



**NEURAL THERAPEUTICS INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE YEARS ENDED JULY 31, 2023 AND 2022**

**November 23, 2023**

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**NEURAL THERAPEUTICS INC.**

Management's Discussion &amp; Analysis

For the years ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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This management's discussion and analysis ("**MD&A**") dated November 23, 2023, is management's assessment of the operations and the financial results of Neural Therapeutics Inc. ("**Neural**", or the "**Company**"). This MD&A should be read in conjunction with Neural's condensed interim financial statements and related notes for the years ended July 31, 2023 and 2022, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All figures are in Canadian dollars unless stated otherwise.

Neural's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. Neural expects any direct impacts, of the pandemic and the military action in Ukraine, to the business to be limited; however, the indirect impacts on the economy and on the pharmaceutical industry could negatively affect the business and may make it more difficult for Neural to raise equity or debt financing. There can be no assurance that Neural will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position, and cash flows in the future.

Neural's board of directors approved the release of this MD&A on November 23, 2023.

**FORWARD LOOKING INFORMATION**

Certain statements and information contained herein may constitute "forward-looking statements" and "forward-looking information," respectively, under Canadian securities legislation. Generally, forward-looking information can be identified by the use of forward-looking terminology such as, "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intends", "forecast", "plans", "guidance" and similar expressions are intended to identify forward-looking statements or information. The forward-looking statements are not historical facts, but reflect the current expectations of management of Filament regarding future results or events and are based on information currently available to them. Certain material factors and assumptions were applied in providing these forward-looking statements.

Forward-looking statements regarding Neural are based on Neural's estimates and are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of Filament to be materially different from those expressed or implied by such forward-looking statements or forward-looking information, including capital expenditures and other costs. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. Filament will not update any forward-looking statements or forward-looking information that are incorporated by reference herein, except as required by applicable securities laws. For more information on forward-looking information, please refer to the section entitled "*Cautionary Note Regarding Forward Looking Statements*" of this MD&A.

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**CORPORATE OVERVIEW**

Neural Therapeutics Inc. ("**Neural**") is a drug-discovery company focusing on plant-based active substances with the goal of delivering beneficial, over-the-counter dietary supplements and psychedelic-based therapeutic medicines to treat serious mental ailments where no effective significant treatment is available today. Neural's key ingredient is mescaline derived from sustainable legal and cultivated sources, including the San Pedro cactus. Neural is working to identify where plant-based traditional-medicine has proven to be effective and capitalize on the development of pharmaceutical and nutraceutical path to market that is compliant with applicable regulations.

Neural is in the business of developing products from plants containing psychedelic components that have a historical high record of safety and therapeutic value. Since inception, Neural has primarily focused on the discovery and development of cacti containing the psychoactive compound mescaline. Since its inception in early 2020, Neural has been focused on filling the scientific literature gap that exists between recreational/religious niche applications and main-stream pharmaceutical acceptance. Recognizing that the pathway to full acceptance while dealing with a controlled substance has inherited challenges and rewards. Neural is well positioned to be the world leading expert in products derived from cacti of the *Echinopsis* genus.

On January 28, 2022 Neural completed consolidation ("**Consolidation**") of all issued and outstanding common shares of the capital of Neural ("**Neural Share**"), on a 5.831 for 1 basis, which resulted in 23,583,334 Neural Shares issued and outstanding. All references to Neural Shares in this document are on post-Consolidation basis.

On May 23, 2023 Neural became an unlisted reporting issuer in the Provinces of British Columbia, Alberta and Quebec, pursuant to a plan of arrangement (the "**Plan of Arrangement**") between the Company and Vertical Peak Holdings Inc. (formerly High Fusion Inc.) ("**Vertical Peak**"), more particularly described in the management information circular of Vertical Peak and the amended and restated arrangement agreement dated February 24, 2023 ("**Arrangement Agreement**") between Neural and Vertical Peak available on Neural's profile on [www.sedarplus.ca](http://www.sedarplus.ca).

As at November 23, 2023, the members of Company's management and Board of Directors consisted of:

<b>Name</b>	<b>Position</b>
John Durfy	Chairman of the Board
Ian Campbell	Director and Chief Executive Officer
Omar Gonzalez	Chief Financial Officer
Colin McLelland	Director
Dr. Jason Dyck	Director
Dr. Kelly Narine	Director

**FISCAL YEARS ENDED JULY 31, 2023 AND 2022 FINANCIAL AND BUSINESS HIGHLIGHTS**

- On August 4, 2022, Neural entered into the agreement ("**Cayetano Agreement**") between Neural and Cayetano Heredia University ("**Cayetano University**") pursuant to which Cayetano University agreed to assist Neural with completing work related to ingredient safety (being toxicology tests to ensure the FDA's NDI standard of reasonable expectation of safety for human consumption is met), identity testing, specifications and formulation. The main objective of the Cayetano Agreement is to identify the optimal species and strain of plant for cultivation and product development. The disciplines involved include genomics, taxonomy, and chemistry.

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- On August 30, 2022, Neural submitted the SERFOR Application in collaboration with Cayetano University and Cactus Knize.
- On September 6, 2022, Neural entered into the agreement ("**IP Development Agreement**") between Neural and certain arm's length parties, pursuant to which they agreed to transfer the extraction technology used for extraction of mescaline from various cacti, and plant material to Neural for the purpose of allowing Neural to utilize the processes, know-how and standard operating procedures to make, have made, use, sell, improve and market products using the technology and intellectual property rights. In connection with the IP Development Agreement, Neural issued 450,000 Neural Shares at an issue price of \$0.075 per Neural Share to third parties.
- On October 11, 2022, Neural entered into the agreement with Folium Labs, pursuant to which Neural and Folium Labs agreed to work together to co-develop, commercialize and distribute products intended to help patients with depressive disorders, post-traumatic stress disorders, panic and anxiety disorders, and other affective disorders.
- On October 13, 2022, an article was published in the Journal of Neuropharmacology titled "Mescaline: The forgotten psychedelic", which was co-authored by Ian Campbell, Dr. Jason Dyck, Dr. Kelly Narine, Ioanna A. Vamvakopoulou and Professor David Nutt. This publication summarizes some of the key fundamental research done by Neural in order to determine its research and development objectives in relation to the San Pedro cactus.
- On November 3, 2022, Neural and Vertical Peak entered into the Arrangement Agreement to complete the Plan of Arrangement.
- On December 6, 2022, Neural received a final report conducted by a market research group out of Memorial University of Newfoundland and Labrador focused on evaluating the North American dietary supplement market dynamics and outlined market entry recommendations for Neural. The study was conducted by a group of master-level students as a part of the Memorial University of Newfoundland and Labrador MBA program.
- On January 4, 2023, Neural entered into the agreement ("**CGS Agreement**") with Caribbean Gold Standard Laboratory ("**CGS**"), an analytical service laboratory in Saint Vincent and the Grenadines operating to test the quality of cannabis and other products. Pursuant to the CGS Agreement, Neural and CGS agreed to work together to carry out joint research and development efforts in a manner intended to aid Neural in advancing its pre-clinical and clinical trials. The CGS Agreement also includes provisions whereby CGS will assist Neural in validating Neural's extraction technology that Neural developed pursuant to the IP Development Agreement.
- On January 6, 2023, held a meeting of Neural Shareholders ("**Neural Meeting**") approved the resolutions to: (i) elect a slate of directors to serve until Neural became a reporting issuer which was comprised of: John Durfy and Ian Campbell; (ii) approve a slate of directors following the completion of the Plan of Arrangement, comprised of: Ian Campbell, John Durfy, Dr. Jason Dyck, Dr. Kelly Narine and Colin McLelland; (iii) re-appoint Kreston GTA LLP as auditor of Neural for the ensuing year; (iv) confirm and ratify the Neural Option Plan and Neural RSU Plan; and (v) approve the consolidation of Neural Shares.
- On February 2, 2023 Neural entered into agreement ("**Myant Agreement**") with Myant Inc. ("**Myant**"), pursuant to which, Myant has agreed to work with Neural in utilizing Myant's technology to be used by Neural in its clinical and observational studies. Myant is an industrial internet of things textile manufacturer that is focused on development and commercialization of performance and medically approved monitoring garments. Myant's undergarment electrocardiogram monitoring device technology has recently been approved for study by Health Canada.

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- On February 24, 2023, Neural and Vertical Peak entered into amended and restated Arrangement Agreement.
- On May 23, 2023, Neural and Vertical Peak close the Plan of Arrangement pursuant to the Arrangement Agreement, as result of which, Vertical Peak distributed 4,714,677 Neural Shares to Vertical Peak shareholders, and Neural became an unlisted reporting issuer in the Provinces of British Columbia, Alberta and Quebec. In connection with the Plan of Arrangement, Neural issued 2,000,000 common share purchase warrants ("**Neural VP Warrants**") to Vertical Peak, each exercisable into one Neural Share at a price of \$1.00 per Neural Share until May 23, 2026
- On June 20, 2023 Neural appointed Dr. Mara Bilibajkich, MD, CCFP to its Scientific & Impact Advisory Board.
- On June 28, 2023 following the completion of review by Ministry of Environment of Peru, Neural received the SERFOR Permit, which provides Neural with access to genetic resources and their derivatives for the evaluation of the mescaline-containing cactus species of the Echinopsis genus.

**BUSINESS DESCRIPTION**

Neural is Canadian-based drug discovery/development company focused on developing products and conducting research with psychoactive plants. The first being San Pedro a cactus containing mescaline, a naturally occurring hallucinogen that is found in certain psychoactive plants and has been in continuous use for at least 5,700 years in South America, namely Peru, Bolivia and Columbia. Neural intends to collect and aggregate data by leveraging relationships with third party treatment providers to refine its pharmaceutical drug development and natural health product pipeline. To date, Neural's activities to develop its business include product and intellectual property development, conducting initial research and development to guide its drug development strategy, corporate and business development. Neural's registered office and corporate headquarters are in Canada, but Neural may conduct its research and development effort, including, cultivation, extraction, processing, product manufacturing, pre-clinical and clinical trials, in jurisdictions outside of Canada, including Peru, St. Vincent and the Grenadines and United Kingdom, where some of its partners are located.

Neural is a development stage company focused on developing its pathway for both pharmaceutical and nutraceutical products, which are briefly described below.

*Pharmaceutical Pathway*

Neural is taking steps to create premium mescaline products to compete in the emerging psychedelics market. Neural is in the process of developing a line of *San Pedro*-derived products that will help with various health objectives. The initial research and development work will focus on active ingredient(s) reproducibility by means of molecular and DNA analysis, identity testing, specifications and formulation. Neural has entered into an agreement with Cayetano University dated August 4, 2022 to assist with those activities.

Neural intends to conduct initial safety studies (being pre-clinical and toxicology tests to ensure the FDA's NDI standard of reasonable expectation of safety for human consumption is met) and is in the process of securing relationships with various contract research organizations ("**CROs**") to assist with those efforts. In connection with the preparation to conduct the studies, Neural also intends to establish a relationship with manufacturing partners and to test its supply chain, extraction, and product development capabilities for mescaline containing products. Neural has also completed preliminary research and development studies with its partners in Peru and engaged with local regulatory organizations to secure the necessary permits to conduct its research and development efforts.

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Neural's principal objective in its pharmaceutical division is to develop compounds containing mescaline that will satisfy the requirements of the Food and Drug Administration of the United States Department of Health and Human Services ("**FDA**") to complete a submission of an investigational new drug application ("**IND**"), and subsequently a new drug application ("**NDA**"). In connection with the IP Development Agreement Neural has filed a patent application on processes extraction processes in order to protect its future market share and conduct safety & pharmaceutical studies. It is intended that the manufactured products would be used to treat various ailments for which current therapies provide very little value. Examples include PTSD, depression, anxiety, substance-use-disorder, ADHD, general addiction, smoking, & eating disorder among others. In connection with the manufacturing of this products, Neural has engaged with various partners (such as Cactus Knize, Cayetano University, CGS and others) to assist with sourcing raw materials, supply chain, extraction, formulation, and infrastructure for such pharmaceutical products.

As a result of its future pre-clinical and clinical research efforts, Neural intends to carefully select specific drug candidates and diseases that we believe offer the greatest opportunity for therapeutic efficacy and commercial success. In consultation with leading academic institutions, researchers, clinicians, and key opinion leaders, the goal of Neural's pharmaceutical division is to design clinical development programs that have clearly defined and achievable endpoints, that will increase Neural's chance of commercial success.

