

# **Neural Therapeutics Inc.**

## **Unaudited Interim Condensed Financial Statements**

**Three and Nine Months Ended April 30, 2024**

(Expressed in Canadian Dollars, unless otherwise noted)

### **Notice To Reader**

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

Neural Therapeutics Inc.  
Unaudited Interim Condensed Statements of Financial Position  
(Expressed in Canadian Dollars)

	Notes	April 30, 2024	July 31, 2023
<b>ASSETS</b>			
Cash		23,454	273,323
Harmonized sales tax receivable		21,553	69,340
Prepaid expense		-	8,000
<b>Total Assets</b>		<b>45,007</b>	<b>350,663</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	3	58,797	197,493
Accrued liabilities	3	99,923	275,725
<b>Total current liabilities</b>		<b>158,720</b>	<b>473,218</b>
<b>Long-Term Liabilities</b>			
Due to related parties	7	373,449	139,583
Due to other party	7	50,000	-
<b>Total Long-Term liabilities</b>		<b>423,449</b>	<b>139,583</b>
<b>Total Liabilities</b>		<b>582,169</b>	<b>612,801</b>
<b>Shareholder's Deficit</b>			
Share capital	4	2,913,463	2,314,719
Shares to be issued	5	39,380	466,010
Reserve for warrants	6	437,706	427,845
Deficit		(3,927,711)	(3,470,712)
<b>Total Deficit</b>		<b>(537,162)</b>	<b>(262,138)</b>
<b>Total Liabilities and Deficit</b>		<b>45,007</b>	<b>350,663</b>

Approved on behalf of the Board:

“Ian Campbell”, Director  
(signed)

“John Durfy.”, Director  
(signed)

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

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

	<b>Three Months Ended April 30,</b>	<b>Three Months Ended April 30,</b>	<b>Nine Months Ended April 30,</b>	<b>Nine Months Ended April 30,</b>
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Operating Expenses</b>				
Salaries, wages and benefits	<b>10,845</b>	22,253	<b>31,576</b>	34,676
Consulting fees	<b>34,048</b>	20,993	<b>112,192</b>	137,435
Research expenses	<b>47,894</b>	97,842	<b>238,055</b>	322,764
Professional fees	<b>2,473</b>	71,606	<b>42,224</b>	236,101
General and administrative	<b>4,308</b>	77,015	<b>21,991</b>	155,339
Bank fees	<b>300</b>	1,023	<b>2,026</b>	3,708
	<b>99,868</b>	290,732	<b>448,064</b>	890,023
SR&ED income	-	-	<b>(14,700)</b>	-
Other expense	<b>21,172</b>	-	<b>21,172</b>	-
Foreign exchange loss	<b>1,632</b>	2,460	<b>2,463</b>	2,686
<b>Net loss</b>	<b>(122,672)</b>	(293,192)	<b>(456,999)</b>	(892,709)
Weighted average number of common shares outstanding - Basic and diluted	<b>65,771,714</b>	39,365,943	<b>61,842,034</b>	39,365,943
Loss per share - Basic and diluted	<b>(0.00)</b>	(0.01)	<b>(0.01)</b>	(0.02)

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

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

For the nine months ended April 30,	Notes	2024	2023
<b>Operating activities</b>			
Net loss for the period		(456,999)	(892,709)
Items not affecting cash:			
Shares issued for debt settlement		39,380	120,700
		<b>(417,619)</b>	<b>(772,009)</b>
Changes in non-cash working capital:			
Harmonized sales tax receivable		47,787	3,215
Accounts payable and accrued liabilities		(169,317)	339,934
Prepaid expense		8,000	8,760
Reclassification of certain payables as long-term liabilities	7	233,866	-
<b>Net cash used in operating activities</b>		<b>(297,283)</b>	<b>(420,100)</b>
<b>Financing activities</b>			
Proceeds from issuance of shares and warrants		60,000	342,376
Share issue costs		(12,586)	(691)
<b>Cash flows provided by financing activities</b>		<b>47,414</b>	<b>341,685</b>
<b>Cash at the beginning of period</b>		<b>273,323</b>	<b>371,878</b>
<b>Cash at the end of period</b>		<b>23,454</b>	<b>293,463</b>

