

FORM 51-102F3
Material Change Report

MATERIAL CHANGE REPORT UNDER SECTION 7.1 OF
NATIONAL INSTRUMENT NO. 51-102

Item 1. **Reporting Issuer**

High Fusion Inc. (the "Company")
77 King St. W., Suite 2905
Toronto, ON
M5K 1H1

Item 2. **Date of Material Change**

Material changes took place effective February 3, 2022.

Item 3. **Press Release**

A news release was issued by the Company on February 3, 2022, and subsequently disseminated by the Company and filed on SEDAR.

Item 4. **Summary of Material Change**

On February 3, 2022, a subsidiary of the Company, Neural Therapeutics Inc. ("Neural"), completed an equity financing, by way of non-brokered private placement (the "Offering"), in which it issued 10,000,000 units (each, a "Unit") at a price of \$0.075 per Unit for gross proceeds of \$750,000.00. Each Unit was comprised of one common share of Neural and one-half of one common share purchase warrant of Neural exercisable for one common share of Neural at an exercise price of \$0.10 per common share for a period ending on the earlier of: (i) 36 months following the closing of the Offering; and (ii) 24 months following the time Neural completes a going public transaction.

Concurrently with the Offering, the Company has completed an in-kind debt settlement ("**Debt Settlement**"), pursuant to which the Company transferred 5,600,000 common shares of Neural to settle approximately \$420,000 of liabilities of the Company. Pursuant to the Debt Settlement, approximately 2,666,667 common shares of Neural were transferred to certain non-arm's length parties ("**Insiders**") to settle debt obligations of the Company to such Insiders and approximately 2,000,000 common shares of Neural were transferred to settle obligations of the Company to certain secured creditors. Pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), the Debt Settlement with Insiders constituted a "related party transaction" as certain transferees were considered to be related parties to the Company. The Company relied on exemptions from the formal valuation and minority approval requirements of MI 61-101 (pursuant to subsections 5.5(a) and 5.7(a)) as the fair market value of the securities transferred to, and the consideration received from, the Insiders did not exceed 25% of the Company's market capitalization. The Debt Settlement was approved by all of the

directors of the Company without an interest in the transaction. The Company did not file a material change report 21 days before the completion of the Debt Settlement as the participation of the Insiders had not been confirmed at that time.

Item 5. Full Description of Material Change

Please see the news release attached hereto as Schedule "A".

Item 6. Reliance on subsection 7.1(2) of National Instrument 51-102

The report is not being filed on a confidential basis.

Item 7. Omitted Information

No information has been omitted.

Item 8. Executive Officer

The following person may be contacted for further information:

Robert Wilson, Chief Financial Officer
Tel: 416-666-4005

Item 9. Date of Report

This report is dated February 14, 2022.

SCHEDULE "A"

See attached.

High Fusion Psychedelic Cacti-Focused Subsidiary Closes \$750,000 Seed Financing

Toronto, Ontario--(Newsfile Corp. - February 3, 2022) - High Fusion Inc. (CSE: FUZN) ("**High Fusion**" or the "**Company**") is pleased to announce that its subsidiary, Neural Therapeutics Inc. ("**Neural Therapeutics**"), formerly Psychedelic Science Corp. has closed a financing for gross proceeds of \$750,000 ("**Financing**").



Neural Therapeutics

To view an enhanced version of this graphic, please visit:

https://orders.newsfilecorp.com/files/7105/112749_9b7a1a2104143bba_003full.jpg

Neural Therapeutics Financing Closing

Further to the press release dated November 19, 2021, Neural Therapeutics has completed an equity financing for gross proceeds of \$750,000 by way of a non-brokered private placement (the "**Offering**") of units ("**Units**"). Pursuant to the Offering, Neural Therapeutics (formerly a wholly-owned subsidiary of High Fusion) issued 10,000,000 Units at a price of \$0.075 per Unit. Each Unit is comprised of one common share (a "**Neural Share**") of Neural Therapeutics and one-half of one common share purchase warrant (each whole warrant, a "**Warrant**"), with each Warrant exercisable for one Neural Share at an exercise price of \$0.10 per Neural Share for a period ending on the earlier of: (i) 36 months following the closing of the Offering; and (ii) 24 months following the time Neural Therapeutics completes a going public transaction.

The net proceeds from the Offering will be used for research and development efforts, general working capital and funding the costs associated with a planned spin-out transaction ("**Spin-Out**"), pursuant to which it is intended that Neural Therapeutics will become a stand-alone reporting issuer. It is anticipated that the Spin-Out will be subject to a number of approvals, including but not limited to approval by High Fusion shareholders, court approval and approvals of securities regulators and the Canadian Securities Exchange. There is no assurance that either High Fusion or Neural Therapeutics will be able to secure the approvals necessary to complete the Spin-Out. Investment in securities of High Fusion and Neural Therapeutics should be considered highly speculative and prospective investors should consult their advisors prior to making any investment decisions.

Pursuant to the Offering, Neural Therapeutics compensated certain finders under the Offering by the issuance of 575,800 broker warrants, with each broker warrant being exercisable for one Neural Share at a price of \$0.075 per Neural Share, and paid aggregate finders' fees equal to \$43,710 to such finders.