### *Nutraceutical Pathway*

In parallel with pursuing clinical research, Neural aims to investigate utilization of the pulp fiber from the cactus to manufacture products that would be used in weight loss supplements, dietary supplements, dietary fiber and diabetic food. Neural intends to work with credible and established manufacturer, in collaboration with its partners, develop such products. To management's knowledge, Neural would be the only player that intends to offer *mescaline-free* dietary supplements and natural health products which are manufactured from the *San Pedro* cactus. Neural intends to pursue a multi-pronged distribution plan to reinforce its early-mover advantage. Demonstrating product safety at pre-determined levels of dosage is an integral part of the regulatory process to register its products with the FDA and Health Canada. Neural has engaged a research team at a Memorial University to conduct a market study to evaluate a potential path to market and competitive products.

## SIGNIFICANT TRANSACTIONS AND FINANCINGS

- On August 3, 2022, Neural closed its second tranche of its seed financing ("**Neural Seed Financing**") for gross proceeds of \$82,000 to Neural through the issuance of 1,093,333 units ("**Neural Seed Units**"), at an issue price of \$0.075 per Neural Seed Unit, each comprised of one Neural Share and ½ share purchase warrant (each a "**Neural Seed Warrant**") exercisable into Neural Shares at a price of \$0.10 per Neural Share.
- On February 3, 2023, Neural issued 109,330 Neural Shares at a price of \$0.075 per Neural Share to the subscribers of the second tranche of the Seed Financing as a penalty payment pursuant to the terms of the Seed Financing.
- On June 13, 2023 Neural announced a launch of the rights offering of up to \$1,184,080 (the "**Rights Offering**") and a non-brokered private placement of up to \$900,000 ("**Concurrent Private Placement**"). Pursuant to the Rights Offering, the Company would have offered 39,469,320 rights (the "**Rights**") to holders (the "**Shareholders**") of Neural Shares at the close of business on the record date of June 12, 2023 (the "**Record Date**") on the basis of one (1) Right for each one (1) Neural Share held. Each one (1) Right would have entitled the holder to subscribe for one Neural Share at the subscription price of \$0.03 per Neural Share. The Rights expired at 5:00 p.m. (Toronto time) (the "**Expiry Time**") on July 7, 2023 (the "**Expiry Date**"), after which time unexercised Rights were considered void and of no value. Concurrently with the Rights Offering, the Company intended to conduct the Concurrent Private Placement of up to 30,000,000 Neural Shares at a price of \$0.03 per Neural Share for gross proceeds of up to \$900,000. Neural Shares offered pursuant to the Concurrent

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Private Placement would be offered to persons resident in Canada who qualify as "accredited investors" under *National Instrument 45-106 – Prospectus Exemptions* ("**NI 45-106**") and may be offered to persons who reside outside of Canada who qualify under prospectus exemptions in those jurisdictions.

- On July 7, 2023 Neural closed the Rights Offering and issued 5,595,992 Neural Shares at a subscription price of \$0.03 per Neural Share for total gross proceeds of approximately \$167,880. Neural received subscriptions for 2,070,063 Neural Shares pursuant to the basic subscription privilege and 3,525,929 Neural Shares pursuant to the additional subscription privilege. The balance of the Neural Rights expired unexercised.

Other than noted above, there were no significant transactions and or financing activities during the years ended July 31, 2023 and 2022.

**COMMITMENTS AND CONTINGENCIES****Securities Issuable Pursuant to the Campbell Agreement**

In accordance with the terms of the Campbell Agreement subject to the achievement of certain milestones, Neural agreed to issue to Ian Campbell, Chief Executive Officer of Neural the following:

- (i) Upon the closing of the Seed Financing, that number of common shares equal to 1.5% of the issued and outstanding capital of the Corporation as constituted at the closing of the seed financing for no additional consideration
- (ii) Upon the:
  - a. closing of the Seed Financing; and
  - b. achievement of certain milestones by Mr. Campbell and Neural agreed to by Mr. Campbell and the board of directors of Neural ("**Board**")

A number of Neural Shares equal to an aggregate of 2.0% of the issued and outstanding capital of Neural as constituted at closing of the Seed Financing, released to Mr. Campbell in equal parts on a quarterly basis, in arrears, for a period of two (2) years from the date of closing the Seed Financing provided that Campbell Agreement continues in full force; and

- (iii) Upon the achievement of certain milestones by Mr. Campbell and Neural, agreed to by Mr. Campbell and the Board; stock options equal to 2% of the issued and outstanding capital of immediately prior to Neural listing its common shares on a recognized stock exchange or trading quotation system ("**Listing**"). Such stock options shall be exercisable at a price that is a 20% premium to the last financing price whereby shares of the Corporation were issued immediately prior to Listing, and shall vest in equal amounts, every six (6) months over three (3) years from their date of granting, or as required under applicable securities legislation and regulation, and will be subject to the terms of any stock option plan adopted by the Corporation.

Campbell Agreement provides that the process for satisfaction of the issuances of securities set out in the Campbell Agreement summarized above shall be determined by mutual agreement between Neural and Mr. Campbell and such securities have not been issued as of the date hereof.

**Securities Issuable Pursuant to the FMI Capital Advisory Inc. ("FMICA") Agreement**

In accordance with the terms of the FMICA Agreement dated December 17, 2021, Neural agreed to:

- Issue to FMICA an initial equity fee ("**Equity Fee**") in a form of Neural Shares equal to 5% of the issued and outstanding Neural Shares upon Neural completing a Seed Financing in the minimum amount of \$500,000, which was issued on February 2, 2022;

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- Issue to FMICA an initial fee ("**Initial Fee**") in a form of Neural Shares equal to 5% of the issued and outstanding Neural Shares upon Neural completing a Listing; and
  - Pay FMICA a monthly advisory fee equal to \$10,000, payable monthly in arrears commencing from September 1, 2021 until the earlier of: i) termination (30-day notice); ii) 4 months following Listing.

**RSU Issuances**

In accordance with the terms of an advisory agreement with a former officer of Neural, Neural committed to issue 366,667 RSUs in accordance with Neural RSU Plan that was approved at the Neural Meeting.

**Costs relating to the Plan of Arrangement**

In accordance with the terms of the Arrangement Agreement, Neural agreed that it will be responsible for all costs associated with the Plan of Arrangement, the Vertical Peak shareholder meeting, and the preparation of the related documentation.

**SELECTED ANNUAL INFORMATION**

The table below sets out certain selected financial information regarding the operations of Neural for the period indicated. The selected audited financial information has been prepared in accordance with IFRS and should be read in conjunction with Neural's audited financial statements and related notes.

	Year Ended July 31,		
	2023	2022	2021
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	\$	\$	\$
Revenue	-	-	-
Net Loss	\$1,076,107	\$1,818,455	\$389,788
Basic and Diluted loss per share	\$0.03	\$0.05	\$0.02
Total Assets	\$350,663	\$454,570	\$1,229,467
Total long-term liabilities	\$139,583	\$136,000	\$Nil
Cash dividends	-	-	-

During the year ended July 31, 2023, Neural completed financings and agreed to forgive the amount payable to High Fusion, which are the main factors attributed to the changes in total liabilities. During the year ended July 31, 2023, Neural incurred a loss of \$1,076,107, of which \$136,000 is attributed to the gain on forgiveness of debt to High Fusion, and the balance is attributed to operating expenses associated with Neural's research and development business.



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**SELECTED QUARTERLY INFORMATION**

The following is a summary of the Company's quarterly financial results for the eight most recently completed quarters to July 31, 2023:

<b>For the quarter ended:</b>	<b>July 31, 2023 \$</b>	<b>April 30, 2023 \$</b>	<b>January 31, 2023 \$</b>	<b>October 31, 2022 \$</b>
Net loss	183,398	293,192	220,758	378,759
Loss per share from operations	0.00	0.01	0.01	0.01

<b>For the quarter ended:</b>	<b>July 31, 2022 \$</b>	<b>April 30, 2022 \$</b>	<b>January 31, 2021 \$</b>	<b>October 31, 2021 \$</b>
Net loss	225,143	1,387,220	171,885	34,207
Loss per share from operations	0.01	0.04	0.00	0.00

**DISCUSSION OF OPERATIONS****Sales Revenue and Gross Profit**

Neural did not have revenues or gross profit during the year ended July 31, 2023.

**Operating Expenses**

Operating expenses during the year ended July 31, 2023 were \$1,209,257 compared to \$743,142 during the corresponding year ended July 31, 2022. This increase was primarily due to the following:

- An increase in salaries, wages and benefits of \$85,888 as a result of deferral of Neural's management team's salaries agreed to by such members of the management team;
- An increase in consulting fees of \$36,338 as a result of contracting additional consultants to assist with the business development, preparation for public listing (including the Plan of Arrangement) and certain scientific activities;
- An increase in professional fees of \$141,400, as the previous corresponding year does not include certain one-time costs related to the formative activities of the Company and refocusing of the overhead on preparation for a potential public listing (including the Plan of Arrangement);
- A increase of \$203,418 in general and administrative fees, mainly as a result of the expenses incurred in connection with the Plan of Arrangement; and
- A increase of \$180 in research expenses, as a result of shifting the focus to preparation for fundamental research and development work undertaken by the consultants compared to expenses directly attributed to specific research activities.

**LIQUIDITY AND CAPITAL RESOURCES**

Neural's financial success is reliant on management's ability to identify and evaluate suitable growth and acquisition opportunities and maximizing the potential of these opportunities. In order to fund future growth opportunities and to corporate overhead, Neural may seek additional financing through debt or equity offerings. Any equity offering will result in dilution to the ownership interests of Neural's shareholders and may result in dilution to the value of such interests.

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Liquidity risk is the risk that Neural will not have sufficient cash resources to meet its financial obligations as they come due. The ability of Neural to continue as a going concern is dependent on its ability to obtain funding, manage cash flows, restructure borrowings and recover funds loaned to borrowers that have currently been provided against or recover collateral that secured those loans. There is significant uncertainty as to whether Neural will be able to continue as a going concern and therefore, whether it will continue its normal business activities and realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. These financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should Neural not continue as a going concern. In the short term, the continued operations of Neural may be dependent upon its ability to obtain additional financing. Without this additional financing, Neural may be unable to meet its obligations as they come due. There can be no certainty that Neural can obtain these funds, in which case any investment in Neural may be lost.

As at July 31, 2023, Neural had working capital deficiency of \$122,555 (July 31, 2022 – working capital deficiency of \$9,466), had accumulated losses of \$3,470,712 (July 31, 2022 - \$2,394,605). Neural expects to be able to meet its financial obligations in the near future, but intends to undertake additional capital raises and seek deferral of forgiveness of some of its accrued liabilities to remedy the working capital deficiency.

**Cash Flow Operating activities**

Net cash used in operating activities during the year ended July 31, 2023 totaled \$526,972 compared to cash used of \$601,582 in the year ended July 31, 2022. This decrease in net cash used in operating activities was primarily due to higher losses from operating activities in the year ended July 31, 2023, due to increased business activity and preparation for public listing, partially offset by an increase in accounts payable and Neural Shares issued for penalty and debt settlements.

**Financing activities**

During the year ended July 31, 2023, net cash generated in financing activities totaled \$428,417 compared to net cash generated of \$973,460 in the corresponding prior year 2022. The decrease is primarily due to a decrease in proceeds from issuances of securities.

**Foreign currency exchange risk**

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. Neural enters into foreign currency purchase transactions and has assets and liabilities that are denominated in foreign currencies and thus is exposed to the financial risk fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. Neural does not currently use derivative instruments to reduce its exposure to foreign currency risk.

An increase (decrease) of 10% in the currency exchange rate of the Canadian dollar versus US dollar would have impacted Neural net loss by \$nil (July 31, 2022 - \$1,000) as a result of Neural's exposure to currency exchange rate fluctuations.

**CAPITAL MANAGEMENT**

Neural includes cash and cash equivalents and shareholders' equity, comprising issued common shares, contributed surplus and deficit, in the definition of capital. Neural manages its capital structure and makes adjustments to it, based on the funds available to Neural. Neural's objectives when managing its capital are to safeguard Neural's ability to continue as a going concern in order to support ongoing initiatives, to provide sufficient working capital to meet its ongoing obligations, and to pursue potential acquisitions.

