ALPHA COGNITION INC.

Condensed Interim Consolidated Financial Statements

(Expressed in United States Dollars)

For the Three Months Ended March 31, 2024 and 2023

PAGE

FINANCIAL STATEMENTS

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

	Note	(Unaudited) March 31, 2024	December 31, 2023
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		2,259,384	1,404,160
Restricted cash	3	163,678	90,413
Prepaid expenses and other current assets		431,183	366,316
Loan receivable	4	-	57,550
		2,854,245	1,918,439
Other assets		148,572	-
Equipment		1,484	1,721
Intangible assets	5	472,250	532,010
		3,476,551	**2,452,170**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	890,374	1,394,117
Deferred income	3	56,634	10,413
Promissory note	7	1,216,282	1,220,372
		2,163,290	2,624,902
Other long-term liabilities	8	-	84,125
Derivative liability	9	1,133,161	4,455,747
		3,296,451	7,164,774
EQUITY (DEFICIENCY)			
Share capital	9	59,352,059	50,354,313
Reserves	9	9,284,731	8,391,152
Accumulated other comprehensive loss		(104,301)	(104,301)
Accumulated deficit		(68,352,389)	(63,353,768)
		180,100	(4,712,604)
		3,476,551	**2,452,170**

Note 1 – Nature of operations and going concern
Note 12 – Commitments
Note 17 – Subsequent events

Approved on behalf of the Board on May 14, 2024

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

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

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

	Note	For the three months ended March 31, 2024	2023
		$	$
Operating expenses			
Amortization expense	5	20,594	20,594
Consulting fees	12	2,308,784	21,460
Depreciation		237	526
Financing costs	7	20,780	27,168
Investor relations		52,248	4,067
Management fees and salaries	11	357,620	278,613
Marketing		3,001	5,774
Other general and administrative		62,288	71,174
Professional fees		376,403	293,131
Registrar and filing fees		30,684	11,788
Research and development	10,11	916,716	1,097,938
Share-based compensation	9,11	260,238	168,055
Subcontractors		-	3,652
Travel and related		6,093	-
		4,415,686	2,003,940
Loss before other income (expenses)		(4,415,686)	(2,003,940)
Other income (expenses)			
Foreign exchange gain (loss)		(14,629)	28,019
Interest income		16,265	172
Government grant income	3,10	133,779	-
Impairment of intangible assets	12	(39,166)	-
(Loss) gain on revaluation of derivative liability	9	(619,989)	55,198
Gain on debt modification	7	-	59,079
Expected credit loss	11	(59,195)	-
		(582,935)	142,468
Loss for the period		(4,998,621)	(1,861,472)
Other comprehensive loss that may be reclassified to net loss:			
Currency translation adjustment		-	(36,239)
Comprehensive loss for the period		**(4,998,621)**	**(1,897,711)**
Basic and diluted net loss per share		**(0.03)**	**(0.02)**
Basic and diluted weighted average number of shares outstanding		**143,615,972**	**77,849,023**

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

ALPHA COGNITION INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in United States Dollars - Unaudited)

