



NEURAL THERAPEUTICS INC.

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS FOR THE SIX MONTHS ENDED JANUARY
31, 2024**

March 28, 2024

NEURAL THERAPEUTICS INC.

Interim Management's Discussion & Analysis – Quarterly Highlights

For the six months ended January 31, 2024

(Expressed in Canadian Dollars)

The following interim management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Neural Therapeutics Inc. ("**Neural**", or the "**Company**") constitutes management's review of the factors that affected the Company's financial and operating performance for the six months ended January 31, 2024. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited financial statements of the Company for the year ended July 31, 2023, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). Information contained herein is presented as of March 28, 2024, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

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 March 28, 2024.

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 Neural 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 Neural 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. Neural 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 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.

As at March 28, 2024, the members of Company's management and Board of Directors consisted of:

Name	Position
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

Q2 ENDED JANUARY 31, 2024 FINANCIAL AND BUSINESS HIGHLIGHTS

- Neural has two wholly-owned subsidiaries - Kruzo LLC ("Kruzo") and Neural Therapeutics LLC ("NTLLC"). Kruzo is a private corporation asset acquisition organized pursuant to the laws of the State of Nevada on February 2, 2020 with its registered and head offices located at 304 S Jones Blvd., Las Vegas, Nevada, United States 89107. NTLLC is a private corporation organized pursuant to the laws of the State of Florida on October 10, 2023 with its registered and head offices located at 7901 4TH St. N Ste. 360, St. Petersburg, Florida, United States, 33702. Kruzo and NHLLC had no material activity during the six months ended January 31, 2024.

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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.

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.

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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 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.

Other than noted above, there were no significant transactions and or financing activities during the six months ended January 31, 2024.

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.

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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;
- 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. As of January 31, 2024, the Company has accrued \$50,000 for advisory fees.

Shares Issuances

In accordance with the terms of an advisory agreement with a former officer of Neural, Neural committed to issue 366,667 shares. Terms and conditions of this agreement are yet to be finalized.

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 QUARTERLY INFORMATION

The following is a summary of the Company's quarterly financial results for the eight most recently completed quarters to January 31, 2024:

For the quarter ended:	January 31, 2024 \$	October 31, 2023 \$	July 31, 2023 \$	April 30, 2023 \$
Net loss	176,468	157,859	183,398	293,192
Loss per share from operations	0.00	0.00	0.00	0.01

For the quarter ended:	January 31, 2023 \$	October 31, 2022 \$	July 31, 2022 \$	April 30, 2022 \$
Net loss	220,758	378,759	225,143	1,387,220
Loss per share from operations	0.01	0.01	0.01	0.04

DISCUSSION OF OPERATIONS**Operating Expenses**

Operating expenses during the three months ended January 31, 2024 were \$176,468 compared to \$220,758 during the corresponding three months ended January 31, 2023. This decrease was primarily due to the following:

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- An increase in salaries, wages and benefits of \$11,063 as a result of regularly salaries and wages paid and the deferral of Neural's management team's salaries agreed to by such members of the management team as well as the reclass from salaries wages and benefits to research expenses allocation for the period;
- A decrease in consulting fees of \$26,342 as a result of decreased in contracting consultants to assist with the business development, preparation for public listing (including the Plan of Arrangement) and certain scientific activities;
- An increase in research expenses of \$14,783 as result of increased in consultants to assist with the research activities, as well as salaries wages and benefits allocation expenses.
- A decrease in professional fees of \$51,813, as the previous corresponding period included 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); and
- An increase of \$7,243 in general and administrative fees, as a result of increased in general and administrative expenses incurred for the period.

Operating expenses during the six months ended January 31, 2024 were \$334,327 compared to \$599,517 during the corresponding six months ended January 31, 2023. This decrease was primarily due to the following:

- An increase in salaries, wages and benefits of \$8,308 as a result of deferral of Neural's management team's salaries agreed to by such members of the management team;
- A decrease in consulting fees of \$38,298 as a result of decreased in contracting consultants to assist with the business development, preparation for public listing (including the Plan of Arrangement) and certain scientific activities;
- A decrease in professional fees of \$124,744, as the previous corresponding period does included 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 decrease of \$60,641 in general and administrative fees, mainly as a result of the expenses incurred in connection with recurrent general and administrative expenses;
- A decrease of \$34,761 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; and
- An increase of \$14,700 in SR&ED income, mainly as a result of the SR&ED refunds received.