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Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of Neural, is reasonable. Neural is not subject to externally imposed capital requirements. Neural has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

**OFF-BALANCE SHEET ARRANGEMENTS**

Neural has not entered into any off-balance sheet arrangements.

**PROPOSED TRANSACTIONS**

Neural is not a party to any agreement for proposed transactions.

**SUBSEQUENT EVENTS**

Subsequent to the year ended July 31, 2023 and up to the date hereof, the following events occurred:

- On August 18, 2023 Neural entered into contract with National Service for Forest and Wildlife or Servicio Nacional Forestal y de Fauna Silvestre ("**SERFOR**") permitting Neural access to genetic resources and their derivatives for a period of nine months.
- On August 28, 2023 Neural, CGS and Validity Laboratory Services, LLC, ("**Validity Labs**") entered into an agreement pursuant to which Validity Labs was added to the CGS Agreement to perform certain activities set out in the CGS Agreement in the United States that would otherwise be performed by CGS in the Saint Vincent and Grenadines.
- On August 28, 2023 Neural entered into agreement with Validity Labs, pursuant to which Validity Labs agreed to assist Neural with testing and improvement of various extraction processes and methodologies for extraction of mescaline from various cacti, and assigning the resulting intellectual property to Neural.
- On August 28, 2023 Neural submitted PCT application, claiming priority to the United States Provisional Application 63/401,352, which occurred on August 26, 2022 in connection with the IP Development Agreement.
- On September 21, 2023, Neural completed the first tranche of the Series A Financing for gross proceeds of \$293,346 through issuance of 9,778,209 common shares at a price of \$0.03. The Company paid cash finders' fees of \$12,587 and issued 419,564 finders' warrants ("**Finders' Warrants**") each Finders' Warrant is exercisable into one Neural Share at a price of \$0.05 until September 21, 2025. Concurrently, Neural settled \$327,845 of indebtedness owed through the issuance of 10,928,181 Neural Shares at a price of \$0.03 per Neural Share.
- On September 28, 2023, Neural changed its auditors from Kreston GTA LLP, Chartered Professional Accountants to DNTW Toronto LLP.
- On October 3, 2023, the Company announced the appointment of Jason Dyck, Kelly Narine, and Colin Mclelland to the board of directors, and entered into IP development agreement ("**Agreement**") with Validity Laboratory Services LLC ("**Validity Labs**").

**OUTSTANDING SHARE DATA**

The table below sets out the number of Neural Shares and other securities convertible into Neural Shares outstanding as at each of July 31, 2023, and the date that appears on the title page of this document:

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Description of Security	Outstanding as at July 31, 2023	Outstanding as of the date hereof
Neural Shares	45,065,322	65,771,712
Neural Warrants	5,546,667	5,546,667
Neural VP Warrants	2,000,000	2,000,000
Neural Broker Warrants	596,600	1,016,164
Neural Options <sup>(1)</sup>	-	-
Neural RSUs <sup>(1)</sup>	-	-
Rights	-	-

**Notes:**

(1) Neural Stock Option Plan and Neural RSU Plan were approved by Neural Shareholders at the Neural Meeting on January 6, 2023;

**Related parties and key management**

Key management includes Neural's directors, officers and any employees with authority and responsibility for planning, directing, and controlling the activities of an entity, directly or indirectly.

The following is a summary of the key management compensations for the year ended July 31, 2023 and 2022:

	2023	2022
Director fees (i)	67,500	47,500
Former Chief Financial Officer (ii)	7,500	-
Salaries (iii)	357,000	-
Marrelli Support Service Inc. (iv)	25,907	-
<b>Total</b>	<b>457,907</b>	<b>47,500</b>

- (i) During the year ended July 31, 2023, the Company incurred \$67,500 (July 31 2022 - \$47,500), respectively, in consulting fees paid to a director of the Company. As at July 31, 2023, the Company owe \$7,500 (July 31, 2022 - \$nil).
- (ii) During the year ended July 31, 2023, the Company incurred \$7,500 (July 31, 2022 \$nil), respectively in consulting fee paid to a private company controlled by the former CFO of the Company. As at July 31, 2023, the Company owe \$21,625 (July 31, 2022 - \$nil).
- (iii) During the year ended July 31, 2023, the Company incurred \$357,000, (July 31, 2022 \$nil) respectively in salaries, vacation, and bonus expenses to the CEO of the Company. As of July 31, 2023, the Company owe \$146,000 (July 31, 2022 - \$100,450), recorded in accrued liability.
- (iv) During the year ended July 31, 2023, the Company incurred \$25,907 (July 31, 2022 - \$nil), respectively for accounting and CFO's services to Marrelli Support Services Inc. As at July 31, 2023, the Company owe \$2,885 (July 31, 2022 - \$nil), recorded in account payable.

On February 2, 2023, the due to related parties in the amount of \$136,000 was settled by Vertical Peak for the obligation to the Company's former CFO and one director.

On May 31, 2023, the Company signed a waiver and payment deferral agreement with the CEO of the Company to defer of payment until the earlier of: a) 14 months from the date of the agreement; and b) competing a financing for the gross proceeds of no less than \$400,000 following a successful listing on a stock exchange in Canada. As of July 31, 2023, \$139,583 was outstanding and included in due to related parties.

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**SIGNIFICANT ACCOUNTING POLICIES****Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 – Income Taxes. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement year adjustments. The measurement year is the year between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statements of loss and comprehensive loss.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements). The excess of the aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquire over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Kruzo did not constitute a business as defined under IFRS 3 – business combination at the time of the Transaction and is therefore not within the scope of IFRS 3 and IFRS 2 applied. According to IFRS 2, any difference in the fair value of the consideration paid and the fair value of the net assets acquired was recognized as an expense.

**Valuation of equity units issued**

When the Company issues equity units that include both common shares and share purchase warrants, the proceeds from the issuance of equity units are allocated between the common shares and common share purchase warrants on a pro-rated basis using the relative fair values of common shares and common share purchase warrants.

The fair value of the common shares is determined using the share price at the date of the issuance of the units. The fair value of the share purchase warrants is determined using the Black-Scholes valuation model.

**Share-based payments**

Equity-settled share-based payments are measured at the fair value of the stock options at the grant date and recognized in expense over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve.

The fair value of options is determined using the Black-Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are retained in share-based payment reserve. Upon the exercise of stock options, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

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**Earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method of calculating the weighted average number of common shares outstanding. The treasury stock method assumes that outstanding stock options and warrants with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average price of the common shares for the period.

**Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**Income taxes**

Income tax expense consisting of current and deferred tax expense is recognized in the consolidated statements of income and comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provision of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through other profit and loss ("FVTPL"), are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

*Financial assets*

Amortized cost - Assets are held within a business model with the objective of collecting their contractual cash flow; and the contractual cash flows consist solely of payments of principal and interest. They are recognized initially at fair value plus directly attributable transaction costs, and subsequently measured at

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amortized cost less cumulative impairment losses. A gain or loss on a debt investment is recognized in profit and loss when the asset is derecognized or impaired.

Fair value through other comprehensive income (FVTOCI) – Assets are held within a business model that includes both hold to collect their contractual cash flow and sell the assets; and the contractual cash flows consist solely of payments of principal and interest. For debt instruments measured at FVTOCI, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses are recognized directly in profit or loss. The cumulative fair value gains or losses recognized in OCI are reclassified to profit or loss when the asset is derecognized. An election may be made to classify an equity investment, that is neither held for trading nor represents contingent consideration recognized by an acquirer in a business combination, as held at FVTOCI. The option to designate an equity instrument at FVTOCI is available at initial recognition and is irrevocable. This designation results in all gains and losses being presented in OCI except dividend income which is recognized in profit or loss.

Fair value through profit and loss - Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a financial asset measured at FVTPL that is not part of a hedging relationship is recognized in profit and loss and presented on a net basis in the period in which it arises. IFRS 9 contains an option to designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial asset at FVTPL is available at initial recognition and is irrevocable.

Financial assets should be reclassified when and only when an entity changes its business model for managing financial assets. Any such reclassifications are applied prospectively from the date of the reclassification.

*Financial liabilities*

FVTPL - This category comprises derivatives, liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term, and certain financial liabilities that were designated at FVTPL from inception. IFRS 9 contains an option to designate a financial liability as measured at FVTPL if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial liability at FVTPL is available at initial recognition and is irrevocable.

Amortized cost - Financial liabilities are recognized initially at fair value net of directly attributable transaction costs. They are subsequently recognized at amortized cost using effective interest method with interest expense recognized on an effective yield basis.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and it intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

The Company's classification and measurements of financial assets and liabilities are summarized below:

<b>Financial Instrument</b>	<b>Classification</b>
Cash	Amortized cost
Accounts payable	Amortized cost
Accrued liabilities	Amortized cost
Due to related parties	Amortized cost

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**Fair value hierarchy**

IFRS 7, Financial instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the year ended July 31, 2023, there were no transfers of amounts between fair value levels.

The Company's financial instruments are classified at level 3 financial instruments with fair value approximating their carrying values due to the relatively short-term nature of the instruments.

**Allowance for expected credit losses**

IFRS 9 provides a simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables and contract assets. The credit loss model groups receivables based on similar credit risk characteristics and the number of days past due in order to estimate bad debt expenses. The Company assesses the lifetime expected credit loss related to its sales receivables and re-assesses the provision each reporting period. When measuring the expected credit loss, the Company considers a variety of factors including: evidence of the debtor's financial condition, the term of the receivable and any changes in economic conditions.

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**Foreign currency translation**

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the statement of financial position date.

Nonmonetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in loss and comprehensive loss for the period.

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

Assets and liabilities are translated at the closing rate at the financial period end;

Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions).



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Equity transactions are translated using the exchange rate at the date of the transaction; and

All resulting exchange differences are recognized as a separate component of equity as reserve for foreign exchange translation.

When a foreign operation is disposed of, the relevant amount in the reserve for foreign exchange in other comprehensive income is transferred to profit or loss as part of the profit or loss on disposal.

On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance, is considered to form part of the net investment in the foreign operation, are recognized in the reserve for foreign exchange assumptions.

**Research and development costs**

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in the statements of loss and comprehensive loss as incurred. To date, no development costs have been capitalized.

**Significant accounting estimates and judgments**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about critical judgments in applying accounting policies and estimates that have the most significant effect on the amounts recognized in these consolidated financial statements is included in the following notes:

**Going concern**

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

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**Provisions and contingencies**

The amount recognized as provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements. As at July 31, 2023, the Company does not have any material asset retirement obligations related to its assets.

**Business combination and asset acquisitions**

In a business combination and asset acquisitions, all identifiable assets, liabilities, and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, Financial Instruments, or IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. See Note 3 – Business acquisitions and disposals.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

**Share-based payments and warrants**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

For warrant-based derivative financial instruments, the Company uses the Black-Scholes option pricing model to estimate fair value of the derivative instruments.

**Fair value of financial instruments**

The individual fair values attributed to the different components of a financing transaction, notably investment in equity securities, convertible debentures, and promissory notes are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates

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could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

**Deferred tax**

The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax loss carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore, do not necessarily provide certainty as to their recorded values.

**Business combinations**

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. The Company must determine whether it is the acquirer or acquiree in each acquisition. Under IFRS 3 – Business Combinations, the acquirer is the entity that obtains control of the acquiree in the acquisition. If it is not clear which company is the acquirer, additional information must be considered, such as the combined entity's relative voting rights, existence of a large minority voting interest, composition of the governing body and senior management, and the terms behind the exchange of equity interest.

The acquisition of Kruzo LLC was determined to be an asset acquisition (See Note 3).

Judgment is also required to determine when the Company gains control of an investment. This requires an assessment of the relevant activities of the investee, being those activities that significantly affect the investee's returns, including operating and capital expenditure decision-making; financing of the investee; the appointment, remuneration and termination of key management personnel; and when decisions in relation to those activities are under the control of the Company. Difficulties surrounding the control of acquired entities exists within the cannabis industry, due to certain state legislative requirements to structure cannabis license holders.

**Functional currency**

The determination of the functional currency often requires significant judgment where the primary economic environment in which an entity operates may not be clear. This can have a significant impact on the results of the Company based on the foreign currency translation method.

