

Neural Therapeutics Inc.
Condensed Interim Financial Statements
Three Months Ended October 31, 2023

(Expressed in Canadian Dollars, unless otherwise noted)

Notice To Reader

The accompanying condensed interim financial statements of Neural Therapeutics Inc. (the "**Company**") have been prepared by and are the responsibility of management. The condensed interim financial statements have not been reviewed by the Company's auditors.

Neural Therapeutics Inc.
Condensed Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

Three months ended October 31,	Notes	2023	2022
Operating Expenses			
Salaries, wages and benefits		48,339	78,312
Consulting fees		74,747	66,960
Research expenses		15,000	37,500
Professional fees		24,555	115,728
General and administrative		8,941	78,152
Bank fees		673	1,757
		172,255	378,409
SR&ED income		(14,700)	-
Foreign exchange loss		304	350
Net loss		(157,859)	(378,759)
Weighted average number of common shares outstanding -Basic and diluted		54,068,101	39,275,435
Weighted average number of common shares outstanding -Basic and diluted		(0.00)	(0.01)

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

Neural Therapeutics Inc.
Condensed Interim Statements of Cash Flow
(Expressed in Canadian Dollars)

Three months ended October 31,	Notes	2023	2022
Operating activities			
Net loss for the period		(157,859)	(378,759)
Items not affecting cash:			
Shares issued for debt settlement		19,650	112,500
		<u>(138,209)</u>	<u>(266,259)</u>
Change in non-cash working capital:			
Harmonized sales tax receivable		58,653	(10,119)
Accounts payable and accrued Liabilities		(185,016)	42,590
Prepaid expense		6,000	6,000
		<u>(258,572)</u>	<u>(227,788)</u>
Financing activities			
Proceeds from issuance of shares		155,181	40,000
Share Issue Costs		(12,586)	-
		<u>142,595</u>	<u>40,000</u>
Cash flows provided by financing activities		142,595	40,000
Cash at the beginning of period		273,323	371,878
Cash at the end of period		157,346	184,090

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Neural Therapeutics Inc.
Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

Description	Number of Common shares #	Share capital \$	Reserve for warrants \$	Shares to be issued \$	Accumulated deficit \$	Total shareholders' equity (deficiency) \$
Balance as at July 31, 2022	36,766,667	2,067,517	275,622	42,000	(2,394,605)	(9,466)
Shares issued penalty	1,000,000	75,000	-	-	-	75,000
Shares issued for private placement	1,093,333	56,702	25,991	(42,000)	-	40,693
Shares issued for debt settlement	500,000	37,500	-	-	-	37,500
Shares issuance costs	-	(2,083)	1,392	-	-	(691)
Net loss for the year	-	-	-	-	(378,759)	(378,759)
Balance as at October 31, 2022	39,360,000	2,234,636	303,005	-	(2,773,364)	(235,723)
Balance as at July 31, 2023	45,065,322	2,314,719	427,845	466,010	(3,470,712)	(262,138)
Shares issued private placement	10,928,183	327,845	-	(172,664)	-	155,181
Shares issued for debt settlement	9,778,209	293,346	-	(293,346)	-	-
Shares issuance costs	-	(22,447)	9,861	-	-	(12,586)
Shares to be issued	-	-	-	19,650	-	19,650
Net loss for the year	-	-	-	-	(157,859)	(157,859)
Balance as at October 31, 2023	65,771,714	2,913,463	437,706	19,650	(3,628,571)	(257,752)

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

Neural Therapeutics Inc.
Notes to the Condensed Interim Financial Statements
For the three months ended October 31, 2023
(Expressed in Canadian Dollars)

1. Nature of operations and going concern

Neural Therapeutics Inc. ("**Neural**" or the "**Company**") is a private company incorporated in the Province of Ontario on June 2, 2020 under the Ontario Business Corporations Act. Neural is an ethnobotanical drug-discovery/development company focused on developing products and conducting research with psychoactive plants. The Company is domiciled in Canada and its registered and records office is located at 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

The initial focus of the Company will be the San Pedro (*Echinopsis pachanoi* or *Trichocereus pachanoi*), a cactus containing *mescaline*. The Company is working to identify where plant-based traditional-medicine has proven to be effective and capitalize on the development of a path to market in both Pharmaceutical (use of Mescaline) and Nutraceutical (where Mescaline is absent).

As at October 31, 2023, the Company had working capital deficiency of \$118,169 (July 31, 2023 – working capital deficiency of \$122,555), had accumulated losses of \$3,628,571 (July 31, 2023 - \$3,470,712), and expects to incur further losses in the development of its business, all of which describe the material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on its ability to obtain further funding, manage cash flows, and restructure borrowings. There is a significant uncertainty as to whether the Company 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 condensed interim financial statements. These condensed interim financial statements do not include adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern which could be material.

These condensed interim financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to continue as a going concern and achieve profitable commercial operations and/or obtain adequate financing and support from its shareholders and trade creditors.

On May 23, 2023 the Company 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 available on Vertical Peak's profile on www.sedarplus.ca.

