ALPHA COGNITION INC.

Consolidated Financial Statements

(Expressed in United States Dollars)

For the Years Ended December 31, 2023 and 2022

PAGE

INDEPENDENT AUDITORS' REPORT 2

FINANCIAL STATEMENTS

Consolidated Statements of Financial Position 5
Consolidated Statements of Loss and Comprehensive Loss 6
Consolidated Statements of Changes in Equity (Deficiency) 7
Consolidated Statements of Cash Flows 8
Notes to Consolidated Financial Statements 9

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Alpha Cognition Inc.

Opinion

We have audited the consolidated financial statements of Alpha Cognition Inc. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes comprising a summary of material accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the Financial Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying Financial Statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of Impairment Indicators of Intangible Assets

We draw attention to Notes 2 and 5 of the Financial Statements. As at December 31, 2023, the Company has intangible assets of $532,010. At the end of each reporting period, management applies judgment in assessing whether there are any indicators of impairment relating to intangible assets. If there are indicators of impairment, the recoverable amount of the related asset is estimated in order to determine the extent of impairment, if any. Indicators of impairment may include: (a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use; (b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated; (c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially; (d) the carrying amount of the net assets of the entity is more than its market capitalization; (e) evidence is available of obsolescence or physical damage of an asset; (f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and (g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

No impairment indicators were identified by management as at December 31, 2023.

We considered this a key audit matter due to the significance of the intangible assets and the judgments made by management in its assessment of impairment indicators related to intangible assets. This in turn resulted in a high degree of subjectivity in performing audit procedures related to the judgments applied by management.

Our approach to addressing the matter included the following procedures, among others:

Assessed the judgment made by management in determining whether there were impairment indicators related to intangible assets, which included the following:

- Obtained and reviewed management's assessment of indicators of impairment;
- Discussed the assessment with management and the audit committee;
- Compared the carrying amount of the Company's net assets to its market capitalization; and
- Read the minutes of the board of directors, the Company's news releases and MD&A to identify corroborative or contradictory audit evidence.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Michael Ryan Ayre.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

April 3, 2024

ALPHA COGNITION INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in United States Dollars)

	Note	December 31, 2023	December 31, 2022
		$	$
ASSETS			
Current assets			
Cash		1,404,160	2,083,696
Restricted cash	3	90,413	-
Prepaid expenses and other current assets		366,316	249,045
Loan receivable	4	57,550	-
		1,918,439	2,332,741
Equipment		1,721	3,824
Intangible assets	5	532,010	614,386
		2,452,170	**2,950,951**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	1,394,117	2,845,381
Deferred income	3	10,413	-
Promissory note	7	1,220,372	1,211,463
		2,624,902	4,056,844
Other long-term liabilities	8	84,125	8,295
Derivative liability	9	4,455,747	205,989
		7,164,774	4,271,128
DEFICIENCY			
Share capital	9	50,354,313	40,258,943
Reserves	9	8,391,152	8,492,459
Accumulated other comprehensive loss		(104,301)	(84,728)
Accumulated deficit		(63,353,768)	(49,986,851)
		(4,712,604)	(1,320,177)
		2,452,170	**2,950,951**

Note 1 – Nature of operations and going concern
Note 12 – Commitments
Note 18 – Subsequent events

Approved on behalf of the Board on April 3, 2024

/s/ Kenneth Cawkell, Director   */s/ Len Mertz*, Director

The accompanying notes are an integral part of these consolidated financial statements.

ALPHA COGNITION INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in United States Dollars)

		For the years ended December 31,	
	Note	**2023**	**2022**
		$	**$**
Operating expenses			
Amortization expense	5	82,376	82,376
Consulting fees		248,251	162,287
Depreciation		2,103	8,547
Financing costs	7	67,712	172,880
Investor relations		31,548	191,515
Management fees and salaries	11	1,586,572	1,478,791
Marketing		19,791	31,733
Other general and administrative		261,236	324,871
Professional fees		743,953	899,271
Registrar and filing fees		56,689	57,336
Research and development	10,11	4,998,253	8,816,842
Share-based compensation	9,11	1,829,509	1,151,046
Subcontractors		18,036	243,316
Travel and related		-	17,693
		9,946,029	13,638,504
Loss before other income (expenses)		(9,946,029)	(13,638,504)
Other income (expenses)			
Foreign exchange gain (loss)		9,928	(296,057)
Interest income		6,804	1,925
Government grant income	3,10	260,503	-
Write-off of equipment		-	(5,506)
(Loss) gain on revaluation of derivative liability	9	(4,085,284)	1,823,444
Loss on debt modification	7	(18,489)	-
		(3,826,538)	1,523,806
Loss for the year		(13,772,567)	(12,114,698)
Other comprehensive loss that may be reclassified to net loss:			
Currency translation adjustment		(19,573)	16,806
Comprehensive loss for the year		**(13,792,140)**	**(12,097,892)**
Basic and diluted net loss per share		**(0.15)**	**(0.18)**
Basic and diluted weighted average number of shares outstanding		**94,355,476**	**67,972,194**

The accompanying notes are an integral part of these consolidated financial statements.

ALPHA COGNITION INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in United States Dollars)

	Common shares		Class A Restricted shares		Class B Preferred shares		Total share capital			Accumulated Other Comprehensive Loss	Accumulated Deficit	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Reserves	Loss	Deficit	Total
		$		$		$		$	$	$	$	$
Balance, December 31, 2021	**60,606,931**	**36,908,094**	**7,000,000**	**3,103,620**	**7,916,380**	**62**	**75,523,311**	**40,011,776**	**7,153,252**	**(101,534)**	**(38,033,903)**	**9,029,591**
Options exercised	416,519	247,167	-	-	-	-	416,519	247,167	(206,382)	-	-	40,785
Forfeited share options	-	-	-	-	-	-	-	-	(161,750)	-	161,750	-
Share-based compensation	-	-	-	-	-	-	-	-	1,707,339	-	-	1,707,339
Foreign exchange on translation	-	-	-	-	-	-	-	-	-	16,806	-	16,806
Loss for the year	-	-	-	-	-	-	-	-	-	-	(12,114,698)	(12,114,698)
Balance, December 31, 2022	**61,023,450**	**37,155,261**	**7,000,000**	**3,103,620**	**7,916,380**	**62**	**75,939,830**	**40,258,943**	**8,492,459**	**(84,728)**	**(49,986,851)**	**(1,320,177)**
Units issued for cash	45,190,973	9,223,587	-	-	-	-	45,190,973	9,223,587	-	-	-	9,223,587
Share issuance costs	2,129,566	(1,458,151)	-	-	-	-	2,129,566	(1,458,151)	402,166	-	-	(1,055,985)
Conversion of restricted shares to common shares	7,000,000	3,103,620	(7,000,000)	(3,103,620)	-	-	-	-	-	-	-	-
Options exercised	2,865,000	1,451,519	-	-	-	-	2,865,000	1,451,519	(1,424,519)	-	-	27,000
Expired share options	-	-	-	-	-	-	-	-	(405,650)	-	405,650	-
Expired warrants	-	1,394,858	-	-	-	-	-	1,394,858	(1,394,858)	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	2,369,585	-	-	2,369,585
Effect of change in functional currency	-	(4,541,545)	-	-	-	-	-	(4,541,545)	351,969	-	-	(4,189,576)
Reallocation of derivative liability on re-pricing of warrants from CAD to USD exercise price	-	4,025,102	-	-	-	-	-	4,025,102	-	-	-	4,025,102
Foreign exchange on translation	-	-	-	-	-	-	-	-	-	(19,573)	-	(19,573)
Loss for the year	-	-	-	-	-	-	-	-	-	-	(13,772,567)	(13,772,567)
Balance, December 31, 2023	**118,208,989**	**50,354,251**	**-**	**-**	**7,916,380**	**62**	**126,125,369**	**50,354,313**	**8,391,152**	**(104,301)**	**(63,353,768)**	**(4,712,604)**

The accompanying notes are an integral part of these consolidated financial statements.

