. **None**	Issuer Telephone No. **1-866-318-6874**
Contact Name **Rob Tessarolo**	Contact Position **CEO and President**	Contact Telephone No. **416.919.9483**
Contact Email Address **rob@neonmind.com**	Web Site Address **www.neonmind.com**	

Schedule “A”

Financial Statements

[inserted as following pages]

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BIOSCIENCES INC.

Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

For the Three and Six Months Ended May 31, 2021 and 2020

(Unaudited)

NEONMIND BIOSCIENCES INC.

Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)

		May 31, 2021 (unaudited)		November 30, 2020
ASSETS				
Current assets				
Cash	$	1,782,219	$	1,170
Marketable securities (Note 3)		125,000		-
Short-term investments (Note 4)		57,500		-
Accounts receivable (Note 5)		94,505		19,539
Inventory		51,906		17,155
Prepaid expenses and deposits (Note 6)		216,962		57,500
Total current assets		2,328,092		95,364
Non-current assets				
Investment in associate (Note 7)		-		86,185
Property and equipment		3,259		-
Intangible assets (Note 8)		26,325		28,350
Total non-current assets		29,584		114,535
Total assets	$	2,357,676	$	209,899
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 9)	$	299,600	$	179,862
Deferred revenue		-		220
Due to related parties (Note 9)		12,532		115,985
Promissory note (Note 9)		691,245		-
Total current liabilities		1,003,377		296,067
Non-current liabilities				
Promissory note (Note 9)		-		691,245
Total liabilities		1,033,377		987,312
SHAREHOLDERS' EQUITY (DEFICIT)				
Share capital (Note 10)		7,186,187		1,779,158
Equity reserves (Notes 11, 12 and 13)		5,173,464		3,324,813
Accumulated deficit		(11,005,352)		(5,881,384)
Total shareholders' equity (deficit)		1,354,299		(777,413)
Total liabilities and shareholders' equity (deficit)	$	2,357,676	$	209,899

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 July 29, 2021:

/s/ "Penny White" — Director

/s/ "Kari Richardson" — Director

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

NEONMIND BIOSCIENCES INC.

Condensed Interim Statement of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended		Six months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Sales	$ 4,534	$ -	$ 12,649	$ -
Cost of sales	1,548	-	3,579	-
Gross Profit	2,986	-	9,070	-
EXPENSES				
Amortization and depreciation (Note 8)	1,120	25,205	2,147	29,863
Consulting fees (Note 9)	59,124	140,626	98,540	177,376
Information systems	-	-	1,480	1,575
Investor relations (Note 9)	127,268	-	223,101	-
Listing expenses	5,685	-	12,285	-
Office and administrative (Note 9)	121,057	10,378	233,947	10,446
Marketing, publicity and digital media (Note 9)	836,216	78,461	1,639,657	95,938
Research and development – consumer products (Note 9)	36,002	10,488	84,528	74,964
Research and development - medical	171,758	2,000	439,037	2,000
Professional fees (Note 9)	134,672	16,600	362,154	21,450
Share-based compensation (Notes 9, 12 and 13)	1,056,227	201,647	1,816,151	389,506
Wages (Note 9)	182,374	-	261,972	-
Total expenses	2,731,503	485,405	5,174,999	803,118
LOSS BEFORE OTHER ITEMS	(2,728,517)	(485,405)	(5,165,929)	(803,118)
OTHER ITEMS				
Foreign exchange gain	3,146	-	3,146	-
Loss on investment in associate (Note 7)	(11,569)	(9,152)	(54,212)	(9,152)
Gain on reclassification of investment (Note 7)	93,027	-	93,027	-
Total other items	84,604	(9,152)	41,961	(9,152)
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (2,643,913)	$ (494,557)	$ (5,123,968)	$ (812,270)
LOSS PER SHARE, BASIC AND FULLY DILUTED	$ (0.02)	$ (0.00)	$ (0.06)	$ (0.01)
Weighted average shares outstanding	120,540,654	141,786,000	88,482,750	137,928,000

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

NEONMIND BIOSCIENCES INC.

Condensed Interim Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital				
	Number of shares	Amount	Equity reserves	Deficit	Total shareholders' equity (deficit)
BALANCE, NOVEMBER 30, 2019	122,151,000	$ 237,105	$ –	$ (1,365,240)	$ (1,128,135)
Units issued for cash	14,577,000	803,865	–	–	803,865
Share issuance costs	–	(108,360)	42,424	–	(65,936)
Shares issued on exercise of stock options	5,180,000	353,306	(244,306)	–	109,000
Shares issued for intangible assets	6,250,000	500,000	–	–	500,000
Units issued for purchase of investments	15,000,000	750,000	–	–	750,000
Units issued for services	210,000	10,500	–	–	10,500
Restricted share units issued for services	–	–	28,985	–	28,985
Share cancellations	(59,000,000)	(818,565)	1,874,869	(1,056,304)	–
Fair value of stock options granted	–	–	356,805	–	356,805
Fair value of restricted share units granted	–	–	32,701	–	32,701
Net loss for the period	–	–	–	(812,270)	(812,270)
BALANCE, MAY 31, 2020	104,368,000	$1,727,851	$2,091,478	$(3,233,814)	$585,515
BALANCE, NOVEMBER 30, 2020	66,430,500	$ 1,779,158	$ 3,324,813	$ (5,881,384)	$ (777,413)
Units issued for cash	46,000,000	4,600,000	-	-	4,600,000
Share issuance costs	-	(939,830)	365,260	-	(574,570)
Shares issued on exercise of stock options	610,000	98,635	(37,635)	-	61,000
Shares issued on exercise of warrants	6,484,300	1,202,645	-	-	1,202,645
Units issued on exercise of Agent's Options	1,538,800	268,241	(117,787)	-	150,454
Restricted share units vested	2,064,383	177,338	(177,338)	-	-
Fair value of stock options granted	-	-	1,599,520	-	1,599,520
Fair value of restricted share units granted	-	-	216,631	-	216,631
Net loss for the period	-	-	-	(5,123,968)	(5,123,968)
BALANCE, MAY 31, 2021	123,127,983	$ 7,186,187	$ 5,173,464	$ (11,005,352)	$ 1,354,299

(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)

	Six months ended May 31, 2021	Six months ended May 31, 2020
OPERATING ACTIVITIES		
Net loss for the period	$ (5,123,968)	$ (812,270)
Items not involving cash:		
Amortization and depreciation	2,147	29,863
Share-based compensation	1,816,151	389,506
Shares issued for services	–	10,500
Restricted share units issued for services	–	28,985
Exercise of stock options for bonus	–	100,000
Loss on investment in associate	54,212	9,152
Gain on reclassification of investment	(93,027)	–
Changes in non-cash operating working capital:		
Accounts receivable	(74,966)	–
Inventory	(34,751)	–
Prepaid expenses and deposits	(159,462)	(70,000)
Accounts payable and accrued liabilities	119,738	80,614
Deferred revenue	(220)	–
Due to related parties	(103,453)	(498,939)
Net cash used in operating activities	(3,597,599)	(732,589)
INVESTING ACTIVITIES		
Purchase of equipment	(3,381)	–
Purchase of GIC	(57,500)	–
Net cash used in investing activities	(60,881)	–
FINANCING ACTIVITIES		
Proceeds from issuance of units	4,600,000	803,865
Share issuance costs	(574,570)	(65,936)
Proceeds from exercise of stock options	61,000	9,000
Proceeds from exercise of warrants	1,202,645	–
Proceeds from exercise of Agent's Options	150,454	–
Net cash provided by financing activities	5,439,529	746,929
CHANGE IN CASH	1,781,049	14,340
Cash, beginning of period	1,170	107,689
CASH, END OF PERIOD	$ 1,782,219	$ 122,029
Non-cash investing and financing activities:		
Shares issued for purchase of intangible assets	$ -	$ 500,000
Shares received from licensing agreement	-	(415,000)
Units issued for investment	-	750,000
Transfer of contributed surplus on exercise of options	37,635	244,306
Transfer of contributed surplus on exercise of warrants	117,787	–
Fair value of Agent's Options issued as finder's fees	365,260	–
Fair value of brokers' warrants issued as finder's fees	-	42,424
Fair value of warrants issued in exchange for return of shares	–	1,819,373
Shares cancelled in exchange for removal of share sale restrictions	–	55,496
Value of restricted share units converted	177,338	–

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

1. Nature of Operations and Continuance of Business

NeonMind Biosciences Inc. (formerly Flourish Mushroom Labs Inc.) ("NeonMind" or the "Company") was incorporated under the laws of the province of British Columbia, on September 18, 2019. On April 9, 2020, the Company changed its name to NeonMind Biosciences Inc. The Company is engaged in drug development research into potential therapeutic uses of psychedelic compounds, and develops ready-to-consume packaged food products mixed with mushroom varietals. 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 a net loss of $5,123,968 and used $3,597,599 of cash for operating activities during the six months ended May 31, 2021. As of May 31, 2021, the Company had a working capital of $1,324,715 and an accumulated deficit of $11,005,352. The continued operations of the Company are dependent on future profitable operations, management's ability to manage costs, and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These 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 recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company's supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Company's suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. As a result of the pandemic, the Company experienced delays in its planned product launches. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company and is working on alternative measures and resources to minimize such impact. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time our business, liquidity, capital resources and financial results.