Ian Campbell, CEO of Neural Therapeutics commented: "We are very pleased to report that we have

reached our fundraising target. The success of the financing is a testament to the unique focus of the Neural Therapeutics' business and the management team we have assembled. On behalf of Neural Therapeutics, I wish to thank all the investors for their confidence and support of Neural Therapeutics as we commence our R&D efforts and prepare to enter the public markets as a stand-alone company."

High Fusion Debt Settlement

Concurrently with completion of the Offering, High Fusion has completed an in-kind debt settlement ("**Debt Settlement**"), pursuant to which High Fusion has transferred 5,600,000 Neural Shares to settle approximately \$420,000 of High Fusion liabilities. Pursuant to the Debt Settlement, approximately 2,666,667 Neural Shares were issued to certain non-arm's length parties ("**Insiders**") to settle debt obligations of High Fusion to such Insiders and approximately 2,000,000 Neural Shares were issued to settle obligations of High Fusion to certain secured creditors. Pursuant to *Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), the Debt Settlement with Insiders constituted a "related party transaction" as certain transferees were considered to be related parties to High Fusion. The Company relied on exemptions from the formal valuation and minority approval requirements of MI 61-101 (pursuant to subsections 5.5(a) and 5.7(a)) as the fair market value of the securities transferred to, and the consideration received from, the Insiders did not exceed 25% of the Company's market capitalization. The Debt Settlement has been approved by all of the independent directors of the Company. The Company did not file a material change report 21 days before the completion of the Debt Settlement as the participation of the Insiders had not been confirmed at that time.

Following the completion of the Offering and Debt Settlement, Neural Therapeutics has 36,666,667 Neural Shares issued and outstanding, of which, approximately 17,983,334 Neural Shares are currently owned by High Fusion. The parties are working with their respective tax, legal and corporate advisors to determine the optimal path to allow Neural Therapeutics to complete the Spin Out as a way of maximizing value for their shareholders.

About Neural Therapeutics Inc.

Neural Therapeutics Inc. (formerly Psychedelic Science Corp.) is an ethnobotanical drug-discovery and development company. Neural Therapeutics is focused on developing products and conducting research on the psychoactive cacti plants with the primary objective to find where the historical use in traditional medicine has proven to be effective and capitalize on the opportunities that can be applied in modern medical and natural health product markets.

About High Fusion Inc.

High Fusion Inc. (formerly Nutritional High International Inc.) is focused on developing and manufacturing branded products in the cannabis industry with a specific focus on flower, pro-rolls, vapes, edibles and oil extracts for medical and adult recreational use. The Company operates and controls licenses in California, Colorado and Oregon.

High Fusion has manufacturing, retail and grow operations in California through its acquisition of the business of OutCo and owns and operates oil extraction and edible manufacturing facilities in Colorado and Oregon. The Company's brand portfolio includes its award winning FLİ™ edibles and vape product, along with a number of new brands including Red Octopus and Dubbi Brothers in addition to the OutCo and Thrive brands recently acquired.

For updates on the Company's activities and highlights of the Company's press releases and other media coverage, please visit www.high-fusion.com.

For further information, please contact:

High Fusion Inc.

Robert Wilson, Chief Financial Officer
416-666-4005
Email: rwilson@nutritionalhigh.com

Neural Therapeutics Inc.

Ian Campbell, Chief Executive Officer
Email: icampbell@neuraltherapeutics.ca

Caution Regarding Forward-Looking Information:

NEITHER THE CANADIAN SECURITIES EXCHANGE NOR OTC MARKETS GROUP INC., NOR THEIR REGULATIONS SERVICES PROVIDERS HAVE REVIEWED OR ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

This news release may contain forward-looking statements and information based on current expectations. These statements include statements regarding: the timing and ability to complete the Neural Therapeutics Spin-Out and the use of proceeds of the Offering. These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements. This forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to: the ability of the Company to successfully execute its business plans; legal changes relating to the cannabis and psychedelic industries proceeding as anticipated; and the Company's continued response and ability to navigate the COVID-19 pandemic being consistent with, or better than, its ability and response to date.

*The Company's securities have not been registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or applicable state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States or "U.S. Persons", as such term is defined in Regulation S under the U.S. Securities Act, absent registration or an applicable exemption from such registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in the United States or any jurisdiction in which such offer, solicitation or sale would be unlawful.*

Additionally, there are known and unknown risk factors which could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. Such risks and other factors may include, but are not limited to: general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; the actual results of the Company's future operations; competition; changes in legislation affecting the Company; obtaining and maintaining regulatory approvals including acquiring and renewing U.S. state, local or other licenses, the uncertainty of existing protection from U.S. federal or other prosecution, regulatory or political change such as changes in applicable laws and regulations, including U.S. state-law legalization, market and general economic conditions of the cannabis sector or otherwise; the timing and availability of external financing on acceptable terms; lack of qualified, skilled labour or loss of key individuals; risks related to the COVID-19 pandemic including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, service disruptions, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, supply chains and sales channels, and a deterioration of general economic conditions including a possible national or global recession; and a deterioration of financial markets that could limit the Company's ability to obtain external financing.

A description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in the Company's disclosure documents on the SEDAR website at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated.

Forward-looking information contained in this press release is expressly qualified by this cautionary statement. The forward-looking information contained in this press release represents the expectations of the Company as of the date of this press release and, accordingly, are subject to change after such date. However, the Company expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.



To view the source version of this press release, please visit <https://www.newsfilecorp.com/release/112749>