ALPHA COGNITION INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States Dollars)

	For the year ended December 31, 2023	2022
	$	$
Cash flows used in operating activities		
Loss for the year	(13,772,567)	(12,114,698)
Adjustments for non-cash items		
Amortization of intangible assets	82,376	82,376
Accretion of discount on promissory note	50,196	135,643
Accrued interest expense	-	24,230
Accrued interest income	(2,550)	-
Accrued bonus rights	75,830	8,295
Accrued expenditures for government grant	(80,000)	-
Depreciation of equipment	2,103	8,547
Loss on debt modification	18,489	-
Loss (gain) on revaluation of derivative liability	4,085,284	(1,823,444)
Share-based compensation	2,369,585	1,701,807
Write-off of equipment	-	5,506
Changes in non-cash operating working capital items:		
Prepaid expenses and other current assets	(117,271)	619,787
Accounts payable and accrued liabilities	(1,440,263)	2,110,301
	(8,728,788)	(9,241,650)
Cash flows used in investing activities		
Acquisition of equipment	-	(4,876)
	-	(4,876)
Cash flows provided by financing activities		
Units issued for cash	9,223,587	-
Exercise of options	27,000	40,785
Funds loaned to related party	(55,000)	-
Interest paid on promissory notes	(70,777)	(16,000)
Proceeds received from restricted government grant	201,500	-
Amounts paid from restricted government grant funds	(111,087)	-
Share issuance costs	(1,055,985)	-
	8,159,238	24,785
Effect of foreign exchange on cash	(19,573)	3,644
Change in cash during the year	(589,123)	(9,218,097)
Cash, beginning of year	2,083,696	11,301,793
Cash, end of year	**1,494,573**	**2,083,696**
Cash consists of:		
Cash	1,404,160	2,083,696
Restricted cash	90,413	-
	1,494,573	**2,083,696**

Note 15 – Supplemental disclosure with respect to cash flows

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Alpha Cognition Inc. ("ACI" or the "Company") is in the business of researching and developing pharmaceutical treatments for neurological diseases. The registered and records office of the Company is 1200 – 750 West Pender Street, Vancouver, BC, V6C 2T8. As of May 1, 2023 the Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "ACOG", previously the Company's shares were traded on the TSX Venture Exchange ("TSX-V") until April 28, 2023 when the Company had them delisted. The Company's shares also trade on the Over-The-Counter Markets ("OTC") under the trading symbol "ACOGF".

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has not generated revenues from its operations to date and at December 31, 2023, had a working capital deficit of $706,463 and accumulated deficit of $63,353,768 which has been primarily financed by equity. The Company's continuing operations, as intended, are dependent upon its ability to generate cash flows or obtain additional financing. Management is of the opinion that it does not have sufficient working capital to meet the Company's liabilities and commitments as they become due for the upcoming 12 months. Management intends to finance operating costs over the next twelve months with private placements and public offerings of the Company's common shares and funds received from the exercise of warrants and share options. Additionally, the Company will also consider funding that may arise through partnerships activities and debt. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company to meet its obligations and fund continuing operations. These factors indicate the existence of material uncertainty which causes significant doubt in the ability of the Company to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these consolidated financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION

The following is a summary of the material accounting policies used in the preparation of these consolidated financial statements.

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements of the Company were approved and authorized for use by the Board of Directors on April 3, 2024.

Basis of presentation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for certain financial assets and liabilities, including derivative instruments, which are measured at fair value. The consolidated financial statements are presented in United States dollars ("USD") unless otherwise noted.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries at the end of the reporting period as follows:

	Incorporation	Percentage owned	
		2023	2022
Alpha Cognition Canada Inc. ("ACI Canada")	Canada	100%	100%
Alpha Cognition USA Inc. ("ACI USA"), wholly owned subsidiary of ACI Canada	USA	100%	100%

All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

Functional and presentation currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. Effective August 31, 2023, the functional currency of the Company was updated to USD as management assessed that the currency of the primary economic environment in which the Company operates changed to USD on that date. The key factor influencing this decision was the change in the Company's primary funding from Canadian dollars ("CAD") to USD, whereas the functional currency of its subsidiaries was unchanged and remained in USD. Prior to August 31, 2023, the functional currency of the Company was CAD and the functional currencies of its subsidiaries was the USD. Changes to the Company's functional currency have been accounted for on a prospective basis from August 31, 2023, in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's operations at August 31, 2023 that were previously reported in CAD were translated to USD using the exchange rate at that date. The resulting translated amounts for non-monetary items are treated as their historical cost. The income and expenses were translated using average rates and foreign currency differences that arose on translation for consolidation purposes are recognized in other comprehensive loss.

All transactions for the Company are recorded in USD from August 31, 2023, and onwards. Transactions denominated in currencies other than USD are considered foreign currency transactions. Foreign currency transactions are translated into USD using the foreign currency rates prevailing at the date of the transaction. Period-end balances of monetary assets and liabilities in foreign currency are translated to USD using period-end foreign currency rates. Foreign currency gains losses arising from the settlement of foreign currency transactions are recognized in profit or loss.

The Company reclassified its derivative liabilities upon the change in functional currency, which resulted in an increase of $4,189,576 in derivative liabilities with a corresponding increase in reserves of $351,969 and decrease in share capital of $4,541,545 as at August 31, 2023 (Note 9).

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Significant accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. Significant estimates and judgements made by management in the preparation of these condensed interim consolidated financial statements are outlined below.

Functional currency
Management is required to assess the functional currency of each entity of the Company. In concluding on the functional currencies of the parent and its subsidiaries, management considered the currency that mainly influences the sale prices of goods and services and the cost of providing goods and services in each jurisdiction in which the Company operates. When no single currency was clearly dominant, the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Going concern
The assessment of the Company's ability to continue as a going concern involves management judgement about the Company's resources and future prospects.

Impairment of intangible assets
The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company and whether any impairment indicators exist, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Useful lives of intangible assets
Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use.

Share-based payment transactions and valuation of derivative liability
The Company uses the Black-Scholes Option Pricing Model to determine the fair value of stock options, standalone share purchase warrants issued, bonus rights and derivative liability. This model requires the input of subjective assumptions including expected share price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

Valuation of bonus rights
The Company uses the Black-Scholes Option Pricing Model to determine the fair value of the bonus rights. This model requires the input of subjective assumptions including expected share price volatility, interest rate, and forfeiture rate. Additionally, the Company applies a probability of the likelihood of certain thresholds being met. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments

Financial assets
On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the financial asset’s fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to initial recognition and how changes in value are recorded. Other current assets and loan receivable are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash and restricted cash are classified as FVTPL.

Impairment
An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For the years presented, the Company did not record an expected credit loss.

Financial liabilities
Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and promissory note are classified as other financial liabilities and carried on the statement of financial position at amortized cost. Bonus rights and derivative liability is measured at FVTPL.

Cash and cash equivalents

The Company considers cash to include currency on hand, demand deposits with banks or other financial institutions, and other kinds of accounts that have the general characteristics of demand deposits in that the Company may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty. The Company considers cash equivalents to include term deposits, certificates of deposit, and all highly liquid instruments with original maturities of three months or less to be cash equivalents.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Amortization is charged over the estimated useful lives using the declining balance method as follows:

Computer equipment	55%
Other equipment	20%

Intangible assets

Intangible assets are carried at cost less accumulated amortization and any impairment losses. The amortization method, useful life and residual values are assessed annually. Amortization expense is recorded on a straight-line basis beginning with the month the corresponding assets are available for use and over the estimated useful lives provided below:

Licenses	15 years

If, after expenditures are capitalized, events or changes in circumstances indicate that the carrying amount may not be recoverable, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Upon retirement or disposal, the cost of the asset disposed of and the related accumulated amortization are removed from the accounts and any gain or loss is reflected in profit and loss.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases

The Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received. The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The lease term is determined as the non-cancellable periods of a lease, together with periods covered by a renewal option if the Company is reasonably certain to exercise that option and a termination option if the Company is reasonably certain not to exercise that option. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension, or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term. During the year 2022, all of the Company's leases were short-term leases with a term of 12 months or less and were charged directly to profit or loss on a straight-line basis over the lease term. The Company had no leases outstanding during the year ended December 31, 2023.