	Common shares		Class A Restricted shares		Class B Preferred shares		Total share capital			Accumulated Other Comprehensive	Accumulated	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Reserves	Loss	Deficit	Total
		$		$		$		$	$	$	$	$
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	23,747,648	4,506,055	-	-	-	-	23,747,648	4,506,055	-	-	-	4,506,055
Share issuance costs	2,129,566	(281,704)	-	-	-	-	2,129,566	(281,704)	73,018	-	-	(208,686)
Expired share options	-	-	-	-	-	-	-	-	(115,605)	-	115,605	-
Expired warrants	-	949,972	-	-	-	-	-	949,972	(949,972)	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	239,063	-	-	239,063
Foreign exchange on translation	-	-	-	-	-	-	-	-	-	(36,239)	-	(36,239)
Loss for the period	-	-	-	-	-	-	-	-	-	-	(1,861,472)	(1,861,472)
Balance, March 31, 2023	**86,900,664**	**42,329,584**	**7,000,000**	**3,103,620**	**7,916,380**	**62**	**101,817,044**	**45,433,266**	**7,738,963**	**(120,967)**	**(51,732,718)**	**1,318,544**
Units issued for cash	21,443,325	4,717,532	-	-	-	-	21,443,325	4,717,532	-	-	-	4,717,532
Share issuance costs	-	(1,176,447)	-	-	-	-	-	(1,176,447)	329,148	-	-	(847,299)
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	-	-	-	-	-	-	-	-	(290,045)	-	290,045	-
Expired warrants	-	444,886	-	-	-	-	-	444,886	(444,886)	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	2,130,522	-	-	2,130,522
Effect on change in functional currency	-	(4,541,545)	-	-	-	-	-	(4,541,545)	351,969	-	-	(4,189,576)
Re-pricing of warrants from CAD to USD exercise price	-	4,025,102	-	-	-	-	-	4,025,102	-	-	-	4,025,102
Foreign exchange on translation	-	-	-	-	-	-	-	-	-	16,666	-	16,666
Loss for the period	-	-	-	-	-	-	-	-	-	-	(11,911,095)	(11,911,095)
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)**
Units issued for cash	16,965,762	3,732,469	-	-	-	-	16,965,762	3,732,469	-	-	-	3,732,469
Shares issued for services	10,336,130	2,273,949	-	-	-	-	10,336,130	2,273,949	-	-	-	2,273,949
Share issuance costs	4,222,155	(987,998)	-	-	-	-	4,222,155	(987,998)	582,245	-	-	(405,753)
Options exercised	192,500	36,751	-	-	-	-	192,500	36,751	(36,751)	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	348,085	-	-	348,085
Re-pricing of warrants from CAD to USD exercise price	-	3,942,575	-	-	-	-	-	3,942,575	-	-	-	3,942,575
Loss for the period	-	-	-	-	-	-	-	-	-	-	(4,998,621)	(4,998,621)
Balance, March 31, 2024	**149,925,536**	**59,351,997**	**-**	**-**	**7,916,380**	**62**	**157,841,916**	**59,352,059**	**9,284,731**	**(104,301)**	**(68,352,389)**	**180,100**

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

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

	For the three months ended March 31, 2024	2023
	$	$
Cash flows used in operating activities		
Loss for the year	(4,998,621)	(1,861,472)
Adjustments for non-cash items		
Amortization of intangible assets	20,594	20,594
Accretion of discount on promissory note	12,522	24,293
Accrued interest income	(1,645)	-
Accrued bonus rights	(84,125)	2,888
Accrued expenditures for government grant	(27,044)	-
Depreciation of equipment	237	526
Expected credit loss	59,195	-
Gain on debt modification	-	(59,079)
Impairment of intangible asset	39,166	-
Loss (gain) on revaluation of derivative liability	619,989	(55,198)
Share-based compensation	348,085	239,063
Shares issued for services	2,273,949	-
Changes in non-cash operating working capital items:		
Prepaid expenses and other current assets	(213,439)	94,973
Accounts payable and accrued liabilities	(503,743)	(854,018)
	(2,454,880)	(2,447,430)
Cash flows provided by financing activities		
Units issued for cash	3,732,469	4,506,055
Interest paid on promissory notes	(16,612)	(20,584)
Proceeds received from restricted government grant	180,000	-
Amounts paid from restricted government grant funds	(106,735)	-
Share issuance costs	(405,753)	(208,686)
	3,383,369	4,276,785
Effect of foreign exchange on cash	-	(36,239)
Change in cash and cash equivalents during the period	928,489	1,793,116
Cash and cash equivalents, beginning of period	1,494,573	2,083,696
Cash and cash equivalents, end of period	**2,423,062**	**3,876,812**
Cash and cash equivalents consists of:		
Demand deposits	852,296	3,876,812
Term deposit	1,407,088	-
Restricted cash	163,678	-
	2,423,062	**3,876,812**

Note 15 – Supplemental disclosure with respect to cash flows

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

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Alpha Cognition Inc. ("ACI" or the "Company") is a pre-commercial stage biopharmaceutical company dedicated to developing treatments for patients suffering from neurodegenerative diseases, such as Alzheimer's Disease, for which there are limited or no treatment options. 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 condensed interim 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 March 31, 2024, had a working capital of $690,955 and accumulated deficit of $68,352,389 (December 31, 2023 - $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 condensed interim 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 condensed interim 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 condensed interim consolidated financial statements.

Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent 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").

This unaudited condensed interim consolidated financial statements do not include all of the information required of full annual financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these financial statements be read in conjunction with the audited consolidated financial statements of Alpha Cognition Inc. for the year ended December 31, 2023.

These financial statements of the Company were approved and authorized for issuance by the Board of Directors on May 14, 2024.

NOTE 2 – MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Basis of presentation

The unaudited condensed interim 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 unaudited condensed interim consolidated financial statements are presented in United States dollars ("USD") unless otherwise noted.

Basis of consolidation

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

	Incorporation	Percentage owned	
		2024	2023
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 condensed interim 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 condensed interim 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 condensed interim 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.

<u>Functional currency</u>
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.

<u>Income taxes</u>
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.

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

<u>Impairment of intangible assets</u>
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.

<u>Useful lives of intangible assets</u>
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.

<u>Share-based payment transactions and valuation of derivative liability</u>
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.

<u>Valuation of bonus rights</u>
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)

Significant accounting estimates and judgments (continued)

Valuation of debt modification
The Company calculated the debt modification using the net present value of cash flows approach. This approach requires the input of subjective assumptions including the Company's borrowing rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss).

Comparative figures

Certain of the comparative figures have been reclassified in order to conform to the current year's presentation.

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 condensed interim consolidated financial statements.

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 March 31, 2024, the Company has received $381,500 (December 31, 2023 - $201,500) for the R&D Grant and has restricted cash of $163,678 (December 31, 2023 - $90,413). As at March 31, 2024, the Company has deferred income of $56,634 (December 31, 2023 - $10,413) and $133,779 of grant income during the three months ended March 31, 2024 (three months ended March 31, 2023 - $nil). Additionally, during the three months ended March 31, 2024, the Company has incurred $133,779 (three months ended March 31, 2023 - $nil) in expenses relating to the R&D Grant. The grant funds are to be used on the following project "Assessment of Functional Recovery and Reduced Tauopathy Following ALPHA-1062 Administration in a Repetitive Blast TBI Model in Rodents." The R&D Grant is issued in collaboration with the Seattle Institute of Biomedical and Clinical Research and endorsed by the Department of Defense. Funds received from the R&D grant are restricted and to be used solely as outlined in the grant. The R&D grant funding will expire for use on September 30, 2028. The award funding is to subsidize the costs for research and development with the following specific aims:

- Specific Aim 1: Quantify the ability of ALPHA-1062 to reduce brain-wide tauopathy and pathology in blast-mTBI;
- Specific Aim 2: Characterize and quantify changes in the inter-cellular associations between disease-associated microglia and cells of the basal forebrain induced by repetitive blast-mTBI and altered by ALPHA-1062 treatment; and
- Specific Aim 3: Determine the efficacy of ALPHA-1062 to improve the adverse cognitive and behavioral outcomes consequent to repetitive blast-mTBI.

Per the R&D Grant budget expenses are expected to include cost to carry out the clinical trials including personnel costs, materials and supplies, animal housing, publications, and travel costs. The Company classifies any cash received from the R&D Grant that has not yet been used to pay ongoing R&D grant expenditures as restricted cash, as the proceeds from the grant are to be designated for the specified grant research.

(Expressed in United States Dollars - Unaudited)

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 of March 31, 2024 and December 31, 2023, the Company had advanced $55,000 and accrued interest of $4,195 and $2,550, respectively.

As of March 31, 2024, management determined the credit risk of the loan to Alpha Seven had increased significantly since initial recognition and the Company recorded a provision for lifetime expected credit losses for the outstanding principal balance of $55,000 and accrued interest of $4,195 in the unaudited condensed interim consolidated statement of operations and comprehensive loss.