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.

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

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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 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 January 31, 2024, Neural had working capital deficiency of \$282,407 (July 31, 2023 – working capital deficiency of \$122,555), had accumulated losses of \$3,805,039 (July 31, 2023 - \$3,470,712). 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 six months ended January 31, 2024 totaled \$250,563 compared to cash used of \$363,377 in the six months ended January 31, 2023. This decrease in net cash used in operating activities was primarily due to lower losses from operating activities in the six months ended January 31, 2024, due to decreased business activity and preparation for public listing, partially offset by a decrease in accounts payable.

Financing activities

During the six months ended January 31, 2024, net cash generated in financing activities totaled \$47,414 compared to net cash generated of \$57,000 in the corresponding prior period 2023. The increase is primarily due to a increase 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, 2023 - \$nil) 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.

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.

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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.

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 January 31, 2024, and the date that appears on the title page of this document:

Description of Security	Outstanding as at January 31, 2024	Outstanding as of the date hereof
Neural Shares	65,771,714	65,771,714
Neural Warrants	5,546,667	5,546,667
Neural VP Warrants	2,000,000	2,000,000
Neural Broker Warrants	1,016,164	1,016,164
Neural Options ⁽¹⁾	-	-
Neural RSUs ⁽¹⁾	-	-
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 three and six months ended January 31, 2024 and 2023:

	Three Months Ended January 31, 2024	Three Months Ended January 31, 2023	Six Months Ended January 31, 2024	Six Months Ended January 31, 2023
Director fees (i)	22,500	22,500	45,000	22,500
Former Chief Financial Officer (ii)	-	-	-	7,500
Salaries (iii)	48,032	45,500	95,282	178,500
Marrelli Support Service Inc. (iv)	21,405	13,368	33,895	13,368
Total	91,937	81,368	174,177	221,868

(i) During the three and six months ended January 31, 2024, the Company incurred \$22,500 and \$45,000 (three and six months ended January 31, 2023 - \$22,500 and \$22,500), respectively, in consulting fee paid to a director of the Company. As at January 31, 2024, \$50,850 (July 31, 2023 - \$52,500) was outstanding and included in accrued account payable.

(ii) During the three and six months ended January 31, 2024, the Company incurred \$nil and \$nil (three and six months ended January 31, 2023 \$nil and \$7,500) respectively in consulting fee paid to a private company controlled by the former CFO of the Company. As of January 31, 2024, \$nil (July 31, 2023 - \$21,625) was outstanding and included in accrued liability.

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- (iii) During the three and six months ended January 31, 2024, the Company incurred \$48,032 and \$95,282 (three and six months ended January 31, 2023 \$45,500 and \$178,500) respectively in salaries, vacation, and bonus expenses to the CEO of the Company. As of January 31, 2024 \$275,657 (July 31, 2023 - \$146,000) was outstanding and included in accrued liability.
- (iv) During the three and six months ended January 31, 2024, the Company incurred \$21,405 and \$33,895 (three and six months ended January 31, 2023 - \$13,368 and \$13,368), respectively for CFO and accounting services to Marrelli Support Services Inc. As at January 31, 2024, \$4,629 (July 31, 2023 - \$2,885) was outstanding and included in account payable.

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) 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 January 31, 2024, \$139,583 (July 31, 2023 - \$139,583) was outstanding and included in due to related parties.

RISK FACTORS

An investment in the Company's securities is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual MD&A for the fiscal year ended July 31, 2023, available on SEDAR+ at www.sedarplus.ca.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this report. The condensed interim 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 condensed interim 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 condensed interim financial statements on the recommendation of the Audit Committee.

March 28, 2024

Ian Campbell - Chief Executive Officer
Omar Gonzalez - Chief Financial Officer