**Adoption of new or amended pronouncements**

The Company has adopted the following new or amended IFRS standards for the period beginning August 1, 2023.

**Definition of a Business (Amendments to IFRS 3)**

In October 2018, the IASB issued Definition of a Business (Amendments to IFRS 3 Business Combination) which: (a) clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (b) narrows the definition of a business and of outputs by focusing on goods and services provided to customers; and (c) removes certain assessments and adds guidance and illustrative examples. The amendments introduced an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Company adopted the standard effective August 1, 2020 with no impact on the preparation of the financial statements.

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**RISK FACTORS**

An investment in the securities of Neural is subject to certain risks and readers should carefully consider the following risk factors related to Neural's business. If any of the identified risks were to materialize, Neural's business, financial position, results and/or future operations may be materially affected. The risk factors identified in this MD&A, are not exhaustive and other factors may arise in the future that are currently not foreseen by management of Neural that may present additional risks in the future. Readers are cautioned that the following risk factors are not exhaustive and additional risks and uncertainties, including those currently unknown or considered immaterial, may also adversely affect Neural.

This section is separated in the following subsections, each of which groups the risk factors into common categories, as follows: i) Risks Related to the Regulatory Environment; ii) Risks Related to the Psychedelics Industry; iii) Risks Related to the Ownership of Securities of Neural; iv) Risks Related to Neural's Business Generally; v) Risks Related to Neural's Nutraceutical Business; vi) Risks Related to Neural's Pharmaceutical Business; and vi) Risks Related to Neural's Intellectual Property.

**Risks Related to the Regulatory Environment***Risks Related to Regulatory Changes*

In the U.S., mescaline is classified as a Schedule I drug under the CSAUS. All activities involving such substances by or on behalf of Neural are conducted in accordance with applicable federal, provincial, state and local laws. While Neural is focused on drug development activities programs using mescaline and psychedelic cacti, Neural does not have any direct or indirect involvement with the illegal selling, production or distribution of any substances in the jurisdictions in which it operates and does not intend to have any such involvement. However, a violation of any applicable laws in the jurisdictions in which Neural operates could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either government entities in the jurisdictions in which Neural operates, or private citizens or criminal charges.

Any changes in applicable laws and regulations could have an adverse effect on Neural's operations. The psychedelic drug industry is a fairly new industry and Neural cannot predict the impact of the ever-evolving compliance regime in respect of this industry. Similarly, Neural cannot predict the time required to secure all appropriate regulatory approvals for future products, or the extent of testing and documentation that may, from time to time, be required by governmental authorities. An example is Neural's arrangements with Cactus Knize, Cayetano University and CGS, which are such that neither Neural nor its employees bear any responsibility for handling, harvesting, processing and extracting psychedelic cacti or mescaline extracts. However, if a regulator determined that Neural was involved with any of the aforementioned activities, Neural would not be licensed and, in order to protect Neural's interests, would have to terminate these relationships. While this would assist in addressing the regulatory compliance issue in this case, the impact of compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, its business and products, and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of Neural. Neural will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or result in restrictions on Neural's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Neural's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of Neural.

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The success of Neural's business is dependent on its activities being permissible under applicable laws and any reform of controlled substances laws or other laws may have a material impact on Neural's business and success. There is no assurance that activities of Neural will continue to be legally permissible and Neural may become subject to the enforcement policies across many federal agencies, primarily the FDA and DEA. The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating the ingredients as well as the marketing and labeling of drugs sold in interstate commerce. Since it is currently illegal under federal law to produce and sell mescaline and most psychedelic drugs other than ketamine and as there are no federally recognized medical uses, the FDA has historically deferred enforcement related to these products to the DEA. If mescaline and/or other psychedelic drugs were to be rescheduled to a federally controlled, yet legal, substance, the FDA would likely play a more active regulatory role. The DEA would continue to be active in regulating manufacturing, distribution and dispensing of such substances. Multi-agency regulation and enforcement could materially affect Neural's costs associated with research and development involving of these substances in its business.

*Non-Compliance with Laws*

Under the CDSA, mescaline and peyote are currently Schedule I drugs, Neural's operations are conducted in strict compliance with the laws and regulations regarding its activities with such substances. As such, all facilities engaged with such substances by or on behalf of Neural do so under current licenses, permits and approvals, as applicable, issued by appropriate federal, provincial, state and local governmental agencies. While Neural is focused on drug discovery and development activities using mescaline and psychedelic cacti, Neural does not have any direct or indirect involvement with the illegal selling, production or distribution of any substances in the jurisdictions in which it operates and does not intend to have any such involvement. However, a violation of any applicable laws and regulations, such as the CDSA and CSAUS, or of similar legislation in the jurisdictions in which it operates or is deemed to operate, including Peru and SVG, could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by the government entities in the jurisdictions in which Neural operates, private citizens or criminal charges. Any such violations could have an adverse effect on Neural's operations. Further, there is no guarantee that psychedelic drugs or psychedelic cacti will ever be approved as medicines in any jurisdiction in which Neural operates, activities of the third parties that Neural does business with are subject to regulation by governmental authorities, and Neural's business objectives are contingent, in part, upon its and its personnel's compliance with regulatory requirements enacted by these governmental authorities, and obtaining all regulatory approvals, where necessary. Any delays in obtaining, failure to obtain, or violations of regulatory approvals and requirements would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of Neural.

*Substantial Risk of Regulatory or Political Change*

The success of the business strategy of Neural depends on the legality of the use of psychedelics for the treatment of mental health conditions and the acceptance of such use in the medical community. The political environment surrounding the psychedelics industry in general can be volatile. As of the date of this MD&A, Canada and the U.S. have enacted certain exemptions to permit research and development activities using mescaline and psychedelic cacti, however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the use of psychedelics as a whole, adversely impacting Neural's ability to successfully operate or grow its business.

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*Government Regulations, Permits and Licenses*

Neural's operations may be subject to governmental laws or regulations promulgated by various legislatures or governmental agencies from time to time. A breach of such legislation may result in the imposition of fines and penalties. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Neural intends to fully comply with all governmental laws and regulations. Third parties that Neural does business with will be subject to various federal, state, provincial and municipal laws in the jurisdictions where they operate. While there are currently no indications that Neural will require approval by a governmental or regulatory authority other than obtaining approval of the SERFOR permit, such approvals may ultimately be required. If any permits are required for Neural's operations and activities in the future, there can be no assurance that such permits will be obtainable on reasonable terms or on a timely basis, or that applicable laws and regulations will not have an adverse effect on Neural's business.

The current and future operations of Neural and its partners are and will be governed by laws and regulations governing the healthcare industry, labor standards, occupational health and safety, land use, environmental protection, and other matters. Amendments to current laws, regulations and permits governing research and development involving psychedelics, or more stringent implementation thereof, could have a material adverse impact on Neural and cause increases in capital expenditures or costs, or decreased ability to achieve its business milestones.

*Changes in Applicable Federal, Provincial, or State Laws And Regulations, or the Expansion of Current, or the Enactment of New Laws or Regulations Relating to Cactus-Based Nutraceutical Businesses, Could Adversely Affect Neural's Business*

While the sale, manufacturing and distribution of San Pedro cacti are not currently subject to regulation under CDSA in Canada and under CSA in the United States, there is no certainty that this exclusion could not be altered by court or governmental action or re-interpretation. If San Pedro cactus becomes a controlled substance, Neural may need to seek to adjust its product development efforts to ensure compliance with applicable laws and regulations, which may result in substantial delays to achieving commercial revenue, change in timing of securing the required permits and licenses and unforeseen costs, which would adversely affect Neural's business.

There is no certainty that in the future the FDA or Health Canada will not regulate mescaline-free nutraceutical products developed by Neural, including products containing pulp fiber from San Pedro cactus and prohibit its use as a dietary ingredient in dietary supplements or an NHP. There is no certainty that pulp fiber from San Pedro cactus or other dietary ingredients marketed by Neural, will be considered a grandfathered dietary ingredient under the DSHEA, meet the definition of a dietary ingredient, or would otherwise be permitted for use under the DSHEA. There is no certainty that the FDA would file a NDIN with no objections for such products or any products manufactured from San Pedro cacti, or file a NDIN with no objections for any other dietary ingredients Neural seeks to market, and thus there is a possibility that certain extracts and dietary ingredients of Neural may not be marketed as dietary ingredients in dietary supplements in the United States. Under Section 201(ff)(3)(B) of the FDCA, a substance may not be used as a dietary ingredient if it includes "an active ingredient" that was first (1) approved as a new drug or (2) approved as an IND for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public. Thus, it is possible that an IND has been filed and/or authorized to study San Pedro cactus as a drug and FDA could take the position that pulp fiber from San Pedro cactus is precluded from being an ingredient in dietary supplements. Similarly, other ingredients or extracts from San Pedro cactus that Neural may seek to market in the future may also be precluded from being marketed as dietary ingredients in dietary supplements.

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*Neural May Become Subject to Enforcement Actions by Various Government Authorities That Would Materially Impact Neural's Business*

Neural intends to rely on the supply of San Pedro cacti and its extracts, which may be imported from other countries including Peru. In the United States, San Pedro cactus is not scheduled under the CSAUS and therefore, is not under the enforcement authority of the DEA. If in the future the DEA exerts jurisdiction over San Pedro cactus or any mescaline-free products manufactured from the San Pedro cactus, Neural may become subject to additional licensing requirements, which may require additional capital. There is no assurance that Neural will be able to obtain any such licenses, be eligible to apply for such licenses, or comply with the current or evolving regulatory framework in any jurisdiction where it carries on its business or sells its products, which would adversely affect Neural's business.

If Neural's historical, current or future sales or operations were found to be in violation of such regulations Neural may be subject to enforcement actions in such jurisdictions including, but not limited to penalties, including criminal and significant civil monetary penalties, damages, fines, imprisonment, exclusion from participation in government programs, injunctions, recall or seizure of products, total or partial suspension of production, denial or withdrawal of pre-marketing product approvals, private "*Qui Tam*" actions brought by individual whistleblowers in the name of the government, or refusal to allow Neural to enter into supply contracts, and the curtailment or restructuring of Neural's operations, any of which could adversely affect Neural's ability to operate its business and its results of operations.

*Neural May Become Subject to Additional Government Regulation and Legal Uncertainties That Could Restrict the Demand for its Services or Increase its Cost of Doing Business, Thereby Adversely Affecting its Financial Results*

The activities of Neural are subject to regulation by governmental authorities. Achievement of Neural's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Neural cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of Neural.

Neural's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of food and health supplement products including laws and regulations relating to health and safety and the conduct of operations. Changes to such laws, regulations and guidelines due to matters beyond the control of Neural may cause adverse effects to Neural's operations.

While the impact of the changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on Neural's operations that is materially different than the effect on similar-sized companies in the same business as Neural.

Local, provincial, state and federal laws and regulations governing San Pedro cactus and its non-mescaline constituents are broad in scope and are subject to evolving interpretations, which could require Neural to incur substantial costs associated with bringing Neural's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt Neural's operations and result in a material adverse effect on its financial performance. It is beyond Neural's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can Neural determine what effect such changes, when and if promulgated, could have on Neural's business.

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*Complying With New and Existing Government Regulation, in Canada, the United States and Abroad, Could Increase Neural's Costs Significantly and Adversely Affect its Financial Results*

The processing, formulation, manufacturing, packaging, labeling, advertising, distribution and sale of Neural's products are subject to regulation by several Canadian and U.S. federal departments and agencies, including Health Canada, the NNHPD, the FDA, the FTC, the Consumer Products Safety Commission, USPHS, USCBP, the Occupational Safety and Health Administration, as well as various provincial, state, local and international laws and agencies of the localities in which Neural's products are expected to be sold or marketed. Government regulations may prevent or delay the introduction, or require the reformulation, of Neural's products. Some agencies could require Neural to remove a particular product from the market, delay or prevent the import of raw materials for the manufacture of Neural's products, or otherwise disrupt Neural's marketing efforts. Any such government actions would result in additional costs, including lost revenues from any additional products that Neural might be required to remove from the market, which additional costs could be material. Any such government actions also could lead to liability, substantial costs and reduced growth prospects. Moreover, there can be no assurance that new laws or regulations imposing more stringent regulatory requirements on the dietary supplement industry will not be enacted or issued. In addition, complying with adverse event reporting requirements imposes additional costs on Neural, which costs could become significant in the event more demanding reporting requirements are put into place.