	Principal	Interest
	$	$
Balance, December 31, 2022	-	-
Loans advanced	55,000	-
Interest accrued	-	2,550
Balance, December 31, 2023	55,000	2,550
Interest accrued	-	1,645
Provision for expected credit losses	(55,000)	(4,195)
Balance, March 31, 2024	**-**	**-**

NOTE 5 – INTANGIBLE ASSETS

	Licenses
	$
Cost:	
At December 31, 2022 and 2023	1,235,633
Impairments	(50,000)
At March 31, 2024	1,185,633
Amortization:	
At December 31, 2022	621,247
Additions	82,376
At December 31, 2023	703,623
Additions	20,594
Impairments	(10,834)
At March 31, 2024	713,383
Net book value:	
At December 31, 2023	532,010
At March 31, 2024	**472,250**

(Expressed in United States Dollars - Unaudited)

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2024	December 31, 2023
	$	$
Accounts payable	525,672	475,553
Accrued liabilities (Note 11)	115,336	127,284
Accrued bonus and wages (Note 11)	249,366	791,280
	890,374	**1,394,117**

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, 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	-
Interest payments	(16,612)	-
Accretion	12,522	-
Balance, March 31, 2024	**1,216,282**	**-**

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 condensed interim consolidated statements of loss and comprehensive loss during the year ended December 31, 2023.

During the three months ended March 31, 2024, the Company recorded interest and accretion expense of $12,522 (March 31, 2023 - $24,293) included in financing costs.

As at March 31, 2024, the principal balance owing on the promissory note was $1,211,463 (December 31, 2023 - $1,211,463) and the remaining debt premium was $4,819 (December 31, 2023 - $8,909).

Effective April 1, 2024, the Company and NLS agreed to the third 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 15, 2024 to July 15, 2025. Additionally, $300,000 will be due on December 31, 2024 with the remaining principal balance due at maturity.

(Expressed in United States Dollars - Unaudited)

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 March 31, 2024 and 2023, the Officers had earned 2,376,764 bonus rights.
As at March 31, 2024, the Company revalued the bonus rights to $nil (December 31, 2023 - $84,125).

	March 31, 2024	December 31, 2023
	$	$
Balance, beginning of period	84,125	8,295
Adjustment	(84,125)	75,830
Balance, end of period	**-**	**84,125**

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the re-valuations of the bonus rights as at December 31, 2023 and March 31, 2024:

	March 31, 2024	December 31, 2023
Risk-free interest rate	4.98%	5.04%
Dividend yield	-	-
Forfeiture rate	-	-
Expected life	0.04 years	0.29 years
Volatility	64.40%	177.76%
Weighted average fair value per bonus right	$0.00	$0.04
Number of probable bonus rights to vest	2,437,082	2,437,082

A continuity of bonus rights is as follows:

	Number of Bonus Rights Outstanding	Number of Bonus Rights Earned
Balance, December 31, 2022 and 2023	9,261,186	2,376,764
Issued	-	-
Balance, March 31, 2024	**9,261,186**	**2,376,764**

On April 16, 2024, the Company amended the bonus rights agreements to extend the vesting date from April 15, 2024, through the earlier of April 28, 2027, a change of control, or attainment of the business value threshold with respect to any tranche. Additionally, the grant price was reduced from $1.58 to $1.19.

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 three months ended March 31, 2024, the Company issued the following shares:

a) On January 19, 2024, the Company completed the fifth closing of the Q2 2023 PP by issuing 16,965,762 units at a price of $0.22 for total gross proceeds of $3,732,468 (“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 5, the Company paid cash commissions of $391,178, incurred legal fees of $14,575, and issued 1,037,330 agents warrants with an estimated fair value of $582,245. Each agent warrant is exercisable into one Common Share of the Company at an exercise price of $0.31 until January 19, 2027.

b) Issued 14,558,285 Common Shares valued at $3,202,823 in accordance with the Spartan Consulting Agreement (defined in Note 12) of which $928,874 was included in share issuance costs and $2,273,949 was included in consulting fees.

c) Issued 192,500 Common Shares in connection with the cashless exercise of 80,340 Common Share options with an exercise price of CAD$0.22 per share and 192,500 Common Share options with an exercise price of CAD$0.28 per share; 80,340 Common Shares were surrendered. As a result, the Company transferred $36,751 from reserves to 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.

a) 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.

b) 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 initially consisted 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 could be increased by 30% to accommodate any overallotment. In accordance with the Q2 2023 PP, the Company 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.

NOTE 9 – SHARE CAPITAL (continued)

Issued share capital (continued)

- o 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.

b) 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.

c) 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.

   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.

d) 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.

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

d) 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.