2. Significant Accounting Policies

Statement of Compliance

These 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, 2020, 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 condensed interim 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 condensed interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include the collectability of accounts receivable, net realizable value of inventory, useful life and carrying value of property, plant and equipment and intangible assets, carrying value of investment in associate, fair value of share-based compensation, and measurement of unrecognized deferred income tax assets.

Judgments made by management in the application of IFRS that have a significant effect on the condensed interim financial statements include the factors that are used in determining whether the Company has significant influence over another entity, and the application of the going concern assumption which requires management to consider all available information about the future, which is at least but not limited to 12 months from the end of the reporting period.

The Company had previously determined that it has significant influence in Komo Plant Based Comfort Foods Inc. ("Komo Foods") despite holding less than 20% of the voting rights in Komo Foods due to the company sharing a common CFO, and the fact that the Company and Komo Foods entered into a license agreement that was a key component of Komo Food's business in prior periods. As a result, Komo Foods was considered an associate of the Company, and the investment in Komo Foods was accounted for using the equity method. The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for the Company's proportionate share of the profit or loss, other comprehensive income or loss and any other changes in the associate's net assets, such as further investments or dividends. During the six months ended May 31, 2021, Komo Foods entered into a merger agreement and management determined that significant influence in Komo Foods no longer existed (Note 3 and 5) and the Company reclassified its investment to fair value through profit and loss under IFRS 9.

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no material effect on the statement of financial position or the reported results of operations.

Future Accounting Pronouncements

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are not mandatory for the current period and have not been early adopted. Management has assessed that there are no future accounting pronouncements that are expected to have a material impact on the Company in the current or future reporting periods.

3. Marketable securities

Below is a summary of the Company's marketable securities as of May 31, 2021:

	Nov. 30, 2020 fair value	Additions	Unrealized gain (loss)	May 31, 2021 fair value
Current Assets:				
Komo YUM-Shares	$ –	$ 125,000	$ –	$ 125,000
Total	$ –	$ 125,000	$ –	$ 125,000

Marketable Securities

Komo Plant Based Foods Inc. (formerly Fasttask Technologies Inc.) ("Komo YUM")

On May 31, 2021, Komo Foods entered into a merger agreement with Komo YUM whereby Komo Foods became a wholly owned subsidiary of Komo YUM and all Komo Foods shares were exchanged 1-to-1 for Komo YUM shares. The transaction was deemed as a reverse acquisition under IFRS 3 *Business Combinations*.

The Company's investment in Komo Foods was previously accounted for as an Investment in Associate (Note 5). As a result of the merger, the Company's holdings of 1,250,000 shares of Komo Foods were exchanged for 1,250,000 shares of Komo YUM. Management performed an analysis to determine whether significant influence over Komo YUM remained after the merger. Management concluded that the Company no longer has significant influence over Komo YUM as its ownership decreased to 1.5% of the outstanding shares at May 31, 2021. In addition to the decreased ownership, the Company does not have any representation on the board of directors, having no common directors between the Company and Komo YUM.

As at May 31, 2021, the Company holds 1,250,000 shares (May 31, 2020 – 1,250,000) of Komo YUM.

4. Short-term investments

During the period ended May 31, 2021, the Company invested in a variable rate GIC in the principal amount of $57,500 as security for the credit card with the Company's banking institution.

(Expressed in Canadian Dollars)

5. Accounts receivable

	May 31, 2021	November 30, 2020
Trade accounts receivable	$ 2,674	$ 2,228
Other receivables	91,831	17,311
Total accounts receivable	$ 94,505	$ 19,539

6. Prepaid Expenses and Deposits

	May 31, 2021	November 30, 2020
Deposit	$ 68,646	$ 5,000
Prepaid services	148,316	52,500
	$ 216,962	$ 57,500

Prepaid services consisted of advance payments for future capital conferences that were put on hold due to the impact of the COVID-19 pandemic, media consulting services, and insurance policies.

7. Investment in Associate

Komo Foods is a plant-based food company engaged in the development, production, marketing, and distribution of a variety of plant-based frozen meals. On December 1, 2020, Komo Foods entered into a 1-for-4 reverse stock split of its issued and outstanding common shares. All common share amounts have been retroactively restated for the reverse stock split.

On February 21, 2020, the Company entered into a license agreement with Komo Foods, whereby the Company granted Komo Foods a non-exclusive license to the Company's mushroom extraction technology for use in the United States. Pursuant to the license agreement, the Company received 1,250,000 common shares of Komo Foods, with a fair value of $415,000, representing a 4.05% ownership interest in Komo Foods at the time of the transaction.

On May 31, 2021, Komo Foods entered into a merger agreement with Komo YUM. Prior to the merger, the Company had determined that it had significant influence in Komo Foods as it shared a common CFO, and there had been significant transactions including the licensing agreement entered into with Komo Foods. As a result of having significant influence in Komo Foods, the Company's investment in Komo Foods was accounted for as an investment in an associate using the equity method. The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for the Company's proportionate share of the profit or loss, other comprehensive income or loss and any other changes in the associate's net assets, such as further investments or dividends.

Subsequent to the merger, the Company's shares of Komo Foods were exchanged 1-to-1 for Komo YUM shares and it was determined that the Company no longer has significant influence over Komo YUM. As a result, the Company began accounting for the investment in Komo Foods at fair value through profit or loss (Note 3).

During the six months ended May 31, 2021, the Company recorded its proportionate loss from Komo Foods of $54,212 (May 31, 2020 - $9,152). The carrying value of the Company's investment in Komo Foods as at May 31, 2021 was $31,973 prior to being reclassified as an investment recorded at fair value through profit and loss (Note 3) (November 30, 2020 – $86,185). The difference between the carrying value of $31,973 and the fair value of $125,000 was recorded as a gain on reclassification of investment of $93,027 on the condensed interim statement of operations and comprehensive loss.

(Expressed in Canadian Dollars)

7. Investment in Associate (continued)

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

	Six months ended May 31, 2021	Six months ended May 31, 2020
Komo Foods net income (loss)	$ (1,955,755)	$ (228,549)
% ownership	2.66%	4.00%
Portion of net income (loss) from investment in associate	$ (54,212)	$ (9,152)

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

	Investment in associate
Carrying value of investment, November 30, 2020	$ 86,185
Loss from investment in associate	(54,212)
Carrying value of investment, May 31, 2021	$ 31,973

The following table summarizes the financial information of Komo Foods as at May 31 prior to the merger, and for the period then ended:

	May 31, 2021	November 30, 2020
Cash	$ 384,995	$ 21,157
Current assets	474,505	143,234
Total assets	477,734	143,234
Current and total liabilities	18,790	805,908

	Three months ended		Six months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Net loss and comprehensive loss for the period	$(434,796)	$(222,515)	$ (1,955,755)	$ (485,537)

8. Intangible Assets

On September 20, 2019, the Company entered into a definitive agreement to acquire recipes, trade secrets, research, and data related to 10 formulations designed to include wild edible mushrooms as key ingredients ("The Product Formulations"). Pursuant to the agreement, the Company's former parent company, Better Plant Sciences Inc. ("Better Plant"), issued 120,000 common shares with a fair value of $32,400. On October 3, 2019, the Company issued 30,000,000 common shares to repay Better Plant. The Product Formulations are amortized over an estimated useful life of eight years. The Company will periodically evaluate these assets to assess whether their value has become impaired over time.

(Expressed in Canadian Dollars)

8. Intangible Assets (continued)

		Product Formulations
Cost:		
Balance, November 30, 2020	$	32,400
Additions		–
Balance, May 31, 2021		32,400
Accumulated depreciation:		
Balance, November 30, 2020		4,050
Additions		2,025
Balance, May 31, 2021	$	6,075
Carrying amounts:		
As at November 30, 2020	$	28,350
As at May 31, 2021	$	26,325

9. Related Party Transactions

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

	Three months ended		Six months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Consulting fees	$ 59,124	$ 31,500	$ 98,540	$ 63,000
Share-based compensation	980,264	192,200	1,596,755	334,734
Wages expense	174,359	–	248,376	–
	$ 1,213,747	$ 223,700	$ 1,943,671	$ 397,734

As at May 31, 2021, the Company owed $749,945 (November 30, 2020 - $832,675) to its former parent company, Better Plant, which included a promissory note balance of $691,245 (November 30, 2020 - $691,245) for previously advanced payment, bearing interest at 5% compounded annually, and due and payable by October 30, 2021. On February 28, 2020, the Company entered into an amended agreement on the promissory note from due on demand to due on October 31, 2021. The amendment was treated as an extinguishment of debt in accordance with IFRS 9, *Financial* Instruments, which resulted in a gain on extinguishment of debt of $106,873 with a corresponding discount to the carrying value of the promissory note. On November 30, 2020, the Company amended the due date on the promissory note from October 31, 2021 to February 28, 2022. As the modification resulted in a change in the carrying amount of less than 10%, the amendment was treated as a contract modification under IFRS 9 and resulted in additional accretion expense of $59,748 during the year ended November 30, 2020.