Additional or more stringent regulations of nutraceutical products and other products may be considered from time to time. These developments could require reformulation of certain products to meet new standards, recalls or discontinuance of certain products that cannot be reformulated, additional record-keeping requirements, increased documentation of the properties of certain products, additional or different labeling, additional scientific substantiation, adverse event reporting or other new requirements. These developments also could increase Neural's costs significantly.

Should Health Canada and/or the FDA or any provincial, state or local agencies or regulators amend its guidelines or impose more stringent interpretations of current laws or regulations, Neural may not be able to comply with these new guidelines. As the products expected to be manufactured by Neural, through the CMOs engaged by Neural, will be ingested by consumers, Neural is always subject to the risk that one or more of its products that currently are not subject to regulatory action may become subject to regulatory action. Such regulations could require the reformation of certain products to meet new standards, market withdrawal or discontinuation of certain products not able to be reformulated, imposition of additional record keeping requirements, expanded documentation regarding the properties of certain products, expanded or different labeling and/or additional scientific substantiation. Failure to comply with applicable requirements could result in sanctions being imposed on Neural, its contract manufacturing partners or third-party distributors, including but not limited to fines, injunctions, product recalls, seizures and criminal prosecution.

Additionally, Health Canada and/or the FDA may not accept the evidence of safety for any new dietary ingredients that Neural, may decide to use, and Health Canada and/or the FDA's refusal to accept such evidence could result in designation of such dietary ingredients as adulterated, until such time as reasonable expectation of safety for the ingredient can be established to the satisfaction of Health Canada and/or the FDA.

There can be no assurance that Health Canada and/or the FDA will not consider particular labeling statements to be used by Neural to be drug claims rather than acceptable statements of nutritional support, necessitating approval of a costly new drug application, or re-labeling to delete such statements. It is also possible that such agencies could allege false statements were submitted to it if structure/function claim notifications were either non-existent or so lacking in scientific support as to be plainly false.



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As a proposed dietary supplement distributor in the United States and a NHP distributor in Canada, Neural will be required to also follow cGMPs that apply to its specific distribution operations. Failure to comply with applicable cGMP regulations could result in sanctions being imposed on Neural, including fines, injunctions, civil penalties, delays, suspensions or withdrawals of approvals, operating restrictions, interruptions in supply, recalls, withdrawals, issuance of safety alerts, and criminal prosecutions, any of which could have a material adverse impact on Neural's business, financial condition, results of operations, and prospects. The FDA could also make negative cGMP findings public through a Warning Letter or release of an FDA Form 483 observation report through the Freedom of Information Act request. Such negative publicity would adversely affect Neural's business, financial condition and results of operations.

Neural may become subject to additional laws or regulations or other federal, provincial, state, or foreign regulatory authorities. The laws or regulations which are considered favorable may be repealed, or more stringent interpretations of current laws or regulations may be implemented. Any or all of such requirements could be a burden to Neural and require it to:

- change the way Neural conducts business;
- use expanded or different labeling;
- recall, reformulate or discontinue certain products;
- keep additional records;
- increase the available documentation of the properties of its products; and/or
- increase the scientific proof of product ingredients, safety, and/or usefulness.

#### *Securities Regulatory Authorities and CSE Policies Regarding Business Activities*

The Canadian securities regulatory authorities have not currently provided specific advice regarding issuers involved in the production and distribution of San Pedro-based products, such as the products that Neural intends to manufacture and distribute. As such, Neural believes that a disclosure-based approach remains appropriate. There can be no assurance that heightened scrutiny will not in turn lead to the imposition of certain restrictions on Neural's ability to invest in the United States or any other jurisdiction. The CSE has stated that it is supportive of entrepreneurial issuers that operate in a rapidly evolving legal frameworks provided that the issuers offer appropriate risk disclosure and demonstrate that they are operating in accordance with applicable laws. It is possible that Neural may become subject to increased scrutiny by the securities regulators and/or the CSE (if Neural lists on the CSE) as a result of the business, which may have a detrimental effect on the financial results of Neural.

#### **Risks Related to the Psychedelics Industry**

##### *Unfavorable Publicity or Consumer Protection*

The success of the psychedelics-based drug industry may be significantly influenced by the public's perception of psychedelic medicinal applications. Psychedelics is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion, and/or public opinion relating to psychedelics will be favorable. The psychedelics industry is an early stage industry that is constantly evolving, with no guarantee of viability. The market for psychedelic drugs and nutraceutical products is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of psychedelics may have a material adverse effect on Neural's operational results, consumer base and financial results.

Furthermore, there can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the market for San

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Pedro derived products or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for Neural's products and the business, results of operations, financial condition and cash flows of Neural. Neural's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on Neural, the demand for Neural's products, and the business, results of operations, financial condition and cash flows of Neural. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cactus-derived products in general, or Neural's products specifically, or associating the consumption of cactus-derived products with illness or other negative effects or events, could have such a material adverse effect. Additionally, consumers may associate Neural's products with illegal psychoactive drugs, which are prohibited substances. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

*Social Media*

There has been a recent marked increase in the use of social media platforms and similar channels that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. Information posted about Neural may be adverse to Neural's interests or may be inaccurate, each of which may harm Neural's business, financial condition and results of operations.

**Risks Related to Ownership of Securities of Neural***Dilution*

Following completion of the Plan of Arrangement, Neural may have further research and development expenditures as it proceeds to expand research and development activities, develop its products or take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it. Neural may sell additional Neural Shares or other securities in the future to finance its operations or may issue additional Neural Shares or other securities as consideration for future acquisitions. Neural cannot predict the size or nature of future sales or issuances of securities or the effect, if any, that such future sales and issuances may have on the market price of Neural Shares. Sales or issuances of substantial numbers of Neural Shares, or the perception that such sales or issuances could occur, may adversely affect the future market price of Neural Shares and dilute each Neural Shareholder's equity position in Neural.

*Market for Securities*

Although Neural intends to apply to list Neural Shares on the CSE, there is currently no market through which Neural Shares may be sold and Neural Shareholders may not be able to resell Neural Shares acquired under the Plan of Arrangement. There can be no assurance that Neural will be able to successfully list the Neural Shares on the CSE or that an active trading market will develop for Neural Shares following the completion of the Plan of Arrangement, or if developed, that such a market will be sustained at the trading price of Neural Shares immediately after listing. There can be no assurance that fluctuations in the trading price will not have a material adverse impact on Neural's ability to raise equity funding without significant dilution to Neural Shareholders, or at all.

Securities markets have had a high level of price and volume volatility, and the market price of securities of many psychedelic companies, particularly those considered research or development stage companies, have experienced wide fluctuations in price that have not necessarily been related to the operating

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performance, underlying asset values or prospects of such companies. Once listed, the trading price of Neural Shares may increase or decrease in response to a number of events and factors, not related to Neural's performance, and will, therefore, not be within Neural's control, including but not limited to, the market in which Neural Shares are traded, the strength of the economy generally, the availability and attractiveness of alternative investments and the breadth of the public market for Neural Shares. The effect of these factors on the market price of Neural Shares in the future cannot be predicted.

*Significant Shareholder*

Certain related parties, including Vertical Peak (collectively "**Neural Insiders**"), currently hold 12,339,037 Neural Shares, which represents approximately 15.51% of the issued and outstanding Neural Shares. As a result of the number of Neural Shares expected to be held by the Neural Insiders, Neural Insiders may be in a position to affect the governance and operations of Neural, including matters requiring approval of Neural Shareholders, such as the election of directors, change of control transactions and the determination of other significant corporate actions. There can also be no assurance that the interests of any individual Neural Insider or Neural Insiders collectively will align with the interests of Neural or Neural Shareholders, particularly in light of the other financial interests of the Neural Insiders, and Neural Insiders will have the ability to influence certain actions that may not reflect the intent of Neural or align with the interests of Neural or Neural Shareholders. The ownership interest of Neural Insiders could limit the price that investors may be willing to pay for Neural Shares.

*Early-Stage Company*

Market perception of early-stage companies may change, potentially affecting the value of investors' holdings and the ability of Neural to raise further funds through the issue of further Neural Shares or otherwise. The share price of publicly traded early-stage companies can be highly volatile. The value of the Neural Shares may rise or fall and, in particular, the share price may be subject to sudden and large falls in value given the restricted marketability of the Neural Shares.

*Management Discretion as to the Application and Use of Available Funds*

Neural reserves the right to use the currently available funds for general business purposes not presently contemplated and deemed to be in the best interests of Neural and Neural Shareholders. As a result of the foregoing, the success of Neural may be substantially dependent upon the discretion and judgment of the Neural Board and management team with respect to application and allocation of available funds.

*Absence of Operating History as a Public Company*

Neural's management and the Board have limited experience operating as a public company. To operate effectively, Neural may be required to continue to implement changes in certain aspects of its business, improve its information systems and develop, manage and train management level and other employees to comply with ongoing public company requirements. Failure to take such actions, or delay in implementation thereof, could adversely affect Neural's business, financial condition, liquidity and results of operations and, more specifically, could result in regulatory penalties, market criticism or the imposition of cease trade orders in respect of the Neural Shares.

*Dividend Policy*

No dividends on Neural Shares have been paid by Neural to date. Neural anticipates that it will retain all earnings and other cash resources for the foreseeable future for the operation and development of its business. Neural does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Neural Board after taking into account many factors, including Neural's operating results, financial condition and current and anticipated cash needs.

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*Potential Delay in Achieving or Failure to Achieve Publicly Announced Milestones*

From time to time, Neural may announce the timing of certain events it expects to occur, such as the anticipated timing of results from its pre-clinical studies or other research and development efforts. These statements are forward-looking and are based on the best estimates of management at the time relating to the occurrence of such events. However, the actual timing of such events may differ from what has been publicly disclosed. The timing of events such as initiation or completion of a pre-clinical study, filing of an application to obtain regulatory approval, or announcement of additional clinical trials for a product may ultimately vary from what is publicly disclosed. These variations in timing may occur as a result of different events, including the nature of the results obtained during a pre-clinical study or during a research phase, timing of the completion of pre-clinical trials, or any other event having the effect of delaying the publicly announced timeline. Neural undertakes no obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. Any variation in the timing of previously announced milestones could have a material adverse effect on Neural's business plan, financial condition or operating results and the trading price of Neural Shares.

*Future Sales of Neural Shares by Existing Neural Shareholders*

Sales of a large number of Neural Shares in the public markets, or the potential for such sales, could decrease the trading price of the Neural Shares and could impair Neural's ability to raise capital through future sales of Neural Shares.

*The Market Price of the Neural Shares May be Volatile*

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as the factors listed below, some of which are beyond Neural's control, could affect the market price of the Neural Shares:

- quarterly variations in Neural's results of operations and cash flows or the results of operations and cash flows of Neural's competitors;
- Neural's failure to achieve actual operating results that meet or exceed guidance that Neural may have provided due to factors beyond its control, such as currency volatility and trading volumes;
- future announcements concerning Neural or its competitors, including the announcement of acquisitions;
- changes in government regulations or in the status of Neural's regulatory approvals or licensure;
- public perceptions of risks associated with Neural's operations;
- developments in Neural's industry; and
- general economic, market and political conditions and other factors that may be unrelated to Neural's operating performance or the operating performance of its competitors.

*Trading of Shares Through an Intermediary*

While there is currently no CDS ban on the clearing of securities of issuers involved in the psychedelics space, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when Neural Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Neural Shares to make and settle trades. In particular, Neural Shares would become highly illiquid until an alternative was implemented, investors would have no ability to affect a trade of Neural Shares through the facilities of the applicable stock exchange.

*If Securities or Industry Analysts Do Not Publish Research, or Publish Inaccurate or Unfavorable Research, About Neural's Business, the Price of Neural Shares and Trading Volume Could Decline*

If Neural Shares become listed on an exchange the trading market for Neural Shares will depend, in part, on the research and reports that securities or industry analysts publish about Neural or its business. If one

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or more of the analysts who cover Neural downgrade Neural's stock or publish inaccurate or unfavorable research about Neural's business, the price of Neural Shares would likely decline. In addition, if Neural operating results fail to meet the forecasts of analysts, Neural's Share price would likely decline. If one or more of these analysts cease coverage of Neural or fail to publish reports on Neural regularly, demand for Neural's Shares could decrease, which might cause the price of Neural Shares and trading volume to decline.