Escrow shares

As at March 31, 2024, the Company had nil (December 31, 2023 - 11,502,874) Common Shares and nil (December 31, 2023 - 2,857,432) Class B Preferred Shares held in escrow.

NOTE 9 – SHARE CAPITAL (continued)

Warrants

During the three months ended March 31, 2024, the Company issued the following warrants:

a) 16,965,762 warrants with an exercise price of $0.31 and expiry of January 19, 2027, in connection with the Q2 2023 PP Tranche 5.
b) 1,037,330 warrants with an exercise price of $0.31 and an expiry of January 19, 2027, to the agents of the Company's Q2 2023 PP Tranche 5. The warrants were valued at $582,245 using the Black Scholes option-pricing model with the following assumptions: expected life of 3 years, volatility of 101.01%, discount rate of 3.77%, and a dividend yield of $nil.

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.
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.

During the three months ended March 31, 2024, 3,322,471 (December 31, 2023 - 11,317,750) warrants originally issued on February 16, 2023 had their exercise price modified from CAD$0.39 to $0.283 and 6,097,579 (December 31, 2023 - 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)).

(Expressed in United States Dollars - Unaudited)

NOTE 9 – SHARE CAPITAL (continued)

Warrants (continued)

A continuity of warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, December 31, 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
Issued	18,003,092	0.14
Balance, March 31, 2024	**61,732,886**	**0.30**

A summary of the warrants outstanding and exercisable at March 31, 2024, 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
18,003,092	0.31	January 19, 2027
14,640,221	0.289	February 16, 2028
2,155,000	0.29 (CAD$0.39)	February 16, 2028
719,904	0.29 (CAD$0.39)	March 15, 2028
6,557,165	0.283	March 15, 2028
61,732,886		

The weighted average life of warrants outstanding at March 31, 2024 was 2.70 years.

Share Options

<u>Common Share options</u>

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.

NOTE 9 – SHARE CAPITAL (continued)

Share Options (continued)

Common Share options (continued)

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.

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.

(Expressed in United States Dollars - Unaudited)

NOTE 9 – SHARE CAPITAL (continued)

Share options (continued)

Common Share options (continued)

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

	March 31, 2024	December 31, 2023
Risk-free interest rate	-	3.12%
Dividend yield	-	-
Forfeiture rate	-	-
Expected life	-	10 years
Volatility	-	103%
Weighted average fair value per option	-	$0.13

For the three months ended March 31, 2024, share-based compensation expense relating to service condition awards for the Common Share options amounted to $348,085 (March 31, 2023 - $239,063) of which $87,847 (March 31, 2023 - $71,008) was allocated to research and development and $260,238 (March 31, 2023 – $168,055) to general and administrative, the latter which has been presented in share-based compensation expense.

Common Share option continuity is as follows:

	Three months ended March 31, 2024			Year ended December 31, 2023		
	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 period	20,672,207	0.18	-	5,506,071	0.72	-
Granted	-	-	-	16,190,000	0.17	-
Expired	-	-	-	(772,763)	0.68	-
Exercised*	(272,840)	0.19	0.51	(251,101)	0.17	0.46
Balance, end of period	**20,399,367**	**0.17**	**-**	**20,672,207**	**0.18**	-
Options exercisable, end of period	**9,695,492**			**8,050,870**		

* In accordance with the Company's 2023 Option Plan, option holders exercised 272,840 Common Share options on a cashless basis (net exercise) for the issuance of 192,500 Common Shares.

(Expressed in United States Dollars - Unaudited)

NOTE 9 – SHARE CAPITAL (continued)

Share options (continued)

Common Share options (continued)

A summary of the Common Share options outstanding at March 31, 2024, 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	2,022,222	0.21 (CAD$0.28)	August 3, 2031
940,000	940,000	0.21 (CAD$0.28)	December 20, 2031
215,000	125,419	0.21 (CAD$0.28)	February 14, 2032
257,500	70,000	0.21 (CAD$0.28)	April 11, 2032
450,000	340,278	0.21 (CAD$0.28)	May 31, 2032
15,858,559	6,119,265	0.16 (CAD$0.22)	June 8, 2033
20,399,367	**9,695,492**		

The weighted average life of Common Share options outstanding at March 31, 2024 was 8.83 years.

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.