If the going concern assumption was not appropriate for these condensed interim financial statements, adjustments would be necessary to the carrying values of assets and liabilities, net and comprehensive loss, and statements of financial position classifications used. Such adjustments could be material.

2. Basis of preparation

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended July 31, 2023, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim financial statements were reviewed, approved and authorized for issuance by the Company's Board of Directors on December 21, 2023.

2.2 Basis of measurement

These condensed interim financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets and services. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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3. Accounts payable and accrued liabilities

The breakdown of the accounts payable and accrued liabilities is as follows:

	October 31, 2023	July 31, 2023
Accounts payable	63,779	197,493
Accrued wages (i)	124,500	146,000
Accrued consulting	99,923	129,725
Total	288,202	473,218

i) Accrued wages relate to management compensation to the CEO (Note 8).

4. Share capital

The Company is authorized to issue an unlimited number of common shares without par value.

Following the Consolidation there were 65,771,714 Neural Shares issued and outstanding post-Consolidation basis.

	Shares Issued	\$
Balance, July 31, 2022	36,766,667	2,067,517
Shares issued for financing (i)	1,093,333	56,702
Shares issued for service (ii)	1,109,330	75,000
Shares issued for debt settlement (iii)	500,000	37,500
Shares issuance costs	-	(2,083)
Balance, October 31, 2022	39,469,330	2,234,636
Balance, July 31, 2023	45,065,322	2,314,719
Shares issued for financing (iv)	10,928,183	327,845
Shares issued for service (v)	9,778,209	293,346
Share issuance cost	-	(22,447)
Balance, October 31, 2023	65,771,714	2,913,463

(i) On August 3, 2022, the company completed a second tranche to the Offering for gross proceeds of \$82,000 by way of a private placement of units ("**August 22 Offering**") Pursuant to the August 22 Offering, the Company issued 1,093,333 Units at a price of \$0.075 per Unit. Each Unit is comprised of one Neural Share and one-half of one common share purchase warrant, with each whole warrant exercisable for one Neural Share at an exercise price of \$0.10 per Neural Share for a period ending on the earlier of: (a) 36 months following the closing of the August 22 Offering; and (b) 24 months following the time the Company completes a going public transaction.

As part of this financing, the Company issued 20,800 broker warrants. Each broker warrant entitled the holder to purchase one Neural Share at a price of \$0.075 per Neural Share at any time and from time to time up the earlier of (a) 36 months after the date hereof and (b) 24 months following the time the Company completes a going public transaction.

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- (ii) In accordance with the terms of the February 22 Offering, on August 3, 2022, the Company issued 1,000,000 additional Neural Shares to the purchasers of the February 22 Offering on one Common of the Company for every 10 Units purchased in February 2022 ("**February 22 Penalty Shares**"). These Neural Shares were issued because the Company did not achieve a Public Offering within 6 months of the date of closing of the February 22 Offering. The valuation of the February 22 Penalty Shares is recorded as \$nil in the capital account of the Company.

On February 3, 2023, Neural issued 109,330 Neural Shares to the subscribers of the second tranche of the Seed Financing as a penalty payment pursuant to the terms of the Seed Financing. The valuation of the additional Penalty Shares is recorded as \$nil in the capital account of the Company.

- (iii) In September 2022, the Company issued 500,000 Neural Shares as consideration for the service rendered by a third party and intellectual property rights acquired.
- (iv) On July 10, 2023, the Company completed a rights offering ("**Rights Offering**"), whereby 5,595,992 Neural Shares were issued at the subscription price of \$0.03 per Neural Share for gross proceeds of \$167,879. In connection with the Rights Offering, the Company paid \$14,187 in expenses related, which are recorded as share issuance cost.
- (v) On September 21, 2023, Neural announced that the first tranche of the private placement ("**Private Placement**") 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 \$12,586 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 10,928,183 Neural shares at a price of \$0.03.

5. Shares to be issued

As of October 31, 2023, the Company has recorded \$19,650 in shares to be issued for consultant services to be settled in common shares.

During the three months ended October 31, 2023, the Company settled \$172,664 and \$293,346 in financing and debt obligations to related parties and consultants by 5,755,466 and 9,778,209, respectively common shares which were issued in September 2023.

6. Reserve for Warrants

	Warrants Issued	\$
Balance, July 31, 2022	5,575,800	275,622
Warrants issued for financing (i)	546,667	25,991
Warrants issued in exchange for broker services	20,300	1,392
Balance, October 31, 2022	6,142,767	303,005
Balance, July 31, 2023	8,143,267	427,845
Warrants issues in exchange for broker services (ii)	419,564	9,861
Balance, October 31, 2023	8,562,831	437,706

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- (i) Pursuant to the August 22 Offering, the Company issued 1,093,333 Units at a price of \$0.075 per Unit. Each Unit is comprised of one Neural Share and one-half of one common share purchase warrant, with each whole warrant exercisable for one Neural Share at an exercise price of \$0.10 per Neural Share for a period ending on the earlier of: (a) 36 months following the closing of the August 22 Offering; and (b) 24 months following the time the Company completes a going public transaction.