Amounts owing also included interest payable balance of $43,614 (November 30, 2020 - $25,945) relating to the promissory note which is included in accounts payable and accrued liabilities. The remaining balance of $12,532 (November 30, 2020 - $115,485) is unsecured, non-interest bearing, and due on demand.

9. Related Party Transactions (continued)

During the six months ended May 31, 2021, the Company incurred marketing expenses of $41,985 (May 31, 2020 - $nil), investor relations expenses of $36,295 (May 31, 2020 - $nil), professional fees of $32,169 (May 31, 2020 - $nil), office & administrative expenses of $33,363 (May 31, 2020 - $nil), and consumer product research and development expenses of $42,067 (May 31, 2020 - $73,486) from Better Plant. Pursuant to an operating agreement dated August 30, 2020, Better Plant provided such services to the Company.

10. Share Capital

Authorized: unlimited number of common shares without par value.

During the six months ended May 31, 2021, the Company completed the following transactions:

(a) On December 30, 2020, the Company completed its IPO of 46,000,000 units at $0.10 per unit for proceeds of $4,600,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.20 per share until December 30, 2021. In connection with the IPO, the Company paid broker fees of $45,000, commission fees of $460,000, due diligence fees of $69,570, and issued 4,600,000 agents' options (the "Agents' Options") with a fair value of $365,260, entitling the holder to purchase a unit of the Company (the "Agent's Option Unit") at $0.10 per Agent's Option Unit until December 30, 2022. Each Agent's Option Unit consists of one common share of the Company (each, an "Agent's Option Share") and one share purchase warrant (each, an "Agent's Option Warrant"). Each Agent's Option Warrant further entitles the holder to purchase one additional common share of the Company for a period of 24 months from the IPO closing date on December 30, 2020. The estimated fair value associated with the Agent's Options granted was determined using the Black-Scholes Pricing model with the following assumptions: stock price at grant date of $0.10; an annualized volatility of 179%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0% and a risk free rate of 0.20%.

(b) On January 4, 2021, the Company issued 400,000 common shares for proceeds of $40,000 pursuant to the exercise of stock options. The fair value of the stock options of $27,172 was transferred from equity reserves to share capital upon exercise. In addition to the stock options exercised, the Company issued 1,137,500 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $91,000 was transferred from equity reserves to share capital upon conversion.

(c) On January 6, 2021, the Company issued 100,000 common shares for proceeds of $10,000 pursuant to the exercise of stock options. The fair value of the stock options of $4,217 was transferred from equity reserves to share capital upon exercise.

(d) On January 8, 2021, the Company issued 50,000 common shares for proceeds of $5,000 pursuant to the exercise of stock options. The fair value of the stock options of $3,458 was transferred from equity reserves to share capital upon exercise.

(e) On January 14, 2021, the Company issued 200,000 Agent's Option Shares and 200,000 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of $20,000. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at $0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of $15,881 was transferred from equity reserves to share capital upon exercise.

(f) On January 22, 2021, the Company issued 200,000 Agent's Option Shares and 200,000 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of $20,000. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at $0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of $15,881 was transferred from equity reserves to share capital upon exercise.

10. Share Capital (continued)

(g) On January 25, 2021, the Company issued 1,600,000 common shares for proceeds of $320,000 pursuant to the exercise of warrants.

(h) On February 2, 2021, the Company issued 75,000 common shares for proceeds of $15,000 pursuant to the exercise of warrants.

(i) On February 5, 2021, the Company issued 50,000 common shares for proceeds of $5,000 pursuant to the exercise of stock options. The fair value of the stock options of $2,109 was transferred from equity reserves to share capital upon exercise.

(j) On February 12, 2021, the Company issued 10,000 common shares for proceeds of $1,000 pursuant to the exercise of stock options. The fair value of the stock options of $679 was transferred from equity reserves to share capital upon exercise.

(k) On February 16, 2021, the Company issued 50,000 common shares for proceeds of $10,000 pursuant to the exercise of warrants.

(l) On February 18, 2021, the Company issued 227,000 Agent's Option Shares and 227,000 Agent's Option Warrants pursuant to the exercise of Agent's' Options for proceeds of $22,700. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at $0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of $18,025 was transferred from equity reserves to share capital upon exercise.

(m) On February 19, 2021, the Company issued 100,000 common shares for proceeds of $20,000 pursuant to the exercise of warrants.

(n) On February 22, 2021, the Company issued 1,713,000 common shares for proceeds of $281,950 pursuant to the exercise of warrants.

(o) On February 23, 2021, the Company issued 275,000 common shares for proceeds of $55,000 pursuant to the exercise of warrants.

(p) On February 23, 2021, the Company issued 190,500 Agent's Option Shares and 190,500 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of $19,050. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at $0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of $15,127 was transferred from equity reserves to share capital upon exercise.

(q) On February 24, 2021, the Company issued 109,383 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $8,751 was transferred from equity reserves to share capital upon conversion. Additionally, the Company issued 425,000 common shares for proceeds of $85,000 pursuant to the exercise of warrants.

(r) On February 25, 2021, the Company issued 250,000 common shares for proceeds of $50,000 pursuant to the exercise of warrants.

(s) On February 26, 2021, the Company issued 115,000 common shares for proceeds of $23,000 pursuant to the exercise of warrants.

10. Share Capital (continued)

(t) On February 28, 2021, the Company issued 375,000 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $30,000 was transferred from equity reserves to share capital upon conversion.

(u) On March 2, 2021, the Company issued 50,000 common shares for proceeds of $10,000 pursuant to the exercise of warrants.

(v) On March 4, 2021, the Company issued 100,000 common shares for proceeds of $20,000 pursuant to the exercise of warrants.

(w) On March 8, 2021, the Company issued 20,000 common shares for proceeds of $4,00 pursuant to the exercise of warrants.

(x) On March 12, 2021, the Company issued 915,000 common shares for proceeds of $183,00 pursuant to the exercise of warrants.

(y) On March 12, 2021, the Company issued 175,000 Agent's Option Shares and 175,000 Agent's Option Warrants pursuant to the exercise of Agent's' Options for proceeds of $17,500. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at $0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of $13,896 was transferred from equity reserves to share capital upon exercise.

(z) On March 17, 2021, the Company issued 100,000 common shares for proceeds of $20,000 pursuant to the exercise of warrants.

(aa) On March 23, 2021, the Company issued 175,000 Agent's Option Shares and 175,000 Agent's Option Warrants pursuant to the exercise of Agent's' Options for proceeds of $17,500. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at $0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of $13,896 was transferred from equity reserves to share capital upon exercise.

(bb) On April 16, 2021, the Company issued 25,000 common shares for proceeds of $5,000 pursuant to the exercise of warrants.

(cc) On April 20, 2021, the Company issued 200,000 Agent's Option Shares and 200,000 Agent's Option Warrants pursuant to the exercise of Agent's' Options for proceeds of $20,000. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at $0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of $15,881 was transferred from equity reserves to share capital upon exercise.

(dd) On April 22, 2021, the Company issued 250,000 common shares for proceeds of $37,500 pursuant to the exercise of warrants.

(ee) On May 3, 2021, the Company issued 375,000 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $30,000 was transferred from equity reserves to share capital upon conversion.

(ff) On May 4, 2021, the Company issued 171,300 Agent's Option Shares and 171,300 Agent's Option Warrants pursuant to the exercise of Agent's' Options for proceeds of $13,704. Each Agent's Option Warrant entitles the holder to purchase one additional common share of the Company at $0.15 per common share until May 14, 2021. The fair value of the Agent's Option Warrants of $9,201 was transferred from equity reserves to share capital upon exercise.

10. Share Capital (continued)

(gg) On May 7, 2021, the Company issued 421,300 common shares for proceeds of $63,195 pursuant to the exercise of warrants.

(hh) On May 7, 2021, the Company issued 37,500 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $9,188 was transferred from equity reserves to share capital upon conversion.

(ii) On May 27, 2021, the Company issued 30,000 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $8,400 was transferred from equity reserves to share capital upon conversion.