Convertible debentures

Upon initial recognition, the Company determines whether the convertible debentures consist of liability and equity components, or if both components represent liabilities. For convertible debentures which provide conversion into a fixed number of shares (the "fixed-for-fixed" criteria), the liability component is initially recorded at fair value and subsequently at amortized cost using the effective interest rate method. The liability component is accreted to the face value over the term of the convertible debenture. The equity component is recognized as the difference between the fair value of the instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Derivative liability

Share purchase warrants outstanding during the year ended December 31, 2023 and 2022 met the criteria of a derivative instrument liability when they were exercisable in a currency other than the functional currency of the Company thus not meeting the "fixed-for-fixed" criteria. As a result, the Company was required to separately account for these warrants as a derivative instrument liability recorded at fair value and marked-to-market each period with the changes in the fair value each period charged or credited to loss. Changes in fair value are recognized as gain/loss on derivative liability until the warrants are exercised or expire.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's preferred shares, restricted shares, common shares, warrants and share options are classified as equity instruments.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in private placements is determined to be the more easily measurable component as they are valued at their fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Loss per share

Basic loss per share is computed by dividing net loss available to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the reporting period where ordinary shares include Common Shares and Class A Restricted common shares (defined in Note 9). If applicable, diluted income per share is computed similar to basic income per share except that the weighted average shares outstanding are increased to include potential ordinary shares for the assumed exercise of share options, warrants, and convertible debentures, if dilutive. The number of potential ordinary shares is calculated by assuming that outstanding share options, warrants and convertible debentures were exercised or converted and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

Share-based compensation

Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share option reserve. The Company records stock-based compensation expense for service-based stock options on a graded method over the requisite service period. The Company records stock-based compensation expense for non-market performance-based stock options on a graded method over the requisite service period, and only if performance-based conditions are considered probable to be satisfied.

The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the previously expensed value of forfeited and expired unexercised vested stock options and compensatory warrants to deficit or share capital from reserves on the date of expiration based on the nature of the item.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Liability-Based Awards

Bonus right awards that include cash settlement features are accounted for as liability-based awards. The fair value of the bonus right awards is estimated using a Black-Scholes option-pricing model and is revalued on each reporting date, based on the probability of the expected awards to vest, until settlement. Changes in the estimated fair value of the bonus right awards are recognized within general and administrative expense in the consolidated statement of operations and comprehensive loss over the vesting period. Key assumptions in the calculation of the fair value of the bonus right awards include expected volatility, risk-free interest rate, expected life, and fair value per award.

Income taxes

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Deferred income tax
Deferred income tax is provided for based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current income and deferred tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Grant accounting

All funds relating to government grants are being recorded under the gross method of accounting for government grants whereby any income received and associated expenses incurred will be reported separately as expenses on the statement of comprehensive loss.

Research and development

Research and development costs are typically expensed as incurred and can only be capitalized where a development project meets certain conditions, including technical feasibility of the intangible assets, intention to complete the project, ability to sell the intangible assets, probability that the intangible assets can produce future economic benefits, availability of resources to complete the project, and ability to reliably measure the expenditure attributable to the intangible assets. Development projects are reviewed as they arise and on an on-going basis to assess whether all conditions have been met. For capitalized development assets, amortization is calculated over the cost of the asset, or revalued amount, less its residual value. Capitalized development amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Accounting pronouncements not yet adopted

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

As part of the new amendments, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in certain instances in line with the amendments.

NOTE 3 – R&D GRANT

On June 5, 2023, the Company was awarded a $750,000 research and development grant from the Army Medical Research and Material Command for a pre-clinical study on the use of the ALPHA-1062 Intranasal to reduce blast mTBI (mild Traumatic Brain Injury) induced functional deficit and brain abnormalities ('R&D Grant"). The R&D Grant is issued in collaboration with the Seattle Institute of Biomedical and Clinical Research and is endorsed by the Department of Defense.

As of December 31, 2023, the Company has received $201,500 for the R&D Grant and has restricted cash of $90,413. As at December 31, 2023, the Company has deferred income of $10,413 after the recognition of $191,087 of government grant income on the statement of comprehensive loss during the year ended December 31, 2023. Additionally, during the year ended December 31, 2023, the Company has accrued $80,000 in expenses relating to the R&D Grant.

NOTE 4 – LOAN RECEIVABLE

On July 7, 2023, the Company entered into a loan agreement with Alpha Seven Therapeutics, Inc., ("Alpha Seven") a related party through a common director and officers of the Company, to advance an amount up to $150,000. The outstanding balance has an interest rate of 12% per annum, a term of 12 months, and is unsecured. As at December 31, 2023, the Company has advanced $55,000 and accrued interest of $2,550.

(Expressed in United States Dollars)

NOTE 5 – INTANGIBLE ASSETS

	Licenses
	$
Cost:	
At December 31, 2021, 2022 and 2023	1,235,633
Amortization:	
At December 31, 2021	538,871
Additions	82,376
At December 31, 2022	621,247
Additions	82,376
At December 31, 2023	703,623
Net book value:	
At December 31, 2022	614,386
At December 31, 2023	**532,010**

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	**2022**
	$	**$**
Accounts payable	475,553	2,016,057
Accrued liabilities (Note 11)	127,284	278,664
Accrued bonus and wages (Note 11)	791,280	550,660
	1,394,117	**2,845,381**

NOTE 7 – PROMISSORY NOTE

The following is a continuity schedule of the carrying value of the promissory note and accrued interest:

	Principal	**Accrued Interest**
	$	**$**
Balance, December 31, 2021	1,075,820	2,771
Interest payments	-	(16,000)
Accretion	135,643	-
Accrued interest	-	24,230
Balance, December 31, 2022	1,211,463	11,001
Loss on debt modification	18,489	-
Interest payments	(59,776)	(11,001)
Accretion	50,196	-
Balance, December 31, 2023	**1,220,372**	**-**

(Expressed in United States Dollars)

NOTE 7 – PROMISSORY NOTE (continued)

In March 2015, the Company issued a promissory note of $1,400,000 to Neurodyn Life Sciences Inc ("NLS"), a related party through a common director, for the acquisition of the ALPHA-1062 Technology ("NLS Promissory Note") (Note 11). In April 2015, the Company and NLS entered into an amendment to the License Agreement (defined in Note 12) pursuant to which the interest rate was reduced to 2% and the maturity date was extended to December 31, 2022, with interest only payments commencing April 1, 2019, at the rate of $2,000 per month. In March 2023, the Company and NLS entered into a second amending agreement pursuant to which the interest rate was increased to 5.5% and the maturity date was extended to July 15, 2024, with monthly interest only payments required. The Company may pay all or any portion of the note and accrued interest prior to the maturity date.

The second amendment was determined to be a debt modification transaction with a related party resulting in the difference in net present value of the cash flows of $18,489, calculated using an effective interest rate of 4.12%, being recognized as a loss on debt modification in the consolidated statements of loss and comprehensive loss.

During the year ended December 31, 2023, the Company recorded interest and accretion expense of $50,196 (2022 - $159,873) included in financing costs.

As at December 31, 2023, the principal balance owing on the promissory note was $1,211,463 (2022 - $1,211,463) and the remaining debt premium was $8,909 (2022 - $nil). Additionally, the accrued interest of $nil (2022 - $11,001) is included in accrued liabilities.

NOTE 8 – OTHER LONG-TERM LIABILITIES

The Company adopted a cash bonus policy pursuant to which it may grant bonus rights to certain eligible participants, which include employees, officers or consultants of the Company, that are payable in cash. These bonus rights are cash-settled share-based payment awards recognized over the vesting period and are revalued at each reporting date with the amount recognized included in management fees and salaries on the Company's condensed interim consolidated statement of loss and comprehensive loss.

During the year ended December 31, 2022, officers of the Company were granted the ability to earn up to 9,261,196 bonus rights entitling them to a cash bonus equal to an amount by which the fair market value of one common share of the Company (calculated as the 30-day Volume Weighted Average Price ("VWAP") per common share) exceeds $1.58 multiplied by the number of bonus rights vested. The bonus rights earned vest on the earlier of the date of a change of control or April 15, 2024, and will be payable upon vesting. The bonus rights will be earned in tranches based on the price of the Company's common share exceeding certain thresholds. As at December 31, 2023, the Officers had earned 2,376,764 (2022 - 2,376,764) bonus rights.

On initial recognition, the Company recorded an expense of $56,988 to recognize the proportionate unvested bonus rights. As at December 31, 2023, the Company revalued the bonus rights to $84,125 (2022 - $8,295).