ACI Canada legacy performance option continuity is as follows:

	Three months ended March 31, 2024			Year ended December 31, 2023		
	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 period	6,821,057	0.01	-	9,521,057	0.01	-
Exercised	-	-	-	(2,700,000)	0.01	0.22
Balance, end of period	**6,821,057**	**0.01**		**6,821,057**	**0.01**	
Options exercisable, end of period	**6,401,057**			**6,401,057**		

(Expressed in United States Dollars - Unaudited)

NOTE 9 – SHARE CAPITAL (continued)

Share options (continued)

ACI Canada legacy performance options

A summary of the ACI Canada legacy performance options outstanding at March 31, 2024, 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 March 31, 2024 was 4.26 years.

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 for the year ended December 31, 2023.

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
	$
Balance, beginning of year	205,989
Revaluation of derivative liability	145,980
Reclassification of derivative liability per change in functional currency	(351,969)
Balance, end of year	**-**

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		

NOTE 9 – SHARE CAPITAL (continued)

Derivative liability (continued)

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:

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

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. During the three months ended March 31, 2024, 9,420,050 (December 31, 2023 - 11,777,336) warrants were re-priced from CAD to USD denominated exercise price which resulted in $3,942,575 of the derivative liability being reclassified to equity. As of March 31, 2024, the Company revalued the derivative liability to $1,133,161 (December 31, 2023 - $4,455,747) and recorded a loss on revaluation of $619,989 for the three months ended March 31, 2024 (three months ended March 31, 2023 - $nil).

	March 31, 2024	December 31, 2023
	$	$
Balance, beginning of period	4,455,747	-
Reclassification of derivative liability per change in functional currency	-	4,541,545
Reclassification of derivative liability per change in exercise price	(3,942,575)	(4,025,102)
Revaluation of derivative liability	619,989	3,939,304
Balance, end of period	**1,133,161**	**4,455,747**

A summary of the warrants not issued for services with CAD exercise prices outstanding and exercisable at March 31, 2024 is as follows:

Warrants Outstanding	Exercise Price	Expiry Date
	$	
2,155,000	0.29 (CAD$0.39)	February 16, 2028
395,262	0.29 (CAD$0.39)	March 15, 2028
2,550,262		

(Expressed in United States Dollars - Unaudited)

NOTE 9 – SHARE CAPITAL (continued)

Derivative liability (continued)

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the re-valuations following the change in functional currency to USD, as at and March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Risk-free interest rate	3.55%	3.38%
Dividend yield	-	-
Expected life	3.64 years	4.15 years
Volatility	85%	87%
Weighted average fair value per warrant	$0.44	$0.37

NOTE 10 – RESEARCH AND DEVELOPMENT

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

		For the three months ended	March 31,
	Note	2024	2023
		$	$
Consulting fees		4,505	-
Management fees and salaries	11	187,795	120,903
Product development		417,543	831,795
R&D grant expenses		133,779	-
Share-based compensation	9,11	87,847	71,008
Subcontractors		85,247	74,232
		916,716	**1,097,938**

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.

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 March 31, 2024 (Note 8). The value of these bonus rights was determined to be $nil (December 31, 2023 - $58,427) as at March 31, 2024 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 March 31, 2024 (Note 8). The value of these bonus rights was determined to be $nil (December 31, 2023 - $25,698) as at March 31, 2024 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 March 31, 2024, $266,352 (December 31, 2023 - $672,550) 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 March 31, 2024, the Company owed NLS $1,211,463 (December 31, 2023 - $1,211,463) for an outstanding promissory note with a carrying amount of $1,216,282 (Note 7).

(Expressed in United States Dollars - Unaudited)

NOTE 11 – RELATED PARTY TRANSACTIONS AND BALANCES (continued)

As at March 31, 2024, the Company has advanced Alpha Seven $55,000 (December 31, 2023 - $55,000) and accrued interest of $4,195 (December 31, 2023 - $2,550) (Note 4). As at March 31, 2024, the Company set up a provision of $59,195 for expected credit losses on the outstanding principal loan balance and accrued interest.