**Risks Related to Business of Neural Generally***Limited Operating History*

Neural has a very limited history of operations in pharmaceutical and nutraceutical research and development and must be considered a start-up. As such, Neural is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There can be no assurance that Neural will be successful in achieving a return on Neural Shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. Neural has no history of earnings.

Because Neural has a limited operating history in an emerging area of business, potential investors should consider and evaluate its operating prospects considering the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- risks that it may not have sufficient capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

Neural's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

*Difficult to Evaluate the Potential Success of Neural's Future Business*

Neural's operations to date have been limited to organizing and staffing efforts, business planning, raising capital, conducting discovery and research activities, filing patent applications, identifying potential drug candidates, and establishing arrangements with third parties to supply raw materials and assist in conducting research and development efforts. Neural has not yet demonstrated the ability to successfully complete any pre-clinical or clinical trials, obtain marketing approvals, develop nutraceutical products or arrange for a third party to do so on Neural's behalf, or enter into agreements with third parties to conduct sales, marketing and distribution activities necessary for successful commercialization. Consequently, any predictions about Neural's future success or viability may not be as accurate as they could be if Neural had a longer operating history.

*Becoming Subject to Public Company Costs*

If the Plan of Arrangement is completed, Neural will become a reporting issuer in the Provinces of British Columbia, Alberta and Quebec. As a result, Neural will incur significant additional legal, accounting and filing fees that are required to be paid by reporting issuers, which at present, are not required. Securities legislation requires companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information all of which will significantly increase legal and financial compliance costs. Neural expects to have significant costs associated with being a reporting issuer, which will likely increase if Neural is successful in obtaining a listing on a stock exchange. Neural's ability to continue as a going concern will depend on positive cash flow, if any, from future operations and

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on its ability to raise additional funds through equity or debt financing. If Neural is unable to achieve the necessary results or raise or obtain funding to cover the costs of operating as a reporting issuer (and as a publicly traded company if it completes a listing), it may be forced to discontinue operations.

*Lack of profitability*

Neural has not generated any revenues to date and expects to continue to incur research and development and other expenses. Neural's prior losses, combined with expected future losses, have had and will continue to have an adverse effect on Neural Shareholders' deficit and working capital, and Neural's future success is subject to significant uncertainty. As Neural has not begun generating revenue, it is extremely difficult to make accurate predictions and forecasts of Neural's finances and this is compounded by the fact that Neural operates in the psychedelic industry, which is a relatively new and rapidly transforming industry.

For the foreseeable future, Neural expects to continue to incur losses, which will increase significantly from recent historical levels as Neural expands its drug development activities, seeks regulatory approvals for its drug candidates and begins to commercialize them if they are approved by applicable authorities. Even if Neural succeeds in developing and commercializing one or more drug candidates, Neural may never become profitable.

*Reliance on Management and Scientific & Impact Advisory Board*

Neural will need to expand and effectively manage its managerial, operational, financial, development and other resources in order to successfully pursue its research, development and commercialization efforts. At this stage of its corporate development, Neural has limited the establishment of extensive administrative and operating infrastructure. The success of Neural is currently dependent on the performance of its management team, which also relies on advice and guidance of certain members of the Neural Board and Scientific & Impact Advisory Board, not all of whom are or will be bound by formal contractual employment agreements. Neural's success depends on its continued ability to attract, retain and motivate highly qualified people. The loss of the services of these persons would have a material adverse effect on Neural's business and prospects in the short term and could delay or prevent the commercialization of its products, and the business may be harmed as a result.

Neural may not be able to attract or retain qualified management and scientific personnel in the future due to the intense competition for qualified personnel with extensive management experience in such fields as formulation, product development, nutritional supplement or natural health product regulations, finance, manufacturing, marketing, law, and investment. If Neural is not able to attract and retain the necessary personnel to accomplish its business objectives, the achievement of its development objectives, its ability to raise additional capital and its ability to implement its business strategy may be significantly reduced and could have a material adverse effect on Neural and its prospects.

*No Assurance of Commercial Success*

The successful commercialization of Neural's products will depend on many factors, including, Neural's ability to establish and maintain working partnerships with industry participants in order to market its products, Neural's ability to supply a sufficient amount of its products to meet market demand, and the number of competitors within each jurisdiction within which Neural may from time to time be engaged. There can be no assurance that Neural or its industry partners will be successful in their respective efforts to develop and implement, or assist in developing and implementing, a commercialization strategy for Neural's products.

*Difficult to Forecast*

Neural must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change, market acceptance or other factors could have a material adverse effect on the business, results of operations and financial condition of Neural.

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*Neural's Operations Are Subject to Human Error*

Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage Neural's interests, and even when those efforts are successful, people are fallible and human error could result in significant uninsured losses to Neural. These could include loss or forfeiture of licenses, significant tax liabilities in connection with any tax planning effort Neural might undertake and legal claims for errors or mistakes by Neural personnel.

*Dependence and Availability of Inputs*

Neural's products are derived from San Pedro cactus. Accordingly, Neural and/or its partners must acquire enough cacti so that the products can be produced to meet the demand of its customers and be in sufficient quantities to conduct research and development activities. Shortages of available raw materials for purchase could result in loss of opportunity and damage to Neural. San Pedro cactus is a natural plant, which mainly grows in warm climates, and predominantly in South America. If the use of San Pedro cactus achieves wider regulatory approval, and future demand for San Pedro expands, it may lead to shortages of supply. Neural is researching alternative sources of supply, including the creation of synthetic mescaline sources for the purpose of research and development. If Neural and/or its partners become unable to acquire commercial quantities of San Pedro cacti on a timely basis and at commercially reasonable prices, and are unable to find one or more replacement suppliers with the regulatory approvals to produce the cacti at a substantially equivalent cost, in substantially equivalent volumes and quality, and on a timely basis, Neural will likely be unable to meet its product development goals.

*Changes in Capital and Operating Budgets*

The quantum and timing of capital and operating expenditures may be dependent upon feedback from Neural's product development and marketing initiatives. As Neural further expands its business, it is possible that results and circumstances may dictate a departure from the pre-existing budget. Further, Neural may, from time to time as opportunities arise, utilize part of its financial resources to participate in additional opportunities that arise and fit within Neural business objectives, in order to create shareholder value.

*Privacy and Data Regulation*

Neural may be subject to federal, state and provincial data protection laws and regulations in the jurisdictions in which it operates, such as laws and regulations that address privacy and data security. Neural may obtain health information from third parties, which are subject to privacy and security requirements under applicable laws. Depending on the facts and circumstances, Neural could be subject to significant civil, criminal, and administrative penalties if it obtains, uses, or discloses individually identifiable health information maintained by entities covered by applicable health and data protection laws in a manner that is not authorized or permitted by such laws.

Compliance with privacy and data protection laws and regulations could require Neural to contractually restrict its ability to collect, use and disclose data, or in some cases, impact its ability to operate in certain jurisdictions. Failure to comply with these laws and regulations could result in civil, criminal and administrative penalties, private litigation, or adverse publicity and could negatively affect Neural's operating results and business. Moreover, clinical trial subjects, employees and other individuals may limit Neural's ability to collect, use and disclose information collected. Claims that Neural has violated privacy rights, failed to comply with data protection laws, or otherwise breached obligations, could be expensive and time-consuming to defend and could result in adverse publicity that could harm Neural's business.

*Insurance and Uninsured Risk*

Neural intends to obtain insurance coverage to address the material risks to which it is exposed. There can be no guarantee that Neural will be able to obtain adequate insurance coverage in the future or obtain or maintain liability insurance on acceptable terms or with adequate coverage against all potential liabilities. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing

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costs and a decline in the value of Neural Shares. The lack of, or insufficiency of, insurance coverage could adversely affect Neural's future cash flow and overall profitability.

#### *Litigation*

Neural may become party to litigation from time to time in the ordinary course of business. Should any litigation in which Neural becomes involved be determined against Neural, such a decision could adversely affect Neural's ability to continue operating and the market price for Neural Shares may decline as a result. Even if Neural is involved in litigation and wins, litigation can redirect significant resources. Litigation may also create a negative perception of Neural's business.

#### *Neural May Not Be Able to Accurately Predict Its Future Capital Needs*

Neural may need to raise significant additional funds in order to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. Neural anticipates that it may make substantial research and development expenditures for pre-clinical studies in the future. Neural has no operating revenue being generated from its research and development activities and may have limited ability to expend the capital necessary to undertake or complete future research and development work. When the current funding has been expended, Neural will require and is planning for additional funding. If its financial resources are insufficient, it will require additional financing in order to meet its business objectives.

#### *Neural's Operations Could Be Adversely Affected by Events Outside of its Control, such as Natural Disasters, Wars or Health Epidemics*

The COVID-19 pandemic has negatively impacted and increased volatility of global financial markets and may continue to do so. The economic viability of Neural's long-term business plan will be impacted by its ability to obtain financing, and global economic conditions impact the general availability of financing through public and private debt and equity markets, as well as through other avenues.

Neural may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to COVID-19 coronavirus, geopolitical actions, including war and terrorism or natural disasters including earthquakes, typhoons, floods and fires. An outbreak of infectious disease, a pandemic or a similar public health threat, such as the recent outbreak of the novel coronavirus known as COVID-19, or a fear of any of the foregoing, could adversely impact Neural by causing operating, manufacturing supply chain, clinical trial and project development delays and disruptions, labor shortages, travel and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). Neural may incur expenses or delays relating to such events outside of its control, which could have a material adverse impact on its business, ability to achieve stated milestones, operating results and financial condition. It is anticipated that the spread of COVID-19 and global measures to contain it, will have an impact on Neural, however it is challenging to quantify the potential magnitude of such impact at this time. Neural believes that the ongoing COVID-19 restrictions may impact the planned clinical development timelines of its programs, including the timing of future pre-clinical and future clinical activities related to its products. Future crises may be precipitated by any number of causes, including additional epidemic diseases, natural disasters, geopolitical instability, changes to commodity prices and/or sovereign defaults. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on demand for Neural's proposed products, the availability of credit, investor confidence, and general financial market liquidity, all of which may adversely affect Neural's operations and business and the market price of Neural Shares.

#### *Tax Matters*

Neural's taxes will be affected by several factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If Neural's filing position, application of tax incentives or similar "holidays" or benefits were to be challenged for any reason, this could have a material adverse effect on Neural's business, results of operations and financial condition.



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Neural will be subject to routine tax audits by various tax authorities. Tax audits may result in additional tax, interest payments and penalties which would negatively affect Neural's financial condition and operating results. New laws and regulations or changes in tax rules and regulations or the interpretation of tax laws by the courts or the tax authorities may also have a substantial negative impact on Neural's business. There is no assurance that Neural's financial condition will not be materially adversely affected in the future due to such changes.

#### *Management of Growth*

Neural may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Neural to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its consultant and employee base. The inability of Neural to deal with this growth may have a material adverse effect on Neural's business, financial condition, results of operations and prospects.

#### *Product Liability, Operational Risk*

As a manufacturer and distributor of products designed to be ingested by humans, Neural faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of San Pedro cactus derived products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of Neural's products alone or in combination with other medications or substances could occur. Neural may be subject to various product liability claims, including, among others, that Neural's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Neural could result in increased costs, could adversely affect Neural's reputation with its customers and consumers generally, and could have a material adverse effect on Neural's results of operations and financial condition of Neural.

#### *Conflicts of Interest*

Certain of the prospective directors and officers of Neural also serve as directors and/or officers of other companies involved in psychedelics and life sciences industries and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. Neural expects that any decision made by any of such directors and officers involving Neural will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of Neural and Neural Shareholders, but there can be no assurance in this regard. In addition, each of Neural's directors will be required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in the OBCA and any other applicable law. In the event that Neural's directors and officers are subject to conflicts of interest, there may be a material adverse effect on its business.

#### *Disclosure and Internal Controls*

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. Disclosure controls and procedures are designed to ensure that the information required to be disclosed by Neural in reports that it will be required to file with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. Neural's failure to satisfy the requirements of applicable Canadian securities laws on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm its business and negatively impact the trading price of Neural Shares. In addition, any failure to implement required new or improved

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controls, or difficulties encountered in their implementation, could harm Neural's operating results or cause it to fail to meet its reporting obligations.