	2023	2022
		$
Balance, beginning of year	**8,295**	**-**
Initial recognition of bonus rights	-	56,988
Adjustment	75,830	(48,693)
Balance, end of year	**84,125**	**8,295**

(Expressed in United States Dollars)

NOTE 8 – OTHER LONG-TERM LIABILITIES (continued)

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the initial valuations and the re-valuations of the bonus rights as at December 31, 2022 and 2023:

	December 31, 2023	December 31, 2022	Initial Valuation
Risk-free interest rate	5.04%	4.51%	1.47%
Dividend yield	-	-	-
Forfeiture rate	-	-	-
Expected life	0.29 years	1.29 years	1.13 years
Volatility	177.76%	94%	60%
Weighted average fair value per bonus right	$0.04	$0.01	$0.16
Number of probable bonus rights to vest	2,437,082	2,444,625	2,434,134

A continuity of bonus rights is as follows:

	Number of Bonus Rights Outstanding	Number of Bonus Rights Earned
Balance, December 31, 2021	-	-
Issued	9,261,186	2,376,764
Balance, December 31, 2022 and 2023	**9,261,186**	**2,376,764**

NOTE 9 – SHARE CAPITAL

Authorized share capital

The Company is authorized to issue the following share capital:

- Unlimited common voting shares without par value (“Common Shares”)
- Unlimited Class A restricted voting shares without par value (“Restricted Shares”)
- Unlimited Class B preferred Series A voting shares with a par value of $0.25 per share, convertible on a 1:1 basis into Common shares (“Class B Preferred Shares”)

Issued share capital

During the year ended December 31, 2023, the Company issued the following shares:

a) Issued 23,747,648 private placement units at a price of CAD$0.255 for total proceeds of $4,506,055 (CAD$6,055,650) with each unit consisting of one Common Share and one warrant exercisable at a price of CAD$0.39 per warrant for a term of five years from the closing date (“Q1 2023 PP”). The Q1 2023 PP was completed through the closing of two tranches: one in February 2023 and one in March 2023. In connection with the Q1 2023 PP, the Company paid cash commissions of $172,480, incurred legal fees of $15,428 and issued 2,129,566 Common Shares and 324,642 agents warrants with an estimated fair value of $618,004 and $73,018, respectively. Each agent warrant is exercisable into one Common Share of the Company at an exercise price of CAD$0.39 for a term of 5 years.

b) Issued 2,700,000 Common Shares for the exercise of 2,700,000 ACI Canada legacy performance options at a price of $0.01 per share for total proceeds of $27,000. As a result, the Company transferred $1,344,480 from reserves to share capital.

NOTE 9 – SHARE CAPITAL (continued)

Issued share capital (continued)

c) On May 30, 2023, the Company announced a private placement offering to raise gross proceeds of $6,500,000 at $0.22 per unit ("Q2 2023 PP"). Each unit consists of one common share and one-half of a warrant with each whole warrant entitling the holder to purchase an additional Common Share of the Company at $0.31 per share for a period of three years from the closing date. The aggregate proceeds may be increased by 30% to accommodate any overallotment. In accordance with the Q2 2023 PP, the Company has agreed to pay the finder ("Spartan") cash commissions of 10% of the gross proceeds, issue finder's warrants equal to 10% of the number of the warrants issued to investors, in each case excluding investors on the Company's president's list, and pay Spartan a non-accountable expense fee equal to 5% of the gross proceeds of the Q2 2023 PP excluding the president's list. The Q2 2023 PP capital raising activities were completed subsequent to December 31, 2023 (see Note 18(a)).

- On August 31, 2023, the Company completed the first closing of the Q2 2023 PP by issuing 6,114,058 units at a price of $0.22 for total proceeds of $1,345,093 ("Q2 2023 PP Tranche 1"). Each unit consists of one Common Share and one-half of a warrant with each whole warrant entitling the holder to purchase an additional Common Share of the Company at the initial pricing of $0.31 per share until August 31, 2026. In connection with the Q2 2023 PP Tranche 1, the Company paid cash commissions of $180,051, incurred legal fees of $28,334 and issued 272,803 agents warrants with an estimated fair value of $44,292. Each agent warrant is exercisable into one Common Share of the Company at an exercise price of $0.31 until August 31, 2026.

- On October 16, 2023, the Company completed the second closing of the Q2 2023 PP by issuing 1,596,830 units at a price of $0.22 for total gross proceeds of $351,303 ("Q2 2023 PP Tranche 2"). Each unit consists of one Common Share and one-half of a warrant with each whole warrant entitling the holder to purchase an additional Common Share of the Company at the initial pricing of $0.31 per share until October 16, 2026. In connection with the closing of Q2 2023 PP Tranche 2, the Company paid cash commissions of $51,600, incurred legal fees of $5,371 and issued 78,181 agents warrants with an estimated fair value of $10,199. Each agent warrant is exercisable into one Common Share of the Company at an exercise price of $0.31 until October 16, 2026.

- On November 8, 2023, the Company completed the third closing of the Q2 2023 PP by issuing 4,590,903 units at a price of $0.22 for total gross proceeds of $1,009,999 ("Q2 2023 PP Tranche 3"). Each unit consists of one Common Share and one-half of a warrant with each whole warrant entitling the holder to purchase an additional Common Share of the Company at the initial pricing of $0.31 per share until November 8, 2026. In connection with the closing of Q2 2023 PP Tranche 3, the Company paid cash commissions of $151,500, incurred legal fees of $10,501 and issued 229,544 agents warrants with an estimated fair value of $24,692. Each agent warrant is exercisable into one Common Share of the Company at an exercise price of $0.31 until November 8, 2026. The Company also paid a consulting fee of US$160,000 pursuant to the Spartan Consulting Agreement.

On December 4, 2023, the Company amended the terms of the Q2 2023 PP. Each unit will now consist of one common share and one warrant. Each warrant will entitle the holder to purchase an additional common share of the Company at $0.31 per share for a period of three years from the closing date.

- On December 22, 2023, the Company completed the fourth closing of the Q2 2023 PP by issuing 9,141,534 units at a price of $0.22 for total gross proceeds of $2,011,137 ("Q2 2023 PP Tranche 4"). Each unit consists of one Common Share and one warrant with each warrant entitling the holder to purchase an additional Common Share of the Company at the initial pricing of $0.31 per share until December 22, 2026. In connection with the closing of Q2 2023 PP Tranche 4, the Company paid cash commissions of $238,515 and issued 722,771 agents warrants with an estimated fair value of $249,965. Each agent warrant is exercisable into one Common Share of the Company at an exercise price of $0.31 until December 22, 2026.

NOTE 9 – SHARE CAPITAL (continued)

Issued share capital (continued)

d) All 7,000,000 previously outstanding Restricted Shares were converted to Common Shares on August 29, 2023, for $nil proceeds.

e) 165,000 Common Shares in connection with the cashless exercise of 251,101 Common Share options with an exercise price of CAD$0.22 per share; 86,101 Common Shares were surrendered. As a result, the Company transferred $80,039 from reserves to share capital.

During the year ended December 31, 2022, the Company issued the following shares:

a) 350,000 Common Shares for the exercise of 350,000 ACI Canada legacy performance options at a price of $0.01 per share for total proceeds of $3,500. As a result, the Company transferred $174,285 from reserves to share capital.

b) 66,519 Common Shares for the exercise of 66,519 Common Share options at a price of CAD$0.714 per share for total proceeds of $37,285 (CAD$47,495). As a result, the Company transferred $32,097 from reserves to share capital.

Escrow shares

As at December 31, 2023, the Company had 11,502,874 (2022 – 19,754,347) Common Shares, nil (2022 – 3,116,518) Restricted Shares, and 2,857,432 (2022 – 5,099,866) Class B Preferred Shares held in escrow.

Warrants

During the year ended December 31, 2023, the Company issued the following warrants:

a) 16,795,221 warrants with an exercise price of CAD$0.39 and expiry of February 16, 2028, in connection with the first tranche of the Q1 2023 PP.
b) 6,952,427 warrants with an exercise price of CAD$0.39 and expiry of March 15, 2028, in connection with the second tranche of the Q1 2023 PP.
c) 324,642 warrants with an exercise price of CAD$0.39 and an expiry of March 15, 2028, to the agents of the Company's Q1 2023 PP. The warrants were valued at $73,018 using the Black Scholes option-pricing model with the following assumptions: expected life of 5 years, volatility of 108.71%, discount rate of 3.05%, and a dividend yield of $nil.
d) 3,057,025 warrants with an exercise price of $0.31 and an expiry of August 31, 2026, in connection with the Company's Q2 2023 PP Tranche 1.
e) 272,803 warrants with an exercise price of $0.31 and an expiry of August 31, 2026, to the agents of the Company's Q2 2023 PP Tranche 1. The warrants were valued at $44,292 using the Black Scholes option-pricing model with the following assumptions: expected life of 3 years, volatility of 91.24%, discount rate of 4.40%, and a dividend yield of $nil.
f) 798,414 warrants with an exercise price of $0.31 and an expiry of October 16, 2026, in connection with the Company's Q2 2023 PP Tranche 2.
g) 78,181 warrants with an exercise price of $0.31 and an expiry of October 16, 2026, to the agents of the Company's Q2 2023 PP Tranche 2. The warrants were valued at $10,199 using the Black Scholes option-pricing model with the following assumptions: expected life of 3 years, volatility of 90.98%, discount rate of 4.60%, and a dividend yield of $nil.
h) 2,295,449 warrants with an exercise price of $0.31 and an expiry of November 8, 2026, in connection with the Company's Q2 2023 PP Tranche 3.
i) 229,544 warrants with an exercise price of $0.31 and an expiry of November 8, 2026, to the agents of the Company's Q2 2023 PP Tranche 3. The warrants were valued at $24,692 using the Black Scholes option-pricing model with the following assumptions: expected life of 3 years, volatility of 91.31%, discount rate of 4.00%, and a dividend yield of $nil.