During the six months ended May 31, 2020, the Company completed the following transactions:

(jj) On December 19, 2019, the Company issued 4,270,000 units in a private placement at a price of $0.05 per unit for proceeds of $213,500. Each unit consists of one common share and one share purchase warrant exercisable at $0.50 per share for a period of 24 months from the date of issuance. In connection with the private placement, the Company incurred share issuance costs of $21,000 and issued 420,000 brokers' warrants with a fair value of $15,043, which are exercisable at $0.05 per share for a period of 24 months. The estimated fair value associated with the brokers' warrants granted was determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of $0.05; an annualized volatility of 150%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.70%.

(kk) On January 10, 2020, the Company issued 1,000,000 units in a private placement at a price of $0.05 per unit for proceeds of $50,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.50 per share for a period of 24 months from the date of issuance.

(ll) On January 15, 2020, the Company issued 4,246,500 units in a private placement at a price of $0.05 per unit for proceeds of $212,325. Each unit consists of one common share and one share purchase warrant exercisable at $0.50 per share for a period of 24 months from the date of issuance. In connection with the private placement, the Company incurred share issuance costs of $21,232 and issued 424,650 brokers' warrants with a fair value of $15,206, which are exercisable at $0.05 per share for a period of 24 months. The estimated fair value associated with the brokers' warrants granted was determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of $0.05; an annualized volatility of 150%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.64%.

(mm) On January 21, 2020, the Company issued 1,800,000 units in a private placement at a price of $0.05 per unit for proceeds of $90,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.50 per share for a period of 24 months from the date of issuance. In connection with the private placement, the Company incurred share issuance costs of $9,000 and issued 180,000 brokers' warrants with a fair value of $6,445, which are exercisable at $0.05 per share for a period of 24 months. The estimated fair value associated with the brokers' warrants granted was determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of $0.05; an annualized volatility of 150%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.62%.

(nn) On January 22, 2020, the Company issued 200,000 units in a private placement at a price of $0.05 per unit for proceeds of $10,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.50 per share for a period of 24 months from the date of issuance.

10. **Share Capital (continued)**

(oo) On January 24, 2020, the Company issued 200,000 units in a private placement at a price of $0.05 per unit for proceeds of $10,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.50 per share for a period of 24 months from the date of issuance. In connection with the private placement, the Company incurred share issuance costs of $1,000 and issued 20,000 brokers' warrants with a fair value of $717, which are exercisable at $0.05 per share for a period of 24 months. The estimated fair value associated with the brokers' warrants granted was determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of $0.05; an annualized volatility of 150%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 1.50%.

(pp) On January 28, 2020, the Company issued 200,000 units in a private placement at a price of $0.05 per unit for proceeds of $10,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.50 per share for a period of 24 months from the date of issuance.

(qq) On February 3, 2020, the Company issued 60,000 units in a private placement at a price of $0.05 per unit for proceeds of $3,000, and 210,000 units in exchange for product development services with fair value of $10,500. Each unit consists of one common share and one share purchase warrant exercisable at $0.50 per share for a period of 24 months from the date of issuance.

(rr) On February 4, 2020, the Company issued 15,000,000 units pursuant to share purchase agreements for the purchase of 7,285,000 common shares of Translational Life Science Inc. ("TLS"), with a fair value of $750,000. Each unit consists of one common share and one share purchase warrants exercisable at $0.50 per shares for a period of 24 months from the date of issuance.

(ss) On February 7, 2020, the Company issued 100,000 units in a private placement at a price of $0.05 per unit for proceeds of $5,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.50 per share for a period of 24 months from the date of issuance.

(tt) On February 20, 2020, the Company issued 50,000 units in a private placement at a price of $0.08 per unit for proceeds of $4,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.40 per share for a period of 24 months from the date of issuance.

(uu) On February 20, 2020, the Company issued 6,250,000 common shares pursuant to a license agreement with Urban Juve (Note 5) for a fair value of $500,000.

(vv) On March 23, 2020, the Company issued 387,500 units in a private placement at a price of $0.08 per unit for proceeds of $31,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.40 per share for a period of 24 months from the date of issuance.

(ww) On March 25, 2020, the Company issued 100,000 units in a private placement at a price of $0.08 per unit for proceeds of $8,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.40 per share for a period of 24 months from the date of issuance.

(xx) On April 27, 2020, the Company issued 250,000 units in a private placement at a price of $0.08 per unit for proceeds of $20,000. Each unit consists of one common share and one share purchase warrant exercisable at $0.40 per share for a period of 24 months from the date of issuance.

(yy) On April 29, 2020, the Company issued 30,000 common shares for proceeds of $1,500 pursuant to the exercise of stock options. The fair value of the stock options of $1,365 was transferred from equity reserves to share capital upon exercise.

(Expressed in Canadian Dollars)

10. Share Capital (continued)

(zz) On April 30, 2020, the Company issued 100,000 common shares for cash proceeds of $5,000 pursuant to the exercise of stock options. The fair value of the stock options of $4,548 was transferred from equity reserves to share capital upon exercise.

(aaa) On May 4, 2020, the Company issued 50,000 common shares for cash proceeds of $2,500 pursuant to the exercise of stock options. The fair value of the stock options of $2,274 was transferred from equity reserves to share capital upon exercise.

(bbb) On May 6, 2020, the Company entered into a share cancellation agreement with TLS for the purpose of having the share structure of the Company more likely to meet stock exchange listing standards in preparation for a planned initial public offering. Pursuant to the agreement, the Company cancelled 4,000,000 common shares in exchange for changes to contractual selling restrictions on the remaining shares and warrants held by TLS.

(ccc) On May 6, 2020, the Company entered into a share cancellation agreement with Yield Growth for the purpose of having the share structure of the Company more likely to meet stock exchange listing standards in preparation for a planned initial public offering. Pursuant to the agreement, the Company cancelled 55,000,000 common shares in exchange for 55,000,000 warrants exercisable at $0.20 per share for a period of 24 months from the date of issuance. The estimated fair value associated with the warrants granted was $1,819,373 and determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of $0.06; an annualized volatility of 160%; an expected life of 2 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 0.29%.

(ddd) On May 8, 2020, the Company issued 5,000,000 common shares pursuant to the exercise of stock options as a $100,000 bonus to the President and CEO of the Company. The proceeds receivable of $100,000 was offset by a bonus payable to the President and CRO of the Company. The fair value of the stock options of $236,119 was transferred from equity reserves to share capital upon exercise.

(eee) On May 14, 2020, the Company issued 1,713,000 units in a private placement at a price of $0.08 per unit for proceeds of $137,040. Each unit consists of one common share and one share purchase warrant exercisable at $0.15 per share for a period of 12 months from the date of issuance. In connection with the private placement, the Company incurred share issuance costs of $13,704 and issued 171,300 brokers' warrants with a fair value of $5,013, which are exercisable at $0.08 per unit for a period of 12 months. The estimated fair value associated with the brokers' warrants granted was determined using the Black-Scholes Pricing Model with the following assumptions: stock price at grant date of $0.06; an annualized volatility of 156%; an expected life of 1 year; a dividend yield of 0%; a forfeiture rate of 0%; and a risk-free rate of 0.29%.

11. 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, 2020	88,152,950	$ 0.30
Issued	52,138,800	0.19
Exercised	(8,023,100)	0.17
Balance, May 31, 2021	132,268,650	$ 0.26

(Expressed in Canadian Dollars)

11. Share Purchase Warrants (continued)

As at May 31, 2021, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price		Expiry date
2,150,000	$	0.50	November 29, 2021
4,270,000	$	0.50	December 19, 2021
420,000	$	0.05	December 19, 2021
1,000,000	$	0.50	January 10, 2022
4,246,500	$	0.50	January 15, 2022
424,650	$	0.05	January 15, 2022
1,800,000	$	0.50	January 21, 2022
180,000	$	0.05	January 21, 2022
200,000	$	0.50	January 22, 2022
200,000	$	0.50	January 24, 2022
20,000	$	0.05	January 24, 2022
200,000	$	0.50	January 28, 2022
270,000	$	0.50	February 3, 2022
15,000,000	$	0.50	February 4, 2022
100,000	$	0.50	February 7, 2022
50,000	$	0.40	February 20, 2022
387,500	$	0.40	March 23, 2022
100,000	$	0.40	March 25, 2022
250,000	$	0.40	April 27, 2022
55,000,000	$	0.20	May 6, 2022
3,232,500	$	0.10	December 30, 2022
42,767,500	$	0.20	December 30, 2022
132,268,650			

12. Stock Options

On January 13, 2020, the Company adopted an incentive stock option plan, which was replaced by an amended and restated incentive stock option plan on September 9, 2020. Pursuant to the Company's stock option plan, directors may, from time to time, authorize the issuance of options to directors, officers, employees, and consultants of the Company. The terms of the granted stock options as well as the vesting conditions are at the sole discretion of the directors.