Summary of key management personnel compensation:

	For the three months ended	March 31,
	2024	**2023**
	$	**$**
Management fees and salaries	325,463	223,613
Research and development - management fees and salaries	171,057	93,276
Share-based compensation	345,330	235,760
	841,850	**552,649**

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 $10,791,400 (EUR 10,000,000), the cumulative total may be increased to $16,187,100 (EUR 15,000,000) subject to certain provisions, involving sub-licensing the ALPHA-1062 technology and Company the receiving an upfront out-licensing payment of no less than $8,633,120 (EUR 8,000,000). Royalty payments, are determined 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).

The expiration date is twenty years from the Commencement Date (March 15, 2035) or the expiration of the last patent obtained (existing patents extend to 2042) pursuant, whichever event shall last occur, unless earlier terminated pursuant to bankruptcy or insolvency of the licensee; court order against the licensee; or a winding up, liquidation or termination of the existence of the licensee occurs.

No payments have been made to date related to the Galantos Royalty Payments.
On January 1, 2016, the Company assumed NLS's obligations under a Royalty Agreement with Galantos Consulting dated August 31, 2013, which consist of cumulative total payments to Galantos Consulting of $2,158,280 (EUR 2,000,000), the cumulative total may be increased to $3,237,420 (EUR 3,000,000) subject to certain provisions, which is to be paid as follows (collectively the "Galantos Consulting Payments"):

- 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.

NOTE 12 – COMMITMENTS (continued)

The termination date is set as the date at which no further payments of any nature are due.

No payments have been made to date relating to the Galantos Consulting Payments.

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 the Company may receive in the future in excess of $2,000,000.

The Alpha 602 Technology license agreement shall terminate 11 years (November 3, 2031) from the Commencement Date, expiration of the last patents, or when full payment has been made, whichever shall first occur.

The total amount payable to NLS under this agreement shall not exceed $2,000,000. Regarding the ALPHA-602 technology the Company paid $50,000 in January 2021 as per the license agreement. No payments have been made to date under the above NLS world-wide exclusive rights for the royalties or Upfront Payments the Company may receive.

During the three months ended March 31, 2024, the Company decided to discontinue development of the ALPHA-602 technology.

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.

On January 19, 2024, the Company paid the remaining consulting fee of $320,000 and issued 14,558,285 Common Shares valued at $3,202,823 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 and cash equivalents, 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 cash equivalents 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.

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 March 31, 2024, the Company had net monetary liabilities of approximately $85,000 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 $6,200. 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 March 31, 2024, the Company had $100,427 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 March 31, 2024 and December 31, 2023.

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 March 31, 2024, 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.

(Expressed in United States Dollars - Unaudited)

NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 March 31, 2024, the Company had working capital of $690,955 (see Note 1).

Contractual undiscounted cash flow requirements for financial liabilities as at March 31, 2024 are as follows:

	≤1 Year	>1 Year	Total
	$	$	$
Accounts payable	890,374	-	890,374
Promissory note	1,211,463		1,211,463
	2,101,837		2,101,837

NOTE 15 – SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	For the three months ended March 31,	
	2024	2023
	$	$
Supplemental disclosures		
Cash paid for interest	16,612	20,576
Cash paid for taxes	-	-
Supplemental non-cash disclosures		
Forfeited share options	-	115,605
Forfeited warrants	-	949,972
Reclassification of derivative liability for warrants re-priced from CAD to USD exercise price	3,942,575	-
Common Shares issued for share issuance costs	928,874	618,004
Warrants issued for share issuance costs	582,245	73,018
Reallocation of fair value of share options upon exercise	36,751	-

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 March 31, 2024		
	Canada	United States of America	Total
	$	$	$
Non-current assets other than financial instruments	472,480	1,254	473,734

(Expressed in United States Dollars - Unaudited)

NOTE 16 – SEGMENTED INFORMATION (continued)

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

NOTE 17 – SUBSEQUENT EVENTS

a) 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).

b) On April 16, 2024, the Company amended the bonus rights agreements to extend the vesting date from April 15, 2024, through the earlier of April 28, 2027, a change of control, or attainment of the business value threshold with respect to any tranche. Additionally, the grant price was reduced from $1.58 to $1.19. (Note 8).

c) Subsequent to March 31, 2024, the Company issued 300,000 Common Shares for total proceeds of $120,000 from the exercise of 300,000 warrants with an exercise price of $0.40 per Common Share.