*Global Financial Conditions*

Global financial conditions continue to be characterized as volatile. In recent years, global markets have been adversely impacted by various credit crises and significant fluctuations in fuel and energy costs and metals prices, and the COVID-19 pandemic. Many industries, including the life sciences and psychedelics industries, have been impacted by these market conditions. Global financial conditions remain subject to sudden and rapid destabilizations in response to future events, as government authorities may have limited resources to respond to future crises. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect Neural's growth and prospects. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a material adverse effect on availability of credit, investor confidence, and general financial market liquidity, all of which may adversely affect Neural's business and the market price of Neural Shares.

*Enforcement of Legal Rights*

As some of the parties that Neural does business with operate outside of Canada, including Cactus Knize and Cayetano University in Peru and CGS in SVG, Neural may be deemed as operating in jurisdictions where its products are sold, or where its CMOs operate in. In the event of a dispute arising from Neural's operations, Neural may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, if any of Neural's assets are located outside of Canada (including cash or receivables), investors may have difficulty collecting from Neural any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities provisions. Neural may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

*Currency Exchange Rates*

Exchange rate fluctuations may adversely affect Neural's financial position and results. Neural's financial results are reported in Canadian Dollars and some of its costs may be incurred in other currencies. The depreciation of the Canadian dollar against other currencies could increase the actual capital and operating costs of Neural's operations and materially adversely affect the results presented in Neural's financial statements. Currency exchange fluctuations may also materially adversely affect Neural's future cash flow from operations, its results of operations, financial condition, and prospects.

*Unanticipated Obstacles to Execution of the Business Plan*

The execution of Neural's business plan is capital intensive and may become subject to adverse changes in statutory or regulatory requirements. Neural reserves the right to make significant modifications to its business plans as necessary based on future events.

*Ability to Continue as a Going Concern*

Neural had negative operating cash flow for the period for which this MD&A was prepared. There is no assurance that sufficient revenues will be generated in the near future, if at all. Neural will require additional funding in order to continue its research and development programs and other operating activities. These circumstances cast significant doubt as to Neural's ability to continue as a going concern.

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*Forward-Looking Statements and Information May Prove Inaccurate*

Investors are cautioned not to place undue reliance on forward-looking statements and information. By their nature, forward-looking statements and information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements and information or contribute to the possibility that predictions, forecasts, or projections will prove to be materially inaccurate. Additional information on the risks, assumptions, and uncertainties are found hereto under the heading "*Cautionary Note About Forward Looking Information*".

**Risks Related to Neural's Nutraceutical Business**

*Neural's Management Has Limited Experience in the Area of Nutraceutical Products*

Neural's management team has limited experience in operating development-stage public companies and working with companies in highly regulated industries and there is no guarantee that Neural will be successful in developing products in the cactus-based nutraceutical product space or achieve commercial success selling these products. Neural's management also relies on expertise and advice of its Board, Scientific & Impact Advisory Board and other industry domain experts who have experience in consumer package foods, government relations, clinical research, cannabis and dietary supplements industries, however, there is no assurance that such expertise will continue to be available to Neural's management. With no direct experience in the functional cactus space and obtaining regulatory approvals for new food supplement products, management may not be fully aware of relevant industry trends, which may impact the ability of Neural to make the most prudent decisions and choices regarding the direction of the business. Neural's business, financial condition or results of operations could be adversely affected if the internal infrastructure is inadequate, including if Neural is not able to secure outside consultants or source the necessary expertise to achieve certain business objectives.

*Ability to Introduce and Market New Products*

Neural's nutraceutical business will be reliant on the production and distribution of San Pedro cactus-based products and believes that the anticipated market for its potential products will continue to exist and expand. If Neural's products do not achieve sufficient market acceptance, it will be difficult for Neural to achieve profitability. If the cactus or functional foods market declines or Neural's products fail to achieve greater market acceptance once the products are introduced, Neural will not be able to increase its revenues in order to achieve consistent profitability.

Even when product development is successful and regulatory approval has been obtained, Neural's ability to generate significant revenue depends on the acceptance of its products by consumers. Neural cannot be sure that its San Pedro cactus-based products will achieve the expected market acceptance and revenue if and when they obtain the requisite regulatory approvals. The market acceptance of any product depends on a number of factors, including the indication statement and warnings approved by regulatory authorities on the product label, continued demonstration of efficacy and safety in commercial use, the price of the product, the nature of any post-approval risk management plans mandated by regulatory authorities, competition, and marketing and distribution support. Any factors preventing or limiting the market acceptance of Neural's products could have a material adverse effect on Neural's business, results of operations, and financial condition.

Because the San Pedro cactus-based products industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in Neural and, few, if any, established companies whose business model Neural can follow or upon whose success Neural can build. There can be no assurance that Neural's estimates are

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accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

*Neural Relies on CMOs Over Whom it May Have Limited Control*

Neural has no manufacturing experience and will rely on CMOs to manufacture its nutraceutical products. Neural will rely on CMOs for manufacturing, filling, packaging, storing, and shipping of product in compliance with the Health Canada's and the FDA's cGMP regulations applicable to Neural's nutraceutical products. Health Canada and the FDA ensure the quality of products by carefully monitoring manufacturers' compliance with cGMP regulations. The cGMP regulations contain minimum requirements for the methods, facilities and controls used in manufacturing, processing, and packing of the product. While Neural is collaborating with the CMOs that it expects to engage once the product formulation process is completed, there can be no assurances that this CMO will be able to meet Neural's timetable and requirements or that Neural will be able to enter into a definitive agreement with the CMOs. If Neural is unable enter into definitive agreement with such CMOs or to arrange for alternative third-party manufacturing sources on commercially reasonable terms or in a timely manner, Neural may be delayed in rolling out its products. Further, CMOs must operate in compliance with cGMP and failure to do so could result in, among other things, the disruption of product supplies. Neural's dependence upon third parties for the manufacturing of its products may adversely affect Neural's profit margins and its ability to develop and deliver products on a timely and competitive basis.

*Reliance on Third-Party Distributors*

Neural expects that its nutraceutical products would be sold online directly to end customers and through third-party distributors. If the third-party distributors fail to achieve success in selling Neural's products, Neural's future sales will be adversely affected. Neural's ability to grow its distribution network and attract additional distributors will depend on several factors, many of which are outside of its control. Agreements with third-party distributors are typically non-exclusive and permit the distributors to offer competitors' products. If any significant distributor or a substantial number of distributors terminated their relationship with Neural or decided to market its competitors' products over Neural's nutraceutical products, Neural's ability to generate sales growth would be materially adversely affected.

*Neural May Face Intense Competition And Expects Competition to Increase in the Future, Which Could Prohibit Its Development of Customer Base and Generating Revenue*

The nutraceutical product industry may become more competitive in the future. Neural may increasingly compete with numerous other businesses in the industry, many of which may come to possess greater financial and marketing resources and other resources than Neural. Such business is often affected by changes in consumer tastes and discretionary spending patterns, national and regional economic conditions, demographic trends, consumer confidence in the economy, local competitive factors, cost and availability of raw material and labour, and governmental regulations. Any change in these factors could materially and adversely affect Neural's operations.

Due to the early stage of the industry in which Neural operates, Neural expects to face additional competition from new entrants. If the number of consumers of such products in the target jurisdictions increases, the demand for products will increase and Neural expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, Neural will require a continued high level of investment in research and development, marketing, sales and client support. Neural may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations Neural.

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*Success of Products is Dependent on Public Taste*

Neural's revenues are substantially dependent on the success of its products, which depends upon, among other matters, pronounced and rapidly changing public tastes, factors which are difficult to predict and over which Neural has little, if any, control. A significant shift in consumer demand away from Neural's products or its failure to expand its current market position will harm its business. Consumer trends change based on several possible factors, including nutritional values, a change in consumer preferences or general economic conditions. Additionally, there is a growing movement among some consumers to buy local food products in an attempt to reduce the carbon footprint associated with transporting food products from longer distances, and this could result in a decrease in the demand for food products and ingredients that Neural imports from Peru or other countries, as the case may be. These changes could lead to, among other things, reduced demand and price decreases, which could have a material adverse effect on Neural's business.

**Risks Related to Neural's Pharmaceutical Business**

*Risks Relating to Product Development, Pre-clinical and Clinical Study Design and Execution*

Neural has not begun to market any product or to generate revenues. Neural may be required to spend a significant amount of capital to fund research and development, animal studies and pre-clinical and clinical trials. As a result, Neural expects that its operating expenses will increase significantly and, consequently, it will need to generate significant revenues to become profitable. There can be no assurances that the intellectual property of Neural, or Neural's products or technologies it may acquire, will meet applicable regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs, or be successfully marketed. Neural may be undertaking additional laboratory, animal studies, pre-clinical and clinical studies with respect to development of its products, and there can be no assurance that the results from such studies or trials will result in a commercially viable product or will not identify unwanted side effects.

Before obtaining marketing approval from regulatory authorities for the sale of its product candidates, Neural may be required to conduct pre-clinical studies in animals and clinical trials in humans to demonstrate the safety and efficacy of Neural's products. Pre-clinical and clinical testing is expensive and difficult to design and implement, can take many years to complete, and has uncertain outcomes. If testing and trials of Neural's products fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, Neural would incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of its products. Neural may be required to demonstrate with substantial evidence through well-controlled clinical trials that its products are safe and effective for use in a diverse population before Neural can seek regulatory approvals for their commercial sale. Negative results from pre-clinical or clinical trials may prevent the commercialization of Neural's products.

The outcome of pre-clinical or clinical studies may not predict the success of later trials and tests that may be required and interim results of pre-clinical or clinical studies do not necessarily predict final results. A number of companies in the industry have suffered significant setbacks due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier tests and trials. Positive results from pre-clinical or clinical studies should not be relied upon as an indication of future commercial success. There is no assurance that the pre-clinical or clinical studies that it may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market any of its products in any jurisdiction. Products that Neural is developing may fail for safety or efficacy reasons at any stage of the testing process. If Neural cannot demonstrate safety and effectiveness of its products through pre-clinical or clinical trials, it will need to re-evaluate its strategic plans. Furthermore, the quality and robustness of the results and data of any pre-clinical study Neural conducts will depend upon the selection of a patient population for clinical testing. If the selected population is not representative of the intended population, further clinical testing of product

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candidates or termination of research and development activities related to the selected indication may be required. Neural's ability to commence pre-clinical or clinical studies or the choice of product development path could compromise business prospects and prevent the achievement of revenue.

Furthermore, the exact nature of the studies that various regulatory agencies may require is not known and can be changed at any time by the regulatory agencies, increasing the financing risk and potentially increasing the time to market that Neural faces, which could adversely affect Neural business, financial condition or results of operations.

*Neural Expects to Incur Significant Research and Development Expenses, Which May Make it Difficult to Attain Profitability*

Neural expects to expend substantial funds in its research and development efforts, including preclinical studies and clinical trials, as well as for working capital requirements and other operating and general corporate purposes to support such efforts. Moreover, an increase in headcount would dramatically increase Neural's costs in the near and long term. Due to the limited financial and managerial resources, Neural's resource allocation decisions may cause its business to fail to capitalize on viable opportunities, including product candidates or profitable market opportunities.

Furthermore, Neural may be subject to unanticipated costs or delays that would accelerate its need for additional capital or increase the costs of pre-clinical or clinical trials. If Neural is unable to raise additional capital when required or on acceptable terms, it may have to significantly delay, scale back or discontinue the development and/or commercialization of one or more product candidates.

*Research and Development Studies Including Pre-Clinical and Clinical Trials May Have Negative Results or Reveal Adverse Safety Events*

From time to time, studies or clinical trials on various aspects of biopharmaceutical products are conducted by academic researchers, competitors or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical products that are the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to Neural's intended products, or the therapeutic areas in which its product candidates compete, could adversely affect the price of Neural's Shares and ability to finance future research and development efforts, and could materially and adversely affect Neural's business and financial results.

*Neural Relies on Third Parties to Conduct, Supervise, and Monitor its Research and Development Efforts*

Neural relies on various third-parties including Cayetano University, Cactus Knize, CGS and others, which may include without limitation CROs, CRO-contracted vendors, medical institutions, clinical investigators and contract laboratories and pre-clinical trial sites to ensure the proper and timely conduct of the research and development studies and other scientific studies, including pre-clinical studies required to determine safety of San Pedro derived mescaline extract for its pharmaceutical business and San Pedro derived pulp fiber. Neural's reliance on CROs for pre-clinical development activities limits Neural's control over these activities and neither Neural, nor its management were involved in developing CRO's policies and procedures, but Neural is ultimately responsible for ensuring that each of its studies is conducted in accordance with the applicable protocol and legal, regulatory, and scientific standards.