(Expressed in Canadian Dollars)

12. Stock Options (continued)

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

	Number of options	Weighted average exercise price
Outstanding, November 30, 2020	6,290,000	$ 0.10
Granted	11,885,000	0.26
Exercised	(610,000)	0.10
Expired/Cancelled	(510,000)	0.10
Outstanding, May 31, 2021	17,055,000	$ 0.21
Exercisable, May 31, 2021	7,627,500	$ 0.20

Additional information regarding stock options outstanding and exercisable as at May 31, 2021, is as follows:

Range of exercise prices	Stock options outstanding	Stock options exercisable	Weighted average remaining contracted life (years)
$0.10 - $0.32	17,055,000	7,627,500	4.42

Share-based compensation expense related to stock options was determined using the Black-Scholes option pricing model. During the six months ended May 31, 2021, the Company recognized share-based compensation expense relating to stock options of $1,599,520 (May 31, 2020 - $356,805) in equity reserves, of which $1,380,124 (May 31, 2020 - $302,033) pertains to directors and officers of the Company. The weighted average fair value of options granted during the six months ended May 31, 2021, was $0.22 (May 31, 2020 - $0.05) per share. The weighted average share price for stock options exercised was $0.23 (May 31, 2020 - $0.02). Weighted average assumptions used in calculating the fair value of share-based compensation expense, including no expected dividends or forfeitures, are as follows:

	2021
Risk-free interest rate	0.47%
Dividend yield	0%
Expected volatility	147%
Expected life (years)	4.97

As at May 31, 2021 there was $1,159,176 (November 30, 2020 - $127,297) of unrecognized share-based compensation related to unvested stock options.

13. 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.

	Number of Restricted share units
Balance, November 30, 2020	9,196,883
Granted	800,000
Vested	(2,064,383)
Balance, May 31, 2021	7,932,500

(Expressed in Canadian Dollars)

13. 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. For restricted share units issued prior to the IPO on December 30, 2020, the fair value was determined based on previous private placements with third parties. For restricted share units issued subsequent to the IPO, the fair value was determined using the market price of the Company's common shares. During the six months ended May 31, 2021, the Company recognized share-based compensation expense relating to restricted share units of $216,631 (May 31, 2020 - $32,701) in equity reserves, all of which pertains to directors and officers of the Company. The weighted average fair value of restricted share units granted during the six months ended May 31, 2021, was $0.24 (May 31, 2020 - $0.0003) per share.

As at May 31, 2021 there was $405,919 (May 31, 2020 - $483,306) of unrecognized share-based compensation related to unvested restricted share units.

14. 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.

15. Financial Instruments and Risk Management

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on our condensed interim statement of financial position as at May 31, 2021, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, May 31, 2021
Marketable securities	$ –	$ 125,000	$ –	$ 125,000
Short-term investments	57,500	–	–	57,500
	$ 57,500	$ 125,000	$ –	$ 182,500

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

Credit Risk

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

15. 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 investments, which consists of common shares held in private companies and is dependent upon the market price or the fair value of the common shares for those companies. The market price or the fair value of the common shares of those companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

16. Subsequent Events

Subsequent to May 31, 2021, the Company issued 500,000 Agent's Option Shares and 500,000 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of $50,000. Each Agent's Option entitles the holder to purchase one additional common share of the Company at $0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of $39,702 was transferred from equity reserves to share capital upon exercise.

Subsequent to May 31, 2021, the Company issued 1,237,500 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $105,188 was transferred from equity reserves to share capital upon conversion.

On July 20, 2021, the Company issued 350,000 stock options to consultants, which are exercisable at a price of $0.15 per share for a period of five years. The stock options vest over twelve months in four equal tranches, with the first vesting period commencing four months after the grant date.

On July 20, 2021, the Company issued 1,450,000 stock options to consultants, which are exercisable at a price of $0.15 per share for a period of five years. The stock options vest over thirty months in ten equal tranches, with the first vesting period commencing four months after the grant date.

On July 20, 2021, the Company issued 1,000,000 stock options to senior officers, which are exercisable at a price of $0.15 per share for a period of five years. The stock options vest in full four months after the grant date.

On July 26, 2021, the Company granted 200,000 restricted share units to an advisor. 50% of the restricted share units vest four months after the grant date, and the remaining 50% vest twelve months after the grant date.

On July 26, 2021, the Company cancelled 470,000 unvested restricted share units previously issued to officers of the Company.

On July 26, 2021, the Company issued 120,000 stock options to a consultant, which are exercisable at a price of $0.14 per share for a period of five years. The stock options vest over twelve months in four equal tranches.

Schedule "B"

Supplementary Information

[included in Schedule "A"]

Schedule “C”

Management’s Discussion & Analysis

[inserted as following pages]

neon mind

BIOSCIENCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Three and Six months Ended May 31, 2021 and 2020

This Management's Discussion and Analysis ("MD&A") relates to the financial position and financial performance of NeonMind Biosciences Inc. (formerly "Flourish Mushroom Labs Inc.") ("NeonMind") for the three and six months ended May 31, 2021 and May 31, 2020. All references to "us" "we" and "our" refer to NeonMind.

Except where otherwise indicated, the financial information contained in this MD&A was prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with our unaudited condensed interim financial statements for the three and six months ended May 31, 2021 and May 31, 2020 and audited annual financial statements for the years ended November 30, 2020 and 2019 (collectively referred to as the "Financial Statements").

Financial information contained in this MD&A has been prepared on the basis that we will continue as a going concern, which assumes that we will be able to realize our assets and satisfy our liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon our ability to continue as a going concern.

We have recorded revenues of $4,534 and $12,649, incurred a net loss of $2,643,913 and $5,123,968, respectively, for the three and six months ended May 31, 2021, and used $3,597,599 of cash for operating activities during the six months ended May 31, 2021. As at May 31, 2021, we had working capital of $1,324,715 and an accumulated deficit of $11,005,352. Our continued operations are dependent on future profitable operations, management's ability to manage costs, and the future availability of equity or debt financing. Whether and when we can generate sufficient operating cash flows to pay for our expenditures and settle our obligations as they fall due is uncertain. These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption be inappropriate. The impact of these adjustments could be material.

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

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

CORPORATE OVERVIEW

We were incorporated under the laws of the province of British Columbia, Canada on September 18, 2019. We operate three divisions, (i) a pharmaceutical division engaged in drug development of psychedelic compounds, (ii) a consumer products division with a focus on non-psychoactive functional mushroom infused products, and (iii) a medical services division, which is in the planning stage, to offer drug enhanced psychotherapy services and other mental health treatments. We raised gross proceeds of approximately $4.7 million during the six months ended May 31, 2021 pursuant to an initial public offering ("IPO").

In our pharmaceutical division, we have two distinct psilocybin drug development programs targeting obesity. Psilocybin is a complex organic compound found naturally in a wide range of different species of mushrooms, known as psychedelic mushrooms ("Psilocybin"). Psychedelics are a hallucinogenic class of psychoactive drugs whose primary action is to trigger psychedelic experiences via serotonin 2A receptor agonism, causing specific psychological, visual and auditory changes, and altered states of consciousness. Our first drug candidate aims to use synthetic Psilocybin to enhance a patient's ability to adopt behaviours that cause weight loss and maintain that loss through psychedelic-assisted cognitive therapy. The second drug candidate proposes low dose synthetic Psilocybin as a treatment to suppress appetite.

Our consumer division currently sells four NeonMind branded coffee products infused with non-psychoactive functional mushrooms which are used for their health-promoting properties ("Functional Mushrooms") in Canada through our direct-to-consumer e-commerce platform, and in June 2021, we launched our coffee products as dietary supplements in the United States of America (the "US").

Our medical services division is currently in development. We are assembling a team of experts to plan and launch a chain of healthcare clinics in Canada to offer various treatments for mental health tailored to local market needs including psychedelic enhanced therapy.

A more detailed description of our three divisions is found below.

Division I: Pharmaceutical Drug Development Division

Our Psilocybin Research Plan

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

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

We are exploring Psilocybin as a treatment for weight loss and have begun preclinical studies at the University of British Columbia ("UBC") to evaluate Psilocybin's effectiveness. We engaged Translational Life Sciences Inc. ("TLS"), which is a contract research organization, to design our preclinical trials to examine Psilocybin as a potential treatment for obesity and weight management ("Preclinical Trials") and we engaged UBC to conduct our Preclinical Trials.

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

We have two distinct Psilocybin drug development programs targeting obesity. Our first drug candidate (NEO-001) aims to use synthetic Psilocybin to enhance a patient's ability to adopt behaviours that cause weight loss and maintain that loss through psychedelic-assisted cognitive therapy. The drug candidate employs Psilocybin as an agonist to the serotonin receptor 5-HT2A, which is involved in the hallucinogenic effect of psychedelics.