(Expressed in United States Dollars)

NOTE 9 – SHARE CAPITAL (continued)

Warrants (continued)

j) 9,141,534 warrants with an exercise price of $0.31 and an expiry of December 22, 2026, in connection with the Company's Q2 2023 PP Tranche 4.
k) 722,771 warrants with an exercise price of $0.31 and an expiry of December 22, 2026, to the agents of the Company's Q2 2023 PP Tranche 4. The warrants were valued at $249,965 using the Black Scholes option-pricing model with the following assumptions: expected life of 3 years, volatility of 91.75%, discount rate of 3.70%, and a dividend yield of $nil.

During the year ended December 31, 2023, 3,277,007 warrants with an aggregate fair value of $1,394,858 expired resulting in $1,394,858 being reallocated from reserves to Common Shares.

In December 2023, 11,317,750 warrants originally issued on February 16, 2023 had their exercise price modified from CAD$0.39 to $0.283 and 459,586 warrants originally issued on March 15, 2023 had their exercise price modified from CAD$0.39 to $0.289, no change was made to any expiry dates (see Note 9(b)).

A continuity of warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, December 31, 2021 and 2022	15,981,290	1.15
Issued	40,668,011	0.30
Expired	(12,919,507)	1.36
Balance, December 31, 2023	**43,729,794**	**0.31**

A summary of the warrants outstanding and exercisable at December 31, 2023, is as follows:

Warrants Outstanding	Exercise Price	Expiry Date
	$	
3,061,783	0.40	August 30, 2024
3,329,828	0.31	August 31, 2026
876,595	0.31	October 16, 2026
2,524,993	0.31	November 8, 2026
9,864,305	0.31	December 22, 2026
11,317,750	0.283	February 16, 2028
5,477,471	0.29 (CAD$0.39)	February 16, 2028
6,817,483	0.29 (CAD$0.39)	March 15, 2028
459,586	0.289	March 15, 2028
43,729,794		

The weighted average life of warrants outstanding at December 31, 2023 was 3.43 years.

NOTE 9 – SHARE CAPITAL (continued)

Share Options

Common Share options

The Company's 2023 Stock Option Plan (the "2023 Option Plan") for its officers, directors, employees and consultants was approved by shareholders on June 27, 2023. Pursuant to the 2023 Option Plan, the Company may grant non-transferable share options totaling in aggregate up to 20% of the Company's issued and outstanding Common Shares and Restricted Shares, exercisable for a period of up to ten years from the date of grant, and at an exercise price that will not be lower than the greater of the last closing price for the Common Shares as quoted on the CSE: (i) on the trading day prior to the date of grant; and (ii) the date of grant. All options granted pursuant to the 2023 Option Plan will be subject to such vesting requirements as may be imposed by the Board. In the event of a Change of Control, as defined in the 2023 Option Plan, all unvested options will vest immediately.

The 2022 Option Plan was previously adopted by the board and approved by shareholders on July 19, 2022, pursuant to which incentive share options were granted to certain directors, officers, employees and consultants (the "2022 Option Plan"). Under the 2022 Option Plan, the Company could grant non-transferable share options totaling in aggregate up to 10% of the Company's issued and outstanding Common Shares, exercisable for a period of up to ten years from the date of grant, and at an exercise price which is not less than that permitted by the TSX-V. In connection with listing of the Common Shares on the CSE, the Company adopted the 2023 Option Plan and determined that the 2022 Option Plan be closed to new grants. The options outstanding under the 2022 Option Plan, issued prior to the adoption of the 2023 Option Plan ("2022 Options") are not included in the maximum number of share options available for grant pursuant to the 2023 Option Plan and are not subject to the terms of the 2023 Option Plan; as such, the 2022 Options will continue to be governed by the 2022 Option Plan.

During the year ended December 31, 2023, the Company had the following share options transactions, under the 2022 Option Plan:

- In January 2023, the Company canceled 2,600,000 outstanding stock options with an exercise price of CAD$0.90 and issued 2,600,000 new options with an exercise price of CAD$0.28 with new vesting terms of equal monthly instalments until July 31, 2024. The expiry dates remained unchanged.
- In January 2023, the Company canceled 940,000 options with an exercise price of CAD$1.12 and issued 940,000 new options with an exercise price of CAD$0.28 with new vesting terms of equal monthly instalments until September 30, 2023. The expiry dates remained unchanged.
- In January 2023, the Company canceled 215,000 options with an exercise price of CAD$1.05 and issued 215,000 new options with an exercise price of CAD$0.28 with new vesting terms of equal monthly instalments until January 31, 2025. The expiry dates remained unchanged.
- In January 2023, the Company canceled 450,000 options with an exercise price of CAD$0.93 and issued 450,000 new options with an exercise price of CAD$0.28 with new vesting terms of equal monthly instalments until January 31, 2025. The expiry dates remained unchanged.
- In January 2023, the Company canceled 400,000 options with an exercise price of CAD$0.64 and issued 400,000 new options with an exercise price of CAD$0.28 with new vesting terms of equal monthly instalments until July 31, 2024. The expiry dates remained unchanged.
- In January 2023, the Company canceled 50,000 options with an exercise price of CAD$0.64 and issued 50,000 new options with an exercise price of CAD$0.28 with new vesting terms of equal monthly instalments until January 31, 2025. The expiry dates remained unchanged.

For accounting purposes, the cancellation and subsequent reissuance of these stock options was treated as a modification. The incremental fair value is the difference between the fair value of the modified share-based payment and that of the original share-based payment both measured at the date of the modification. The incremental fair value of $98,017 resulting from the stock option modifications is being recognized over the new vesting terms and the balance of the original grant-date fair value is being recognized over the remaining original vesting period.

In addition to the above, 772,763 stock options, issued under the 2022 Option Plan, were forfeited, of which $405,650 reallocated from reserves to deficit and $20,874 was reallocated from reserves to share based compensation under research and development.

(Expressed in United States Dollars)

NOTE 9 – SHARE CAPITAL (continued)

Share options (continued)

Common Share options (continued)

During the year ended December 31, 2023, the Company had the following share options transactions, under the 2023 Option Plan:

- In June 2023, the Company granted 16,190,000 Common Share options with an exercise price of CAD$0.22 per share to certain employees of ACI USA and certain directors of the Company. The options will be subject to the following vesting terms: 12.5% will vest on June 8, 2023 and the remaining 87.5% will vest in equal monthly instalments until January 30, 2026. These options have an expiry date of June 8, 2033.

During the year ended December 31, 2022, the Company had the following share option transactions, under the 2022 Option Plan:

- In February 2022, the Company granted 230,000 Common Share options with an exercise price of CAD$1.05 per share to certain employees of ACI USA and a consultant of ACI Canada. The options will be subject to the following vesting terms: 25% will vest on February 14, 2023 and the remaining 75% will vest in equal monthly instalments until February 14, 2025. These options were cancelled in January 2023.
- In April 2022, the Company granted 450,000 Common Share options to the CFO of the Company with an exercise price of CAD$0.93 per share for a period of ten years from date of grant. The options will be subject to the following vesting terms: 25% will vest in equal monthly instalments until April 11, 2023 and the remaining 75% will vest in equal monthly instalments until April 11, 2025. These options were cancelled in January 2023.
- In May 2022, the Company granted 400,000 Common Share options to certain directors of the Company with an exercise price of CAD$0.64 per share. The options will be subject to the following vesting terms: 50% will vest on date of grant and the remaining 50% will vest quarterly over a 24-month period. These options expired unexercised in April 2023.
- In May 2022, the Company granted 90,000 Common Share options with an exercise price of CAD$0.64 per share. The options will be subject to the following vesting terms: 25% will vest on date of grant and the remaining 75% will vest in equal monthly instalments over a 24-month period. These options were cancelled in January 2023.
- During the year ended December 31, 2022, 895,007 stock options were forfeited, of which $161,750 reallocated from reserves to deficit, $5,532 was reallocated from reserves to share-based compensation under general and administrative, and $112,017 was reallocated from reserves to share-based compensation under research and development.