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

Neural Therapeutics Inc.  
**Unaudited Interim Condensed Statements of Changes in Shareholders' Deficit**  
(Expressed in Canadian Dollars)

	Number of Common shares #	Share capital \$	Reserve for warrants \$	Shares to be issued \$	Deficit \$	Total shareholders' deficit \$
<b>Balance as at July 31, 2022</b>	<b>36,766,667</b>	<b>2,067,517</b>	<b>275,622</b>	<b>42,000</b>	<b>(2,394,605)</b>	<b>(9,466)</b>
Shares issued penalty	1,109,330	83,200	-	-	-	83,200
Shares issued for private placement	1,093,333	56,702	25,991	259,685	-	342,378
Shares issued for debt settlement	500,000	37,500	-	-	-	37,500
Shares issuance costs	-	(2,083)	1,392	-	-	(691)
Net loss for the period	-	-	-	-	(892,709)	(892,709)
<b>Balance as at April 30, 2023</b>	<b>39,469,330</b>	<b>2,242,836</b>	<b>303,005</b>	<b>301,685</b>	<b>(3,287,314)</b>	<b>(439,788)</b>
<b>Balance as at July 31, 2023</b>	<b>45,065,322</b>	<b>2,314,719</b>	<b>427,845</b>	<b>466,010</b>	<b>(3,470,712)</b>	<b>(262,138)</b>
Shares issued private placement	9,778,209	293,346	-	(233,346)	-	60,000
Shares issued for debt settlement	10,928,183	327,845	-	(232,664)	-	95,181
Shares issuance costs	-	(22,447)	9,861	-	-	(12,586)
Shares to be issued	-	-	-	39,380	-	39,380
Net loss for the period	-	-	-	-	(456,999)	(456,999)
<b>Balance as at April 30, 2024</b>	<b>65,771,714</b>	<b>2,913,463</b>	<b>437,706</b>	<b>39,380</b>	<b>(3,927,711)</b>	<b>(537,162)</b>

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

**Neural Therapeutics Inc.**  
**Notes to the Unaudited Interim Condensed Financial Statements**  
**For the three and nine months ended April 30, 2024**  
**(Expressed in Canadian Dollars)**

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**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 (containing mescaline) and nutraceutical (where mescaline is absent).

As at April 30, 2024, the Company had working capital deficiency of \$113,713 (July 31, 2023 – working capital deficiency of \$122,555), had accumulated losses of \$3,927,711 (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 unaudited interim condensed financial statements. These unaudited interim condensed 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 unaudited interim condensed 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. (“**Vertical Peak**”), more particularly described in the management information circular of Vertical Peak available on Neural's profile on [www.sedarplus.ca](http://www.sedarplus.ca).

If the going concern assumption was not appropriate for these unaudited interim condensed 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.

During the three- and nine-months period ended April 30, 2024, the Company changed its grouping for research expenses disclosed in the unaudited interim condensed statements of loss and comprehensive loss. During the three and nine months ended April 30, 2023, an increased in research expenses for \$97,842 and \$285,264 offsetting by decreased in salary, wages and benefits for \$25,997 and \$138,553, consulting fees and professional fees for \$71,678 and \$144,711 as well as general and administrative expenses for \$167 and \$2,000. The regrouping did not impact the unaudited interim condensed statements of financial position, cash flow and changes in shareholders’ deficit.

**Neural Therapeutics Inc.**  
**Notes to the Unaudited Interim Condensed Financial Statements**  
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**2. Basis of preparation**

**2.1 Statement of compliance**

These unaudited interim condensed 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 unaudited interim condensed 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 unaudited interim condensed financial statements were reviewed, approved and authorized for issuance by the Company's Board of Directors on June 20, 2024.

**2.2 Basis of measurement**

These unaudited interim condensed 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 unaudited interim condensed financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**3. Accounts payable and accrued liabilities**

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

	<b>April 30, 2024</b>	<b>July 31, 2023</b>
Accounts payable	<b>58,797</b>	197,493
Accrued wages (i)	-	146,000
Accrued consulting	<b>99,923</b>	129,725
<b>Total</b>	<b>158,720</b>	473,218

i) Accrued wages relate to management compensation to Ian, Campbell, CEO of the Company, which have been reclassified as long-term liabilities, as further discussed in Note 7 hereto.