The second drug candidate (NEO-002) proposes low dose synthetic Psilocybin as a treatment to suppress appetite and employs low-dose Psilocybin as an agonist to the 5-HT2C receptor, which controls appetite.

In March 2021 we engaged Certara to provide us with an integrated development plan and for strategic clinical pharmacology, toxicology, CMC, preclinical pharmacology, regulatory strategy and integrated drug development support, including expert leaders in therapeutics development with significant tenures in biotech, pharma research and development and the United States Food and Drug Administration (the "FDA") and the European Medicines Agency ("EMA"). Certara provides biosimulation software to transform traditional biopharmaceutical research and development with a scientific team that has more than 3,500 years of collective drug discovery and development experience. Certara has agreed to provide us with access to their experts in drug development strategy, due diligence, clinical pharmacology, regulatory science (including ex-FDA and EMA experts) and the full spectra of drug development subject matter experts across Certara. These experts will be available to support us in areas relating to the development of Psilocybin as a regulated medicinal product.

The Certara project proposal describes two specific areas that seek to create maximum value for NeonMind:

(i) Certara shall provide strategic evaluation and planning specifically, Certara will provide us with expert drug development advice to establish an integrated development plant for Psilocybin for the treatment of obesity; and

(ii) Certara shall offer development stewardship providing us with a world class virtual development team to support the execution of Psilocybin for our treatment of obesity programs.

The strategic evaluation and planning stage follows a three-phase integrated due diligence evaluation approach that is applied over an eight-to-twelve-week time frame, which began in mid-March 2021.

In July 2021, our Research and Development Working Group completed an integrated drug development plan for our lead drug candidate targeting obesity, NEO-001, a high-dose psilocybin treatment coupled with behavior therapy and lifestyle intervention, which aims to improve the efficacy of chronic weight management in adults. We have identified a regulatory strategy, including a target indication and product profile that we believe will best position NeonMind as we advance our first lead candidate through development.

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

Division II: Medical Services Division

Our medical services division is currently in development. We are assembling a team of experts to plan and launch a chain of NeonMind-branded specialty clinics in Canada. Working with health care communities and tailoring the services to local market needs, these clinics will offer evidence-backed innovative treatments for a variety of mental health needs including psychedelic modalities and other newer treatments for mood disorders such as depression.

Our go-to-market strategy may include partnerships with existing health clinics to offer NeonMind mental health services as well as standalone NeonMind clinics. The NeonMind clinic team will build an integrated services platform and comprehensive set of programs aimed at delivering specialized treatments combined with traditional modalities for a variety of mental health conditions and right-sized for local needs.

In Canada, ketamine and esketamine are currently the only psychedelic substances that may legally be prescribed and administered in medical clinics, but there is a large and growing pipeline of psychedelic drug development programs with clinical trials underway evaluating other substances including psilocybin. Importantly recent clinical trial results with psilocybin treatment are showing promise.

The platform will be designed to expand to increase offerings of drug-enhanced psychotherapies over time. NeonMind aims to gain an early-mover advantage, establish a strategic footprint, and have operations ready to accommodate a future surge from potential psychedelic drug approvals.

If additional psychedelic medicines are approved for use in Canada, we will evaluate them for use in clinics and, where appropriate, develop protocols to incorporate them into our therapeutic offering.

Division III: Consumer Products Division

In November 2020, we launched four Functional Mushroom infused coffees: two brewed coffees and two instant coffees and launched our direct-to-consumer eCommerce platform. We completed the formulas, designed packaging and labels in compliance with applicable regulations, ordered raw materials and packaging, and completed research and development with a GMP manufacturing facility including producing samples of each coffee for third-party nutritional analysis for labelling purposes. We plan to continue to manufacture our products through a co-packer. We obtain the raw ingredients for our products globally.

In June 2021, we launched a line of dietary supplements with Functional Mushroom infused coffees through our direct-to-consumer e-Commerce platform and plan to expand distribution through a retail chain outreach strategy in the US.

STRATEGIES AND ANTICIPATED MILESTONES

In the long term, we are focused on value creation through psychedelic drug development within unique indications for the treatment of obesity, compulsive eating disorder and as an aid to weight loss and its maintenance. Our preclinical signal supports the development of complementary psychedelic drug development plans with low and high dose Psilocybin.

In the near term, we are assembling research and development capabilities dedicated to creating a dossier of scientific evidence to support regulatory approval for these novel treatments that can positively impact millions of people.

Further, we established internal business development processes to identify and evaluate opportunities to develop or acquire research assets and/or complimentary business to diversify our offering of psychedelic solutions and footprint in mental health.

We have four core objectives for the near future:

1. **Plan** - establish a comprehensive integrated development plan in support of our two Psilocybin programs predicated upon our target product profiles and gap analysis to FDA/Health Canada requirements for new drug applications.

2. **Resource** - assemble talent and raise adequate capital to advance and accelerate our integrated development plan.

3. **Execute** - the “next steps” in developing Psilocybin for the treatment of obesity and to launch our first medical services clinic in Canada.

4. **Assemble** - evaluate and pursue opportunities to bolster our development pipeline and /or add complementary businesses in the psychedelic sector.

Having identified an attractive market opportunity to introduce specialty mental health clinics and provide ketamine treatment plus other traditional/innovative services adapted to local market needs, we are assembling an Advisory Board, clinical operations experts and mental health clinicians to launch this new business.

To achieve the broad business objectives set out above, we have established the following milestones:

Objective	Milestone Description	Timeframe for Completion (Fiscal quarters)
Advance Psilocybin Research Plan	Establish deal flow targets to bolster product development pipeline and identify opportunities for strategic alliances	Ongoing
	Finalize comprehensive integrated drug development program to define the research plans necessary to develop each of our two novel psychedelic therapeutics for obesity, weight loss and/or its maintenance	Q3 2021
	Assemble key documents to submit an IND (investigational new drug) to FDA and CTA (clinical trial application) to Health Canada	Q3 2021
	Completion of Psilocybin Preclinical Trials	Q4 2021
	Pre-investigational new drug (Pre-IND) meeting meeting with the FDA and CTA consultation meeting with Health Canada	Q4 2021
	Initiate Phase 1/2 proof-of-concept study in obese patients	H1 2022
Increase Revenues for Consumer Product Sales	Dietary Supplement launch in the US	Q3 2021
	Engage social media influencers to build a consumer base	Q3 2021
	Complete NHP application with Health Canada for expanded natural health product offering	Q1 2022
	Add clinical operations and psychiatric experts to our advisory team	Q3 2021

Launch Medical Services Division	Complete jurisdictional scan to select the right community and locations	Q4 2021
	Complete expert interviews to validate service gaps, identify and design mental health program offering	Q4 2021
	Launch the provision of medical services for mental health	Q2 2022

SELECTED ANNUAL INFORMATION

Management considers that the main indicators of our performance are the following: revenues, net income and loss, total assets, earnings/loss per share. The following information was derived from our unaudited condensed interim financial statements for the three and six months ended May 31, 2021 and May 31, 2020.

	Three months ended		Six months ended	
	May 31, 2021 $	May 31, 2020 $	May 31, 2021 $	May 31, 2020 $
Revenues	4,534	-	12,649	-
Net loss	2,643,913	494,557	5,123,968	812,270
Basic and diluted loss per share	0.02	0.00	0.06	0.01
Dividends declared and paid out	-	-	-	-

	May 31, 2021 $	May 31, 2020 $
Total assets	2,357,676	1,850,414
Total liabilities	1,033,377	1,264,899

DEVELOPMENT OF BUSINESS

We completed our IPO, which was oversubscribed, and the broker exercised their full over-allotment issuance, and our common shares were listed on the Canadian Securities Exchange under the ticker symbol "NEON". We raised funds from the IPO in the gross amount of $4,600,000.

On January 18, 2021, our common shares were listed on the Frankfurt Stock Exchange. Our common shares are currently trading on the OTC Pink Sheets under the ticker symbol “NMDBF” and we have completed an application for our common shares to be quoted on the OTCQB.

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

From January to March 2021, we added significantly to our drug development team with six expert consultants across North America experienced in the areas of therapeutic drug development, Psilocybin research, eating disorders and obesity research and treatment, drug manufacturing, business development and product development.

In February 2021, we purchased an initial order of GMP (good manufacturing practices as mandated by Canadian regulations) grade psilocybin from Psygen Labs Inc. for our planned phase 2 human clinical trial expected to begin in Q2 2022.

In March 2021 we engaged Certara, a global leader in model-informed drug development, to provide strategic integrated drug development support for the investigation of our Psilocybin based drug candidates for the treatment of obesity and to provide us with an integrated development plan.

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

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

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

In June 2021, we finalized target product profiles, establishing optimal and minimally acceptable profiles for a successful program considering medical needs, differentiation strategy, target use and access to medicine strategy.