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the valuation of the Common Share options issued:

	2023	2022
Risk-free interest rate	3.12%	2.62%
Dividend yield	-	-
Forfeiture rate	-	-
Expected life	10 years	10 years
Volatility	103%	84%
Weighted average fair value per option	$0.13	$0.56

For the year ended December 31, 2023, share-based compensation expense relating to service condition awards for the Common Share options amounted to $2,185,342 (2022 - $1,597,788) of which $540,076 (2022 - $446,742) was allocated to research and development and $1,645,265 (2022 – $1,151,046) to general and administrative, the latter which has been presented in share-based compensation expense.

(Expressed in United States Dollars)

NOTE 9 – SHARE CAPITAL (continued)

Share options (continued)

Common Share options (continued)

Common Share option continuity is as follows:

			Year ended December 31, 2023			Year ended December 31, 2022
	Number of Options	Weighted Average Exercise Price	Weighted Average Share Price on Exercise	Number of Options	Weighted Average Exercise Price	Weighted Average Share Price on Exercise
		$	$		$	$
Balance, beginning of year	5,506,071	0.72	-	5,297,597	0.81	-
Granted	16,190,000	0.17	-	1,170,000	0.61	-
Expired	(772,763)	0.68	-	(895,007)	0.64	-
Exercised*	(251,101)	0.17	-	(66,519)	0.53	0.81
Balance, end of year	**20,672,207**	**0.18**	**-**	**5,506,071**	**0.72**	**-**
Options exercisable, end of year	**8,050,870**			**2,546,071**		

* In accordance with the Company's 2023 Option Plan, option holders exercised 251,101 Common Share options on a cashless basis (net exercise) for the issuance of 165,000 Common Shares.

A summary of the Common Share options outstanding at December 31, 2023, is as follows:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
		$	
39,154	39,154	0.40	June 1, 2029
39,154	39,154	0.40	July 22, 2030
2,600,000	1,588,889	0.21 (CAD$0.28)	August 3, 2031
940,000	940,000	0.21 (CAD$0.28)	December 20, 2031
215,000	98,543	0.21 (CAD$0.28)	February 14, 2032
450,000	206,250	0.21 (CAD$0.28)	April 11, 2032
450,000	267,360	0.21 (CAD$0.28)	May 31, 2032
15,938,899	4,871,520	0.17 (CAD$0.22)	June 8, 2033
20,672,207	**8,050,870**		

The weighted average life of Common Share options outstanding at December 31, 2023 was 9.07 years.

(Expressed in United States Dollars)

NOTE 9 – SHARE CAPITAL (continued)

Share options (continued)

ACI Canada legacy performance options

The Company retained ACI Canada's stock option plan whereby ACI Canada could grant share options to directors, officers, employees and consultants enabling them to acquire Common Shares. Options granted had a maximum term of ten years and the board of directors determined the vesting requirements. From time to time, the Company granted performance-based share options to management and consultants. These options vest based on the Company's achievement of certain performance goals and operational metrics, as applicable, subject to continuous employment by each recipient.

For the year ended December 31, 2023, share-based compensation expense relating to performance condition options for the ACI Canada legacy performance options amounted to $184,243 (2022 – $109,551) of which $nil (2022 - $109,551) was allocated to research and development and $184,243 (2022 - $nil) to general and administrative, the latter which has been presented in share-based compensation expense.

ACI Canada legacy performance option continuity is as follows:

	Year ended December 31, 2023			Year ended December 31, 2022		
	Number of Options	Weighted Average Exercise Price	Weighted Average Share Price on Exercise	Number of Options	Weighted Average Exercise Price	Weighted Average Share Price on Exercise
		$	$		$	$
Balance, beginning of year	9,521,057	0.01	-	9,941,057	0.01	-
Cancelled	-	-	-	(70,000)	0.01	-
Exercised	(2,700,000)	0.01	-	(350,000)	0.01	0.83
Balance, end of year	**6,821,057**	**0.01**		**9,521,057**	**0.01**	
Options exercisable, end of year	**6,401,057**			**8,731,057**		

A summary of the ACI Canada legacy performance options outstanding at December 31, 2023, is as follows:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
		$	
900,000	900,000	0.001	February 1, 2026
691,057	691,057	0.01	December 31, 2027
3,050,000	2,830,000	0.01	September 1, 2028
2,180,000	1,980,000	0.01	June 1, 2029
6,821,057	**6,401,057**		

The weighted average life of ACI Canada legacy performance options outstanding at December 31, 2023 was 4.51 years.

(Expressed in United States Dollars)

NOTE 9 – SHARE CAPITAL (continued)

Derivative liability

a) Prior to August 31, 2023, the Company's functional currency was the CAD; as such, the Company recorded a derivative liability on the warrants outstanding with USD exercises prices. This derivative liability was being revalued at each reporting period.

The Company revalued its derivative liability upon the change in functional currency, which resulted in a loss on revaluation of $145,980 (2022 – gain of $1,658,486).

Due to the change in functional currency on August 31, 2023, the derivative liability was measured at fair value using the Black-Scholes Option Pricing Model with a valuation date of August 31, 2023. The derivative liability of the Company on that date was $351,969, which upon reclassification, was charged to equity as an increase in reserves of $351,969.

	2023	2022
	$	$
Balance, beginning of year	205,989	2,048,127
Revaluation of derivative liability	145,980	(1,842,138)
Reclassification of derivative liability per change in functional currency	(351,969)	-
Balance, end of year	**-**	**205,989**

A summary of the warrants with USD exercise prices outstanding and exercisable as at August 31, 2023, upon the change in functional currency was as follows:

Warrants Outstanding	Exercise Price	Expiry Date
	$	
3,061,783	0.40	August 30, 2024
3,057,025	0.31	August 31, 2026
6,118,808		

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the re-valuations for the warrants priced in USD as at August 31, 2023 and December 31, 2022:

	August 31, 2023	December 31, 2022
Risk-free interest rate	5.14%	4.03%
Dividend yield	-	-
Forfeiture rate	-	-
Expected life	1.00 year	1.65 years
Volatility	131%	93%
Weighted average fair value per warrant	$0.16	$0.07

NOTE 9 – SHARE CAPITAL (continued)

Derivative liability (continued)

b) On August 31, 2023, the Company's functional currency changed to the USD from the CAD; as such, the Company recorded a derivative liability on the warrants outstanding with previously issued CAD exercises prices. This derivative liability is being revalued at each reporting period.

As at August 31, 2023, the Company charged $4,541,545 to equity to reclassify the derivative liability for warrants with exercise prices denominated in CAD using the Black-Scholes Option Pricing Model. The initial reclassification resulted in a decrease in share capital of $4,541,545. In December 2023, 11,777,336 warrants were re-priced from CAD to USD denominated exercise price which resulted in $4,025,102 of the derivative liability being reclassified to equity. As at December 31, 2023, the Company revalued the derivative liability to $4,455,747 (2022 - $nil) and recorded a loss on revaluation of $3,939,304 (2022 – $nil).

	2023
	$
Balance, beginning of year	-
Reclassification of derivative liability per change in functional currency	4,541,545
Reclassification of derivative liability per change in exercise price	(4,025,102)
Revaluation of derivative liability	3,939,304
Balance, end of year	**4,455,747**

A summary of the warrants not issued for services with CAD exercise prices outstanding and exercisable at December 31, 2023 is as follows:

Warrants Outstanding	**Exercise Price**	**Expiry Date**
	$	
5,477,471	0.29 (CAD$0.39)	February 16, 2028
6,492,841	0.29 (CAD$0.39)	March 15, 2028
11,970,312		

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the initial valuation and re-valuations following the change in functional currency to USD, as at and December 31, 2023 and August 31, 2023:

	December 31, 2023	**August 31, 2023**
Risk-free interest rate	3.38%	6.31%
Dividend yield	-	-
Expected life	4.15 years	3.22 years
Volatility	87%	110%
Weighted average fair value per warrant	$0.37	$0.14

(Expressed in United States Dollars)

NOTE 10 – RESEARCH AND DEVELOPMENT

The Company's research and development expenses are summarized below:

		For the year ended December 31,	
	Note	**2023**	**2022**
		$	**$**
Consulting fees		23,100	343,408
Legal and patent costs		114,280	168,828
Management fees and salaries	11	755,999	1,127,095
Other research and development		-	19,516
Product development		3,046,621	5,737,915
R&D grant expenses		191,087	-
Share-based compensation	9,11	540,076	556,293
Subcontractors		327,090	863,787
		4,998,253	**8,816,842**

Included in government grant income is $69,416 for the federal wage tax credits refund relating to subcontractor costs included in research and development.