As part of this financing, the Company issued 20,800 broker warrants. Each broker warrant entitled the holder to purchase one Neural Share at a price of \$0.075 per Neural Share at any time and from time to time up to the earlier of (a) 36 months after the date hereof and (b) 24 months following the time the Company completes a going public transaction.

The value of warrants issued with February 22 Offering was calculated using the Black-Scholes pricing model and the assumptions at grant date were as followings: expected dividend yield of 0%; expected volatility of 206%; a risk-free interest rate of 1.39% and an expected life of 3 years. Volatility was based on comparable companies.

- (ii) As part of the September 21, 2023 Private Placement, the value of the Warrants for \$9,861 was calculated using the Black-Scholes pricing model and the assumptions at grant date were as followings: expected dividend yield of 0%; expected volatility of 191%; a risk-free interest rate of 4.95% and an expected life of 2 years. Volatility was based on comparable companies.

As at October 31, 2023, the following warrants and broker warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants Outstanding and Exercisable
February 3, 2025	\$ 0.100	5,000,000
February 3, 2025	\$ 0.075	575,800
August 3, 2025	\$ 0.100	546,667
August 3, 2025	\$ 0.075	20,800
May 23, 2026	\$ 1.000	2,000,000
September 21, 2025	\$ 0.050	419,564
		8,562,831

As at October 31, 2023, the weighted average exercise price of the warrants was \$0.33 (2023 – \$0.32) and the weighted average remaining contractual life of the warrants was 1.63 period (2022 – 1.87).

7. Related parties transactions

a. Key management compensation

Key management includes the Company'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 three months ended October 31, 2023 and 2022

Three months ended October 31	2023	2022
Director fees (i)	22,500	7,500
Salaries (ii)	47,250	133,000
Marrelli Support Service Inc. (iii)	12,490	-
Total	82,240	140,500

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- (i) During the three months ended October 31, 2023, the Company incurred \$22,500 (Three months ended October 31, 2022 - \$7,500) of consulting fee paid to a director of the Company. As at October 31, 2023, \$25,725 (July 31, 2023 - \$52,500) was outstanding.
- (ii) During the three months ended October 31, 2023, the Company incurred \$47,250 (Three months October 31, 2022 \$133,000) respectively in salaries, vacation, and bonus expenses to the CEO of the Company. As of October 31, 2023, \$124,500 (July 31, 2023 - \$146,000) was outstanding and was included in accrued liability.
- (iii) During the three months ended October 31, 2023, the Company incurred \$12,490 (Three months ended October 31, 2022 - \$nil), respectively for accounting and CFO and accounting services to Marrelli Support Services Inc. As at October 31, 2023, \$2,885 (July 31, 2023 - \$2,885) was outstanding and was included in account payable.

b. Due to related party

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

8. Management of capital

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the development of its planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended October 31, 2023. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity surplus/(deficiency), which is comprised of share capital, shares to be issued, reserve for warrants and deficit.

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements, initial public offering, issuance of convertible debentures, debt, and sale leaseback transactions. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

9. Financial instruments

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to trade receivable. The Company has no other significant concentration of credit risk arising from operations. Cash are held with a reputable credit union which is closely monitored by management. Amounts receivable consists of trade amounts receivable, harmonized sales tax due from the Canadian government, promissory note receivable and other receivable from third parties.

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Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The ability of the Company 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 the Company 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 condensed interim financial statements. These condensed interim 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 the Company not continue as a going concern.

In the short term, the continued operations of the Company may be dependent upon its ability to obtain additional financing. Without this additional financing, the Company may be unable to meet its obligations as they come due. There can be no certainty that the Company can obtain these funds, in which case any investment in the Company may be lost.

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. The Company 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. The Company 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 the Company net loss by \$nil (July 31, 2023 - \$nil) as a result of the Company's exposure to currency exchange rate fluctuations.

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. The Company manages interest rate risk by monitoring market conditions and the impact of interest rate fluctuations on its debt. The Company does not have any interest-bearing financial liabilities.

10. Commitments and other contingencies

In accordance with the terms of the employment agreement dated September 16, 2021 ("**Employment Agreement**") between the Company and Ian Campbell, CEO of the Company, subject to the achievement of certain milestones, the Company is obliged to issue Neural Share representing up to 3.5% of the issued and outstanding capital of the Company as constituted at the closing of the seed financing. Further, subject to the achievement of certain milestones, the Company is obliged to issue options for common shares representing up to 2% of the issued and outstanding capital of the Company prior the Company listing of its common shares on a recognized stock exchange. The share issuances to Mr. Campbell in connection with the Employment Agreement remain unissued as of the date hereof. Such stock options shall be exercisable at a price that is a 20% premium to the last financing price whereby shares of the Company 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 Company.

In accordance with the terms of an advisory agreement with FMI Capital Advisory Inc. ("**FMICA**") dated December 17, 2021, subject to the completion of a listing of its common shares on a recognized Canadian exchange and a concurrent financing, the Company is obliged to issue a fee payable in a form of Neural Shares (plus HST in cash) equal representing up to 5% of the issued and outstanding capital of the Company after completion of listing.

In accordance with the terms of an advisory agreement with the holding company of the former CFO, the corporation, is committed to issue 366,667 shares.