In the consumer products division and in mid-November 2020, we launched four mushroom infused coffee products in Canada through our ecommerce website. We generated revenue from product sales of $4,534 and $12,649 during the three and six months ended May 31, 2021, respectively. We did not generate any revenues from product sales for the same periods of the prior year. On June 29, 2021, our line of functional mushroom coffee products was launched in the US as dietary supplements via our direct-to-consumer website.

OVERALL PERFORMANCE

For the three and six months ended May 31, 2021, we recognized total revenue of $4,534 and $12,649 as compared to $nil for the same periods of the prior year. Revenue included sales of four functional mushroom coffees from our Consumer Products Division, which were launched through ecommerce in November 2020. Our Pharmaceutical Drug Development Division and Medical Services Division are in a research and development stage and did not generate revenues.

For the three and six months ended May 31, 2021, we incurred a net loss of $2,643,913 and $5,123,968 respectively. The losses were primarily driven by research and operating expenses and costs relating to our IPO.

Expenses before other items amounted to $2,731,503 and $5,174,999 for the three and six months ended May 31, 2021 as compared to $485,405 and $803,118 for the same periods of the prior year. Expenses primarily consisted of share-based compensation of $1,056,227 and $1,816,151, marketing, publicity and digital media expenses of $836,216 and $1,639,657, medical research and development expenses of $171,358 and $439,037, and professional fees of $134,672 and $362,154, for the three and six months ended May 31, 2021, respectively. Expenses primarily consisted of share-based compensation of $201,647 and $389,506, consulting fees of $140,626 and $177,376, for the three and six months ended May 31, 2020, respectively. The increase in operating expenses in the current period was due to the fact that we were more active in our day-to-day operations compared to the prior year.

ADJUSTED EBITDA

Adjusted EBITDA, a measure used by management to indicate operating performance, is defined as earnings before interest, taxes, depreciation and amortization, excluding certain non-operating amounts as shown below. Adjusted EBITDA is not a recognized term under IFRS and is not intended to be an alternative either to gross profit or income before taxes as a measure of operating performance or to cash flows from operating activities as a measure of liquidity.

Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow available for discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. We use Adjusted EBITDA to supplement IFRS results to provide a more complete understanding of the factors and trends affecting the business than IFRS results alone. Because not all companies use identical calculations, the presentation of Adjusted EBITDA may not be comparable to other similarly titled measurements used by other companies. Readers should not consider Adjusted EBITDA in isolation or as a substitute for profit (loss) for the period as determined by IFRS, or as a substitute for an analysis of our Financial Statements.

Reconciliation of Adjusted EBITDA for the three and six months ended May 31, 2021 and May 31, 2020 is as follows:

	Three months ended		Six months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
	$	$	$	$
Net loss for the period	(2,643,913)	(494,557)	(5,123,968)	(812,270)
Add:				
Amortization & Depreciation	1,120	25,205	2,147	29,863
Interest	11,193	8,617	20,227	8,617
Adjustments:				
Share-based compensation	1,056,227	201,647	1,816,151	389,506
Loss on investment in associate	11,569	9,152	54,212	9,152
Gain on reclassification of investment	(93,027)	-	(93,027)	-
Adjusted EBITDA	(1,656,831)	(249,936)	(3,324,258)	(375,132)

DISCUSSION ON OPERATIONS

Revenue

For the three and six months ended May 31, 2021, we recognized total revenue of $4,534 and $12,649 as compared to $nil for the same periods of the prior year. Revenue included sales of four functional mushroom coffees, which were launched through ecommerce in November 2020.

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

Cost of sales

For the three and six months ended May 31, 2021, we recorded cost of sales of $1,548 and $3,579 from the sales of functional mushroom coffees.

Marketing, publicity and digital media

For the three and six months ended May 31, 2021, we incurred marketing, publicity and digital media costs of $836,216 and $1,639,657, as compared to $78,461 and $95,938 for the same periods of the prior year. Marketing, publicity and digital media expenses included advertising and marketing for the launch of our mushroom infused coffee products and media spent to promote our corporate brand in the preparation of our IPO.

Amortization and depreciation

For the three and six months ended May 31, 2021, we incurred amortization and depreciation expense of $1,120 and $2,147, as compared to $25,205 and $29,863 for the same periods of the prior year. Amortization and depreciation expenses in the current year were primarily related to product formulations which are being amortized over 8 years.

Consulting fees

We are an emerging business which engages consultants and contractors regularly to obtain expertise in various business areas. For the three and six months ended May 31, 2021, we incurred consulting fees of $59,124 and $98,540, compared to $140,626 and $177,376 for the same periods of the prior year.

Information system

For the three and six months ended May 31, 2021, we incurred expenses in information systems of $nil and $1,480 relating to our ecommerce website, as compared to $nil and $1,575 for the same periods of the prior year.

Investor relations

For the three and six months ended May 31, 2021, we incurred investor relations expenses of $127,268 and $223,101 to support our IPO and to expand our visibility within the North American and European investment community. We did not incur such expenses in the same periods of the prior year.

Listing expenses

Listing fees were related to the application and ongoing fees for the listing of our common shares on the CSE. For the three and six months ended May 31, 2021, we incurred listing fees of $5,685 and $12,285. We did not incur such fees in the same periods of the prior year.

Office and administrative expenses

For the three and six months ended May 31, 2021, we incurred office and administration expenses of $121,057 and $233,947 as compared to $10,378 and $10,446 for the same periods of the prior year. The increase in office and administrative expenses was due to an increase in business activity in the current year, as compared to the same periods of the prior year which were the early stages of the business. Office and administrative expenses primarily included insurance fees, broker and filing fees, interest expense and other general office expenses.

Research and development – consumer products

Consumer product research and development included costs of the development of mushroom infused coffee products, which launched in November 2020. For the three and six months ended May 31, 2021, we incurred consumer product research and development expenses of $36,002 and $84,528, as compared to $10,488 and $74,964 for the same periods of the prior year.

Research and development – medical

Medical research and development expenses included costs of our medical research and our preclinical trials. For the three and six months ended May 31, 2021, we incurred medical research and development costs of $171,358 and $439,037 as compared to $2,000 and $2,000 for the same periods of the prior year. The increase was a result of increased activity in developing our medical research segment in the current year.

Professional fees

Professional fees include legal, recruitment, accounting, audit and taxation fees. For the three and six months ended May 31, 2021, we incurred professional fees of $134,672 and $362,154, as compared to $16,600 and $21,450 for the same periods of the prior year. The increase was primarily driven by legal and accounting fees related to the IPO process, as well as recruitment fees to expand the team.

Share-based compensation

As at May 31, 2021, we had 17,055,000 stock options and 7,932,500 restricted share units granted and outstanding for our directors, officers, employees and consultants, and we incurred share-based compensation expense of $1,056,227 and $1,816,151 for the three and six months ended May 31, 2021, as compared to $201,647 and $389,506 for the same periods of the prior year. We expect to continue to utilize stock options, and other forms of equity instruments, to incentivize our teams.

Wages

Wages for the three and six months ended May 31, 2021 were $182,374 and $261,972, as compared to $nil for the same periods of the prior year. The increase in wages was driven by the expansion of the team to support business development and clinical research activities.

Loss on investment in associate

During the three and six months ended May 31, 2021, we recorded a proportionate share of losses from Komo Plant Based Comfort Foods Inc. ("Komo Foods") of $11,569 and $54,212, as compared to $9,152 and $9,152 in the same periods of the prior year.

Gain on reclassification of investment

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

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

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

The carrying value of our investment in Komo YUM as at May 31, 2021 was $31,973 prior to being reclassified as an investment recorded at fair value through profit and loss. The difference between the carrying value of $31,973 and the fair value of $125,000 was recorded as a gain on reclassification of investment of $93,027 on the condensed interim statement of operations and comprehensive loss.

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

Net loss and comprehensive loss

We incurred a net and comprehensive loss of $2,643,913 and $5,123,968 for the three and six months ended May 31, 2021, as compared to $494,557 and $812,270 for the same periods of the prior year. Loss per share on basic and fully diluted basis was $0.02 and $0.06 for the three and six months ended May 31, 2021, compared to $0.00 and $0.01 for the same periods of the prior year.

Dividends

No dividends were declared or paid for the three and six months ended May 31, 2021 and May 31, 2020.

SUMMARY OF QUARTERLY RESULTS

We were incorporated on September 18, 2019. The summary of our quarterly results are as follows:

For the quarters ended:

	Q2 2021 $	Q1 2021 $	Q4 2020 $	Q3 2020 $
Revenue	4,534	8,115	415,803	-
Net loss	2,643,913	2,480,055	1,019,688	845,237
Basic & diluted loss per share	0.02	0.03	0.02	0.01

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

LIQUIDITY

		May 31, 2021		November 30, 2020
Current ratio[(1)]		2.32		0.32
Cash	$	1,782,219	$	1,170
Working capital surplus (deficit) [(2)]	$	1,324,715	$	(200,703)
Debt[(3)]	$	-	$	-
Equity (Deficit)	$	1,354,299	$	(777,413)

(1) Current ratio is current assets divided by current liabilities.
(2) Working capital is current assets minus current liabilities
(3) Debt is defined as any commercial debt.