NOTE 11 – RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of its Board of Directors.

In September 2018, the Company signed a management agreement with CMI Cornerstone Management Corp. ("CMI"), a company controlled by Ken Cawkell, former CEO and a director of the Company, which requires monthly payments of $15,000. In June 2019, the Company amended the agreement to increase the monthly fees to $18,000. Included in the agreement is a provision for a termination payment equal to the greater of (i) $432,000 less any fees previously paid under the agreement between June 1, 2019 and the date of termination or (ii) $54,000. On September 1, 2022, the Company amended the agreement to decrease the monthly fees to $9,000. On April 30, 2023, the Company amended the agreement to an hourly fee of $400 for services rendered. The amendment included a payment of $54,000 for the termination fee.

In September 2018, the Company signed a management agreement with 9177 – 586 Quebec Inc., later assigned to 102388 P.E.I. Inc. ("PEI Inc."), companies controlled by Denis Kay, Chief Scientific Officer of the Company, which requires monthly payments of $13,333 per month for an effective term of two years. In June 2019, the Company amended the agreement to increase the monthly fees to $15,000. Included in the agreement is a provision for a termination payment equal to the greater of (i) $360,000 less any fees previously paid under the agreement between June 1, 2019 and the date of termination or (ii) $45,000. On August 15, 2022, the Company amended the agreement to decrease the monthly fees to $7,500.

In August 2020, the Company signed a management agreement with Seatrend Strategy Group, ("Seatrend"), a company controlled by Jeremy Wright, the Chief Financial Officer of the Company, which required monthly payments of $6,000. In October 2020, the Company amended the agreement to increase the monthly fees to $15,000. Included in the agreement was a provision for a termination payment of six's month's fees. On April 12, 2022, Jeremy Wright resigned as the CFO of the Company and was paid a termination payment of $90,000.

NOTE 11 – RELATED PARTY TRANSACTIONS AND BALANCES (continued)

In February 2021, the Company signed a consulting agreement with Michael McFadden, CEO of the Company, requiring an annual base compensation of $500,000. A new employment agreement was signed in March 2022 which included in the agreement is a provision for termination payment without just cause of:

a) Severance payments for a period of twelve months with the following terms:
   i) Months 1 through 6: 100% of annual base salary;
   ii) Months 7 through 9: 50% of annual base salary; and
   iii) Months 10 through 12: 25% of annual base salary.
b) Bonus severance equal to the average of bonuses paid of the two most recent full fiscal years prior to termination plus the bonus that would have been paid in the fiscal year of termination.

Also included in the agreement is a provision for termination payment due to a change of control, the CEO will receive:

a) a cash payment equal to the annual base salary;
b) a full bonus payable in cash immediately, irrespective of whether targets have been met; and
c) continuation of healthcare benefits for twelve months from date of change of control event.

In April 2022, Mr. McFadden was granted the ability to earn up to 8,195,740 bonus rights of which 1,639,148 bonus rights had been earned as at December 31, 2023 (Note 8). The value of these bonus rights was determined to be $58,427 (2022 - $5,819) as at December 31, 2023 and is included in other long-term liabilities.

In May 2021, the Company hired Lauren D'Angelo as the Company's Chief Commercial Officer. In 2023 Ms. D'Angelo was promoted to Chief Operating Officer of the Company. The employment agreement signed in May 2021 with Ms. D'Angelo requires an annual base compensation currently at $420,000 and includes a provision for a termination payment due to a change of control as follows:

a) a cash payment equal to the annual base salary;
b) a full bonus payable in cash immediately, irrespective of whether targets have been met; and
c) continuation of healthcare benefits for twelve months from date of change of control event.

In May 2022, Ms. D'Angelo was granted the ability to earn up to 1,065,446 bonus rights of which 737,616 bonus rights had been earned as at December 31, 2023 (Note 8). The value of these bonus rights was determined to be $25,698 (2022 - $2,476) as at December 31, 2023 and is included in other long-term liabilities.

In November 2021, the Company signed an employment agreement with Cedric O'Gorman, the Chief Medical Officer ("CMO") of the Company, requiring an annual base compensation of $400,000. Included in the agreement is a provision for a termination payment without just cause of an amount equal to annual base compensation for a period of six months. If termination is due to a change of control, the CMO will receive:

a) a cash payment equal to the annual base salary;
b) a cash bonus equal to 50% of the annual base salary; and
c) continuation of healthcare benefits for twelve months from date of change of control event.

On January 1, 2023, Cedric O'Gorman resigned as the Chief Medical Officer of the Company.

In April 2022, the Company signed an employment agreement with Donald Kalkofen, the Chief Financial Officer ("CFO") of the Company, requiring an annual base compensation of $420,000. Included in the agreement is a provision for termination payment due to a change of control, which if occurs, the CFO will receive:

a) a cash payment equal to the annual base salary;
b) a cash bonus equal to 50% of the annual base salary; and
c) continuation of healthcare benefits for twelve months from date of change of control event.

As at December 31, 2023, $672,550 (2022 - $619,361) is owing to directors and officers of the Company and has been included in accounts payable and accrued liabilities. These balances are in relation to fees and management compensation and are non-interest bearing, unsecured and due on demand.

As at December 31, 2023, the Company owed NLS $1,211,463 for an outstanding promissory note with a carrying amount of $1,220,372 (Note 7).

As at December 31, 2023, the Company has advanced Alpha Seven $55,000 and accrued interest of $2,550 (Note 4).

(Expressed in United States Dollars)

NOTE 11 – RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Summary of key management personnel compensation:

	For the year ended December 31, 2023	2022
	$	$
Other general and administrative	-	9,555
Other research and development	-	10,500
Management fees and salaries	1,490,459	1,166,371
Research and development - management fees and salaries	703,453	939,712
Share-based compensation	2,351,281	1,576,235
	4,545,193	**3,702,373**

NOTE 12 – COMMITMENTS

a) ALPHA-1062 Technology

In March 2015, the Company entered into the Memogain Technology License Agreement ("License Agreement") with NLS for the exclusive right and license to further develop and exploit the ALPHA-1062, formerly Memogain, Technology. The License Agreement set out the consideration as follows:

- The Company assumed all of NLS's obligations under the Memogain Asset Purchase Agreement which consisted of cumulative total payments to Galantos Pharma GmbH of €10,000,000, the cumulative total may be increased to €15,000,000 subject to certain provisions, which is to be paid as follows (collectively the "Galantos Royalty Payments"):
    - 3% of the net sales revenue received by the Company from the sale of any products relating to the ALPHA-1062 Technology;
    - 10% of any sublicensing revenue; and
    - 25% of an upfront payment or milestone payment paid by a sub-licensee to the Company;
- Upon completion of the Galantos Royalty Payments, a royalty payment to NLS of 1% of the revenue received from the ALPHA-1062 Technology by the Company over $100 million per annum and
- The issuance of a promissory note of $1,400,000 to NLS (Note 7).

On January 1, 2016, the Company assumed NLS's obligations under a Royalty Agreement with Galantos Consulting dated August 31, 2013, which consisted of cumulative total payments to Galantos Consulting of €2,000,000, the cumulative total may be increased to €3,000,000 subject to certain provisions, which is to be paid as follows:

- 1% of the net sales revenue received by the Company from the sale of any products relating to the Alpha-1062 Technology;
- 2% of any sublicensing revenue; and
- 2% of an upfront payment or milestone payment paid by a sub-licensee to the Company.

On March 6, 2023, the Company and NLS agreed to amend the License Agreement to now incorporate both Alpha Cognition Inc. and Alpha Cognition Canada Inc. under the License Agreement and added clarity to certain terms and definitions in the License Agreement.