**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.

**Neural Therapeutics Inc.**  
**Notes to the Unaudited Interim Condensed Financial Statements**  
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**(Expressed in Canadian Dollars)**

**4. Share capital (continued)**

	Shares Issued	\$
<b>Balance, July 31, 2022</b>	36,766,667	2,067,517
Shares issued for financing (i)	1,093,333	56,702
Shares issued as penalty (ii)	1,109,330	83,200
Shares issued for debt settlement (iii)	500,000	37,500
Shares issuance costs	-	(2,083)
<b>Balance, April 30, 2023</b>	39,469,330	2,242,836
<b>Balance, July 31, 2023</b>	<b>45,065,322</b>	<b>2,314,719</b>
Shares issued for financing (iv)	<b>9,778,209</b>	<b>293,346</b>
Shares issued for service (v)	<b>10,928,183</b>	<b>327,845</b>
Shares issuance costs	-	(22,447)
<b>Balance, April 30, 2024</b>	<b>65,771,714</b>	<b>2,913,463</b>

- (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 ("**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.
- (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 \$75,000 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 September 21, 2023, Neural announced that the first tranche of the private placement ("**September 2023 Private Placement**") for gross proceeds of \$293,346 through issuance of 9,778,209 Neural Shares at a price of \$0.03 per Neural Share. 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 per Neural Share until September 21, 2025.
- (v) On September 21, 2023, Neural settled \$327,845 of indebtedness ("**September 2023 Debt Settlement**") owed through the issuance of 10,928,183 Neural Shares at a price of \$0.03, which included settlement of \$67,500 of indebtedness to John Durfy, Chairman of Neural and \$16,218.75 of indebtedness to a company controlled by Robert Wilson, former Chief Financial Officer of Neural.



**Neural Therapeutics Inc.**  
**Notes to the Unaudited Interim Condensed Financial Statements**  
**For the three and nine months ended April 30, 2024**  
**(Expressed in Canadian Dollars)**

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**5. Shares to be issued**

As of April 30, 2024, the Company has recorded \$39,380 in shares to be issued for consultants services to be settled in Neural Shares, including \$17,150 to Dr. Kelly Narine, a former director of the Company and \$4,730.18 to Marrelli Support Services Inc., a private company that employs Omar Gonzalez, the Company's Chief Financial Officer.

During the three and nine months ended April 30, 2024, the Company settled \$nil and \$232,664 of indebtedness through issuance of Neural Shares, which formed a part of the September 2023 Debt Settlement and was previously recorded as shares to be issued.

During the three and nine months ended April 30, 2024, the Company issued Neural Shares in satisfaction of the subscriptions in the Private Placements totalling \$nil and \$233,346, which was previously recorded as shares to be issued.

**6. Reserve for Warrants**

	Warrants Issued	\$
<b>Balance, July 31, 2022</b>	<b>5,575,800</b>	<b>275,622</b>
Warrants issued for financing (i)	546,667	25,991
Warrants issued in exchange for broker services	20,800	1,392
<b>Balance, April 30, 2023</b>	<b>6,143,267</b>	<b>303,005</b>
<b>Balance, July 31, 2023</b>	<b>8,143,267</b>	<b>427,845</b>
Warrants issues in exchange for broker services (ii)	419,564	9,861
<b>Balance, April 30, 2024</b>	<b>8,562,831</b>	<b>437,706</b>

- (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 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 2023 Private Placement, the value of the Warrants for \$9,861 was calculated using the 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.

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**(Expressed in Canadian Dollars)**

**6. Reserve for Warrants (continued)**

As at April 30, 2024, 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
		<b>8,562,831</b>

As at April 30, 2024, the weighted average exercise price of the warrants was \$0.31 (July 31, 2023 – \$0.32) and the weighted average remaining contractual life of the warrants was 1.13 period (July 31, 2023 – 1.87).