Cash Position

As at May 31, 2021, we had $1,782,219 in cash. During the six months ended May 31, 2021, we completed our IPO fund raising of $4.6 million in gross proceeds and approximately $1 million from the exercise of warrants and stock options.

During the six months ended May 31, 2021, we spent $3,597,599 of cash in operating activities primarily to finance operating expenses including research and development in both the medical and consumer product divisions, marketing, publicity and digital media, wages, and expenses related to IPO and listing on CSE. Cash used in investing activities was $60,881 for the six months ended May 31, 2021, for the purchase of equipment and financial investments. Cash provided by financing activities was $5,439,529 for the six months ended May 31, 2021, which was primarily from proceeds received from the issuance of units through the IPO and proceeds received from the exercise of warrants and options.

As at November 30, 2020, we had $1,170 in cash. During the year ended November 30, 2020, we spent $853,447 of cash in operating activities primarily to finance operating expenses including those related to IPO and listing on CSE. Cash provided by financing activities was $746,928 for the year ended November 30, 2020, which was primarily from proceeds received from the issuance of units through private placements. We did not have investing activities during this period.

Working Capital

We had a working capital surplus of $1,324,715 as at May 31, 2021, which is primarily due to an increase in cash relating to proceeds from our IPO and proceeds from warrant exercises, as well as an increase in short-term investments, accounts receivable, inventory and prepaid expenses.

We had a working capital deficit of $200,703 as at November 30, 2020, which is due to an increase in accounts payable and accrued liabilities as a result of timing of expenditures and proceeds from financing relating to our operations. Subsequent to November 30, 2020, we raised $4.6 million in gross proceeds from our IPO and almost $1.3 million in proceeds from the exercise of warrants and stock options.

CAPITAL RESOURCES AND MANAGEMENT

As at May 31, 2021, we had cash of $1,782,219. We are authorized to issue an unlimited number of common shares. As at May 31, 2021, there were 123,127,983 common shares issued and outstanding. We had 132,268,650 share purchase warrants outstanding with weighted average exercise price of $0.26. We had 17,055,000 stock options outstanding with weighted average exercise price of $0.21 per share. We also had 7,932,500 restricted share units outstanding.

Our objective is to maintain a strong capital base to support the development of the business including launching products of our own brands through the commercialization of products from over 100 formulas for beverages and wellness products that include edible mushrooms as a key ingredient, as well as the development of our research and clinical trials.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

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

	Three months ended		Six months ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Consulting Fees	59,124	31,500	98,540	63,000
Share-based compensation	980,264	192,200	1,596,755	334,734
Wages expense	174,359	–	248,376	–
	$ 1,213,747	$ 223,700	$ 1,943,671	$ 397,734

As at May 31, 2021, we owed $749,945 (November 30, 2020 - $832,675) to our former parent company, Better Plant, which included a promissory note balance of $691,245 (November 30, 2020 - $691,245) for previously advanced payment, bearing interest at 5% compounded annually, and due and payable by October 30, 2021. On February 28, 2020, we entered into an amended agreement on the promissory note from due on demand to due on October 31, 2021. The amendment was treated as an extinguishment of debt in accordance with IFRS 9, Financial Instruments, which resulted in a gain on extinguishment of debt of $106,873 with a corresponding discount to the carrying value of the promissory note. On November 30, 2020, we amended the due date on the promissory note from October 31, 2021 to February 28, 2022. As the modification resulted in a change in the carrying amount of less than 10%, the amendment was treated as a contract modification under IFRS 9 and resulted in additional accretion expense of $59,748 during the year ended November 30, 2020.

Amounts owing also included interest payable balance of $43,614 (November 30, 2020 - $25,945) relating to the promissory note which is included in accounts payable and accrued liabilities. The remaining balance of $12,532 (November 30, 2020 - $115,485) is unsecured, non-interest bearing, and due on demand.

During the six months ended May 31, 2021, we incurred marketing expenses of $41,985 (May 31, 2020 - $nil), investor relations expenses of $36,295 (May 31, 2020 - $nil) professional fees of $32,169 (May 31, 2020 - $nil), office & administrative expenses of $33,363 (May 31, 2020 - $nil), and consumer product research and development expenses of $42,067 (May 31, 2020 - $73,486) from Better Plant. Pursuant to an operating agreement dated August 30, 2020, Better Plant provided such services to the Company.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Significant areas requiring the use of estimates include the collectability of accounts receivable, net realizable value of inventory, useful life and carrying value of property, plant and equipment and intangible assets, carrying value of investment in associate and fair value of share-based compensation, and measurement of unrecognized deferred income tax assets.

Judgments made by management in the application of IFRS that have a significant effect on the condensed interim financial statements include the factors that are used in determining whether we have significant influence over another entity, and the application of the going concern assumption which requires management to consider all available information about the future, which is at least but not limited to 12 months from the end of the reporting period.

We had previously determined that we had significant influence in Komo Foods despite holding less than 20% of the voting rights in Komo Foods due to sharing a common CFO, and the fact that Komo Foods entered into a license agreement with us that was a key component of Komo Food's business in prior periods. As a result, Komo Foods was considered an associate of the Company, and our investment in Komo Foods was accounted for using the equity method. The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for our proportionate share of the profit or loss, other comprehensive income or loss and any other changes in the associate's net assets, such as further investments or dividends. During the six months ended May 31, 2021, Komo Foods entered into a merger agreement and management determined that significant influence in Komo Foods no longer existed and reclassified its investment to fair value through profit and loss under IFRS 9.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no material effect on the statement of financial position or the reported results of operations.

Future Accounting Pronouncements

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are not mandatory for the current period and have not been early adopted. We have assessed that there are no future accounting pronouncements that are expected to have a material impact on the Company in the current or future reporting periods.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on our statement of financial position as at May 31, 2021, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, May 31, 2021
Marketable securities	$ –	$ 125,000	$ –	$ 125,000
Short-term investments	57,500	–	–	57,500
	$ 57,500	$ 125,000	$ –	$ 182,500

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

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter-party default on its obligation. Our credit risk is primarily attributable to accounts receivable. We minimize our credit risk associated with our cash balance by dealing with major financial institutions in Canada and we have no other significant concentration of credit risk arising from operations. The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate and Interest Rate Risk

We are not exposed to any significant foreign exchange rate or interest rate risk.

Liquidity Risk

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

Price Risk

We are exposed to price risk with respect to our investments, which consists of common shares held in private companies and are dependent upon the market price or the fair value of the common shares for those companies. The market price or the fair value of the common shares of those companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting ("ICOFR")

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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of NeonMind;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that our receipts and expenditures are made only in accordance with authorization of management and our directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the annual or interim financial statements.

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

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

SUBSEQUENT EVENTS

Subsequent to May 31, 2021, we issued 500,000 Agent's Option Shares and 500,000 Agent's Option Warrants pursuant to the exercise of Agent's Options for proceeds of $50,000. Each Agent's Option entitles the holder to purchase one additional common share of the Company at $0.20 per common share for a period of 24 months from the IPO closing date on December 30, 2020. The fair value of the Agent's Option Warrants of $39,702 was transferred from equity reserves to share capital upon exercise.

Subsequent to May 31, 2021, we issued 1,237,500 common shares pursuant to the conversion of fully vested restricted share units. The fair value of the restricted share units of $105,188 was transferred from equity reserves to share capital upon conversion.

On June 29, 2021, our line of functional mushroom coffee products was launched in the US as dietary supplements via our direct-to-consumer website.

On July 20, 2021, we issued 350,000 stock options to consultants, which are exercisable at a price of $0.15 per share for a period of five years. The stock options vest over twelve months in four equal tranches, with the first vesting period commencing four months after the grant date.

On July 20, 2021, we issued 1,450,000 stock options to consultants, which are exercisable at a price of $0.15 per share for a period of five years. The stock options vest over thirty months in ten equal tranches, with the first vesting period commencing four months after the grant date.

On July 20, 2021, we issued 1,000,000 stock options to senior officers, which are exercisable at a price of $0.15 per share for a period of five years. The stock options vest in full four months after the grant date.

On July 26, 2021, we granted 200,000 restricted share units to an advisor. 50% of the restricted share units vest four months after the grant date, and the remaining 50% vest twelve months after the grant date.

On July 26, 2021, we cancelled 470,000 unvested restricted share units previously issued to employees of the Company.

On July 26, 2021, we issued 120,000 stock options to a consultant, which are exercisable at a price of $0.14 per share for a period of five years. The stock options vest over twelve months in four equal tranches.