NOTE 12 – COMMITMENTS (continued)

b) ALPHA-602 Technology

In November 2020, the Company entered into a license agreement with NLS for the world-wide exclusive right to the Progranulin ("ALPHA-602") Technology. In accordance with the agreement, the Company will pay the following:

- $50,000 to NLS before January 15, 2021 (paid);
- a royalty of 1.5% of the commercial sales, capped at $2,000,000, to NLS;
- 10% of any Upfront Payments in excess of $2,000,000.

The total amount payable to NLS under this agreement shall not exceed $2,000,000.

c) Spartan Capital Securities, LLC Agreement

On May 30, 2023, the Company agreed to enter into an ongoing consulting services agreement (the "Spartan Consulting Agreement") for a three year term with Spartan Capital Securities, LLC. ("Spartan"). The services include advising and assisting on potential business development transactions, strategic introductions, assisting management with enhancing corporate and shareholder value, and capital raising advice. The Company will pay Spartan a consulting fee in the aggregate amount of $480,000, payable in three equal installments with each installment being subject to the Company achieving certain business development and capital raising objectives. Spartan will also be entitled to earn and receive additional Common Shares of the Company which will be issued to Spartan on a rolling basis upon completion of predetermined business development objectives including the closing of certain offering amounts and the completion of material business transactions. As of December 31, 2023, $160,000 in consulting fees have been paid and no additional common shares had been issued under the consulting services agreement with Spartan.

Subsequent to December 31, 2023, the Company paid a consulting fee of $320,000 and issued 14,558,285 common shares to Spartan and its assignees pursuant to the Spartan Consulting Agreement.

NOTE 13 – CAPITAL DISCLOSURE AND MANAGEMENT

The Company defines its capital as all components of equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital. The Company is not subject to externally imposed capital requirements.

NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumption that market participants would use in pricing.

The Company's financial instruments consist of cash, restricted cash, other current assets, loan receivable, accounts payable, bonus rights (presented in other long-term liabilities), derivative liability, and promissory note. The fair values of other current assets, loan receivable, accounts payable, and promissory note approximates their carrying values either due to their current nature or current market rates for similar instruments. Cash and restricted cash are measured at fair value on a recurring basis using level 1 inputs. Bonus rights and derivative liability are measured at fair value on a recurring basis using level 3 inputs. The continuity and valuation techniques that are used to determine the fair values of the bonus rights and derivative liability are described in Notes 8 and 9.

NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, and liquidity risk.

a) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's operations are carried out in Canada and the United States. As at December 31, 2023, the Company had net monetary liabilities of approximately $36,000 denominated in Canadian dollars. These factors expose the Company to foreign currency exchange rate risk, which could have an adverse effect on the profitability of the Company. A 10% change in the exchange rate with the Canadian dollar would change net loss and comprehensive loss by approximately $2,700. At this time, the Company currently does not have plans to enter into foreign currency future contracts to mitigate this risk, however it may do so in the future.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash is held in a large Canadian financial institution and a United States of America based financial institution. Additionally, as at December 31, 2023, the Company had $475,567 in cash held at its payment processing company in a demand account to be used to pay accounts payable. The Company maintains certain cash deposits with Schedule I financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk. The Company's tax recoverable is due from the Government of Canada; therefore, the credit risk exposure is low. The Company's maximum credit risk is equal to the carrying value of cash, restricted cash, loan receivable and other current assets at December 31, 2023 and 2022.

c) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate cash flow risk. The Company does not hold any financial liabilities with variable interest rates. Financial assets and liabilities with fixed interest rates expose the Company to interest rate price risk. As at December 31, 2023, the promissory note bears interest of 5.5% per annum and is subject to interest rate price risk. The Company maintains bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

d) Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at December 31, 2023, the Company had working capital deficit of $706,463 (see Note 1).

Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2023 are as follows:

	≤1 Year	**>1 Year**	**Total**
	$	**$**	**$**
Accounts payable	1,394,117	-	1,394,117
Promissory note	1,211,463		1,211,463
	2,605,580		2,605,580

(Expressed in United States Dollars)

NOTE 15 – SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	For the year ended December 31,	
	2023	**2022**
	$	**$**
Supplemental disclosures		
Cash paid for interest	59,777	16,000
Cash paid for taxes	-	-
Supplemental non-cash disclosures		
Forfeited share options	405,650	161,750
Forfeited warrants	1,394,858	-
Reclassification of derivative liability for warrants priced with USD per change in functional currency	351,969	-
Reclassification of derivative liability of warrants priced with CAD per change in functional currency	4,541,545	-
Reclassification of derivative liability for warrants re-priced from CAD to USD exercise price	4,025,102	
Common Shares issued for share issuance costs	618,004	-
Warrants issued for share issuance costs	402,166	-
Reallocation of fair value of share options upon exercise	1,424,519	206,382

NOTE 16 – SEGMENTED INFORMATION

The Company currently operates in a single reportable operating segment, being the researching and developing pharmaceutical treatments for neurological diseases. Geographic information is as follows:

	As at December 31, 2023		
	Canada	**United States of America**	**Total**
	$	**$**	**$**
Non-current assets other than financial instruments	532,276	1,455	533,731

	As at December 31, 2022		
	Canada	**United States of America**	**Total**
	$	**$**	**$**
Non-current assets other than financial instruments	614,977	3,233	618,210

(Expressed in United States Dollars)

NOTE 17 – INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2023	2022
	$	$
Net loss before income taxes	(13,772,567)	(12,114,698)
Canadian statutory income tax rate	27%	27.00%
Expected income tax recovery at statutory rate	(3,719,000)	(3,271,000)
Tax effect of:		
Permanent differences and others	1,302,000	225,000
Change in unrecognized deferred income tax assets	2,417,000	3,046,000
Income tax recovery	-	-

The significant components of deferred income tax assets and liabilities are as follows:

	2023	2022
	$	$
Deferred income tax assets:		
Non-capital losses carried forward	11,052,000	8,823,000
Intangible assets	157,000	135,000
Promissory note	2,000	-
Share issuance costs	357,000	194,000
Property and equipment	1,000	-
Total gross deferred income tax assets	11,569,000	9,152,000
Unrecognized deferred tax assets	(11,569,000)	(9,152,000)
Net deferred income tax assets	-	-

At December 31, 2023, the Company had, for Canadian tax purposes, non-capital losses aggregating approximately $40,175,000. These losses are available to reduce taxable income earned by the ACI and ACI Canada in future years and expire between 2035 and 2043. Additionally, at December 31, 2023, the Company had, for United States of America tax purposes, non-capital losses aggregating approximately $974,000. These losses are available to reduce taxable income earned by the ACI USA in future years and expire in 2043.

NOTE 18 – SUBSEQUENT EVENTS

a) On January 19, 2024, the Company completed the fifth and final closing of the Q2 2023 PP by issuing 16,965,762 units at a price of $0.22 for total gross proceeds of $3,732,467 (“Q2 2023 PP Tranche 5”). Each unit consists of one Common Share and one warrant with each warrant entitling the holder to purchase an additional Common Share of the Company at the initial pricing of $0.31 per share until January 19, 2027. In connection with the closing of Q2 2023 PP Tranche 2, the Company paid cash commissions of $342,320 and issued 1,037,330 agents warrants. Each agent warrant is exercisable into one Common Share of the Company at an exercise price of $0.31 until January 19, 2027. The Company also paid to certain finder’s aggregate cash commission of $48,858, being 6% of the gross proceeds raised under the offering from investors introduced to the Company by such finders.

b) In January 2024, the Company paid Spartan the remaining consulting fee of $320,000 and issued 14,558,285 common shares to Spartan and its assignees pursuant to the Spartan Consulting Agreement.

NOTE 18 – SUBSEQUENT EVENTS (continued)

c) In January 2024, 272,840 Common Share options with an exercise price of CAD$0.22 per share were exercised on a cashless basis resulting in the issuance of 192,500 Common Shares.

d) Effective April 1, 2024, the Company and NLS agreed to another amendment to the promissory note pursuant to which the interest rate was increased from 5.5% to 7% and the maturity date was extended from July 2024 to July 2025. Additionally, $300,000 is now due on December 31, 2024 with the remaining principal balance due at maturity. (Note 7).

e) Subsequent to the year ended December 31, 2023, 3,322,471 warrants originally issued on February 16, 2023, had their exercise price modified from CAD$0.39 to $0.283 and 6,097,579 warrants originally issued on March 15, 2023, had their exercise price modified from CAD$0.39 to $0.289. No change was made to any expiry dates.