**7. Related party 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 and nine months ended April 30, 2024 and 2023:

	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023	Nine Months Ended April 30, 2024	Nine Months Ended April 30, 2023
Director fees (i)	22,500	22,500	67,500	45,000
Former Chief Financial Officer (ii)	-	-	-	7,500
Salaries (iii)	67,308	50,167	162,590	224,000
Marrelli Support Services Inc. (iv)	8,502	12,539	42,397	25,907
<b>Total:</b>	<b>98,310</b>	<b>85,206</b>	<b>272,487</b>	<b>302,407</b>

On March 31, 2024, Ian Campbell - Chief Executive Officer and Director of Neural, John Durfy – Chairman of Neural, and FMI Capital Advisory Inc. ("FMICA") each entered into a waiver and deferral agreements with Neural ("**Amended Deferral Agreements**"), pursuant to which each party agreed to defer the respective amounts outstanding to them as follows: \$283,510 (being the amount outstanding due to Mr. Campbell as of March 31, 2024), \$67,800 (being the amount outstanding due to Mr. Durfy as of March 31, 2024) and \$60,000 (being the amount outstanding due to FMICA as of March 31, 2024), until the earlier of: a) May 31, 2025; and b) Neural completing a financing for gross proceeds of no less than \$400,000 following Listing, excluding Series A Financing ("**Deferral Trigger Date**"). As at April 30, 2024, the balance outstanding with them has been reclassified from current liabilities into long-term liabilities. Furthermore, each of Mr. Durfy and FMICA agreed to deferred all the monthly amounts that will become payable under their respective agreements with Neural from March 31, 2024 to Deferral Trigger Date, which will become payable on the Deferral Trigger Date. Amount due to FMICA was classified as due to other party.

- (i) During the three and nine months ended April 30, 2024, the Company incurred \$22,500 and \$67,500 (three and nine months ended April 30, 2023 - \$22,500 and \$45,000), respectively, in consulting fee paid to John Durfy, Chairman of the Company. As at April 30, 2024, \$74,325 (July 31, 2023 - \$52,500) was outstanding and included in long-term liabilities.

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**(Expressed in Canadian Dollars)**

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**7. Related party transactions (continued)**

**a. Key management compensation (continued)**

- (ii) During the three and nine months ended April 30, 2024, the Company incurred \$nil and \$nil (three and nine months ended April 30, 2023 - \$nil and \$7,500) respectively in consulting fee paid to a private company controlled by Robert Wilson, the former chief financial officer of the Company. As of April 30, 2024, \$nil (July 31, 2023 - \$21,625) was outstanding and included in accounts payable.
- (iii) During the three and nine months ended April 30, 2024, the Company incurred \$67,308 and \$162,590 (three and nine months ended April 30, 2023 - \$50,167 and \$224,000) respectively in salaries, vacation, and bonus expenses to Ian Campbell, President, Chief Executive Officer and Director of the Company. As of April 30, 2024 \$299,214 (July 31, 2023 - \$146,000) was outstanding and included in long-term liabilities.
- (iv) During the three and nine months ended April 30, 2024, the Company incurred \$8,502 and \$42,397 (three and nine months ended April 30, 2023 - \$12,539 and \$25,907), respectively for CFO and accounting services to Marrelli Support Services Inc., a private company that employs Omar Gonzalez, Chief Financial Officer of the Company. As at April 30, 2024, \$9,601 (July 31, 2023 - \$2,885) was outstanding and included in accounts payable.

**b. Due to related party**

On May 31, 2023, the Company signed a waiver and payment deferral agreement ("**Deferral Agreement**") with Ian Campbell, CEO of the Company to defer the payment of amounts due to Mr. Campbell at the earlier of: a) 14 months from the date of the Deferral 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. On March 31, 2023 the Deferral Agreement was amended to Amended Deferral Agreements (as described above, and as a result as of April 30, 2024, \$373,449 (July 31, 2023 - \$139,583) was outstanding and included in due to related parties, of which \$299,214 was due to Mr. Campbell, and \$74,235 was owing to Mr. Durfy.

**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 and nine months ended April 30, 2024. 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,

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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.

### **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 unaudited interim condensed financial statements. These unaudited interim condensed 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.

**Neural Therapeutics Inc.**  
**Notes to the Unaudited Interim Condensed Financial Statements**  
**For the three and nine months ended April 30, 2024**  
**(Expressed in Canadian Dollars)**

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**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 a private company controlled by Robert Wilson, former Chief Financial Officer of Neural, the Company committed to issue 366,667 Neural Shares, which remains to be issued.