The CROs that Neural is or will be working with are required to comply with various requirements for the pre-clinical studies, which are enforced by the FDA in the United States and Health Canada in Canada. The CROs are not employees of Neural, and Neural does not control whether they devote sufficient time and resources to the work contracted by Neural. The CROs may also have relationships with other commercial entities, including Neural's competitors, for whom they may also be conducting pre-clinical trials, clinical trials, or other product development activities, which could harm Neural's competitive position.

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Additionally, there is a risk of potential unauthorized disclosure or misappropriation of Neural's intellectual property by CROs, which may reduce Neural's future intellectual property advantages and allow its potential competitors to access and exploit Neural's know-how. If the CROs that Neural is working with do not successfully carry out their contractual duties or obligations, or fail to meet expected deadlines, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to clinical protocols or regulatory requirements or for any other reason, Neural's product development activities, including the pre-clinical studies or the research activities to be conducted under the Cayetano Agreement, CGS Agreement, Myant Agreement or Folium Agreement, may be extended, delayed or terminated, and Neural may not be able to obtain regulatory approval for, or successfully commercialize the products that it is developing.

Moreover, the FDA and non-U.S. regulatory authorities require Neural and its CROs to comply with regulations and standards, commonly referred to as or GLPs, for conducting, monitoring, recording and reporting the results of pre-clinical studies to ensure that the data and results are scientifically credible and accurate. Neural's reliance on third parties does not relieve it of the above responsibilities and requirements. If the third parties conducting Neural's pre-clinical studies do not perform their contractual duties or obligations, do not meet expected deadlines or need to be replaced, or if the quality or accuracy of the pre-clinical data they obtain is compromised due to the failure to adhere to GLPs or for any other reason, Neural may need to enter into new arrangements with alternative third parties, and its clinical trials may be extended, delayed or terminated. In addition, a failure by third parties to perform their obligations in compliance with GLPs may cause Neural's pre-clinical studies to fail to meet regulatory requirements, which may require Neural to repeat its clinical trials. As a result, Neural's financial results and the commercial prospects for its products would be harmed, resulting in an increase in costs and/or delays in generating future revenue.

Furthermore, while Neural's management believes that there are many CROs that are qualified to carry out the work that Neural wishes to contract to advance its product development efforts, Neural may not be able to enter into arrangements with alternative CROs or do so on commercially reasonable terms. Switching or adding additional CROs and related research partners involves substantial cost and requires management's time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays occur, which can materially impact Neural's ability to meet its desired product development timelines. Though Neural intends to carefully manage its relationships with its CROs, there can be no assurance that Neural will not encounter challenges or delays in the future or that these delays or challenges will not have an adverse impact on Neural's business, financial condition, and prospects.

*Pre-Clinical Research And Development Work May Rely on Evaluations in Animals, Which is Controversial and Neural May Become Subject to Bans or Additional Regulations*

Development of Neural's pharmaceutical and/or nutraceutical products may require animal testing. Although the animal testing would be conducted by a licensed CRO, which is subject to GLPs, animal testing in the industry continues to be the subject of controversy and adverse publicity. Some organizations and individuals have sought to ban animal testing or encourage the adoption of additional regulations applicable to animal testing. To the extent that such bans or regulations are imposed, Neural's research and development activities, and by extension Neural's operating results and financial condition, could be adversely impacted. In addition, negative publicity about animal practices by Neural's CROs and by extension Neural could harm Neural's reputation among potential customers.

*Delays in Projected Development Goals*

Neural sets goals for, and makes public statements regarding, the expected timing of the accomplishment of objectives material to its success, the commencement and completion of research and development initiatives and the expected costs to develop its products. The actual timing and costs of these events can vary dramatically due to factors within and beyond Neural's control, such as delays or failures in product

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tests and trials, issues related to the raw materials supply, uncertainties inherent in the regulatory approval process, market conditions and interest by Neural's distribution partners in Neural's products among other things. Neural may not make regulatory submissions or receive regulatory approvals as planned; its product development and testing initiatives may not be completed; or it may not secure partnerships that are critical to establishing commercial sales. Any failure to achieve one or more of these milestones as planned would have a material adverse effect on Neural's business, financial condition, and results of operations.

**Risks Related to Neural's Intellectual Property***Neural May be Unable to Prevent Disclosure of Its Trade Secrets or Other Confidential Information to Third Parties*

Neural intends to rely on trade secret protection and confidentiality agreements to protect its proprietary know-how that is being developed in the course of product development efforts with the CROs and other consultants, which may not be patentable or for which Neural has not taken the steps to protect. Neural requires its key employees, consultants, advisors and any third parties who have access to its proprietary know-how to execute confidentiality agreements, but there is no certainty that all counterparties will agree to enter into confidentiality agreements or that these agreements will not be breached. There is no certainty that Neural's trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to Neural's trade secrets or independently develop substantially equivalent information and techniques. Failure to prevent disclosure of Neural's intellectual property to third parties or misappropriation by third parties of Neural's confidential proprietary information could enable Neural's competitors to duplicate or surpass Neural technological achievements and erode Neural's competitive position.

*Inability to Protect Intellectual Property Rights*

Neural does not currently hold a patent or other form of intellectual property protection on its know-how, including the intellectual property rights acquired pursuant to the IP Development Agreement. While Neural has submitted the Provisional Application with respect to the technology rights that it acquired pursuant to the IP Development Agreement, there can be no guarantee that any future patent applications or submissions may be filed by Neural as a result of research into the use of San Pedro cacti, including the planned pre-clinical trials and other research and development activities or Neural, will be granted, or if granted, that the patent protections will be issued in the form requested.

Accordingly, the scope of protection, if any, that may be afforded by applications for intellectual property rights for Neural is uncertain. Further, even if patents are issued from future applications, those patents issued or otherwise acquired by or assigned to Neural may be subject to invalidation proceedings commenced by third parties. The validity of an issued patent may be attacked on a number of grounds, and such invalidation proceedings are inherently unpredictable, and can lead to the subject patent protection being ordered invalid and therefore unenforceable.

The success of Neural will depend, in part, on its ability to maintain proprietary protection over its technology, know-how and trade secrets and operate without infringing the proprietary rights of third parties. Despite precautions, it may be possible for a third party to copy or otherwise obtain and use Neural's intellectual property without authorization. There can be no assurance that any steps taken by Neural will prevent misappropriation of its intellectual property. Litigation could result in substantial costs and diversion of resources and the inability of Neural to protect any technology it may develop, which could have a material adverse effect on Neural's business, results of operations, financial condition and profitability.

*Infringement of Intellectual Property Rights*

While Neural believes that its planned services do not infringe upon the proprietary rights of third parties, its commercial success depends, in part, upon Neural not infringing upon the intellectual property rights of



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others. A number of Neural's competitors and other third parties may have been issued or filed for patents and proprietary rights for treatments similar to those being developed or utilized by Neural. Some of these patents may grant very broad protection to the owners of the patents. Neural has not undertaken a review to determine whether any existing third-party patents or the issuance of any third-party patents would require Neural to alter its treatment services or cease certain activities. Neural may become subject to claims by third parties that its services infringe on their intellectual property rights.

**Internal Control over Financial Reporting**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including Neural's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at July 31, 2023 covered by this management's discussion and analysis, management of Neural, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of Neural's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in Neural's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of Neural, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Cautionary Note Regarding Forward Looking Statements**

This document includes "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities laws. All statements, other than statements of historical fact, made by Neural that address activities, events or developments that Neural expects or anticipates will or may occur in the future are forward-looking statements, including statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "potentially", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on management's current expectations and assumptions concerning Neural's future events, financial conditions, results of operations, plans, objectives, performance, business developments, objectives or milestones. Actual results and developments may differ materially from those contemplated by these statements. Forward-looking statements in this document include statements related to, the business and future activities of Neural, and developments related to, Neural after the date of this document, including but not limited to, statements relating to future business strategy, competitive strengths, goals, expansion and growth of Neural's business, operations and plans, including potential new revenue streams,

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the completion of contemplated research and development projects by Neural, changes in laws or regulatory requirements, the impact of the COVID-19 pandemic, the business objectives of Neural and its research and development activities, the acceptance in the medical community of mescaline and other psychedelic substances as effective treatments for depression, post-traumatic stress disorder, addiction and other mental health conditions, the funds available to Neural and the use of such funds, the healthcare industry in Canada, United States and globally, the ability of Neural to achieve certain milestones discussed herein on the timelines expected by Neural or at all.

Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which are expressed or implied by such forward-looking statements. These risks and uncertainties include those related to: the ability of Neural to secure additional financing for current and future operations and capital projects, as needed; risks and costs associated with being a publicly traded company; future issuances or actual or potential sales of securities; negative operating cash flow and continued operations as a going concern; discretion over the use of proceeds; unpredictability and volatility of the listed securities of Neural; speculative nature of an investment in the securities of Neural; limited operating history of Neural as a public company; a significant number of Neural Shares are owned by a limited number of shareholders, including without limitation Neural Insiders (as hereinafter defined); the expected future losses of Neural and profitability; significant risks inherent in the nature of the health clinic industry; risks associated with failure to achieve its publicly announced milestones according to schedule, or at all; risks related to Neural's business in Peru; risks associated with the regulation of mescaline and psychedelic cacti in Canada, United States, Peru, Saint Vincent and the Grenadines, and elsewhere; violations of laws and regulations, unintentionally and due to gross negligence; reliance on the capabilities and experience of its key executives and scientists; changes to legislation; the possible engagement in misconduct or other improper activities by employees, consultants, or third parties; the expansion of Neural's business through acquisitions or collaborations; risks related to third-party licenses; reliance on third parties; no assurance of an active or liquid market; public markets and share prices; additional issuances and dilution; the ability of Neural to secure additional financing for current and future operations and capital projects, as needed, which may not be available on acceptable terms, or at all; Neural's dependence on management and key personnel; general economic, market and business conditions, early-stage industry growth rates, the risks associated with competition from other companies directly or indirectly engaged in Neural's industry; foreign currency exchange rate fluctuations and its effects on Neural's operations; the risks and costs associated with being a publicly traded company, the market demand for Neural Shares; the impact of the COVID-19 pandemic; non-compliance with laws; unfavorable publicity or consumer perception; patient acquisitions; drug development risks; substantial risks of regulatory or political change; the ability to obtain necessary government permits and licenses; mescaline as a pharmaceutical; negative cash flow from operating activities; management of growth; intellectual property; litigation; insurance coverage; Neural being a holding company; the industry being difficult to forecast; conflicts of interest; enforcement of legal rights; emerging market risks; enforcement of legal rights in foreign jurisdictions; inadequate internal controls over financial reporting; cyber-attacks; reliance upon insurers and governments; and difficulty in enforcing judgments and effecting service of process on directors and officers. Other risks and uncertainties not presently known to Neural or that Neural presently believe are not material could also cause actual results or events to differ materially from those expressed in the forward-looking statements contained herein.

There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. The forward-looking information and statements contained herein are presented for the purposes of assisting readers in understanding Neural's expected financial and operating performance and Neural's plans and objectives and may not be appropriate for other purposes.

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The forward-looking information and statements contained in this document represent Neural's views as of the date of this document and forward-looking information and statements contained in the documents incorporated by reference herein represent Neural's views as of the date of such documents, unless otherwise indicated in such documents. Neural anticipates that subsequent events and developments may cause its views to change. Readers are cautioned not to place undue reliance on forward-looking statements contained in this document, which reflect the analysis of the management of Neural only as of the date of this document. Neural does not undertake any obligation to release publicly the results of any revision to these forward-looking statements which may be made to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by the Securities Legislation.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained herein are made as of the date that appears on the title page hereof and Neural undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

**Management's Responsibility for Financial Information**

Management is responsible for all information contained in this report. The financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate, and assets are safeguarded.

The Board of Directors has approved the financial statements on the recommendation of the Audit Committee.

November 23, 2023

Ian Campbell - Chief Executive Officer

Omar Gonzalez - Chief Financial Officer