

**ALPHA COGNITION CANADA INC.**  
**(formerly Alpha Cognition Inc.)**

**Consolidated Financial Statements**

**(Expressed in United States Dollars)**

**For the Years Ended December 31, 2020 and 2019**

**ALPHA COGNITION CANADA INC.**  
**(formerly ALPHA COGNITION INC.)**  
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**(Expressed in United States Dollars)**

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders and Directors of Alpha Cognition Canada Inc. (formerly Alpha Cognition Inc.)

**Opinion**

We have audited the consolidated financial statements of Alpha Cognition Canada Inc. and its subsidiary (the "Company") which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, 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 significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting 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 Consolidated 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 consolidated 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.

**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 consolidated 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 consolidated 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 consolidated 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 Consolidated Financial Statements**

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

In preparing the consolidated 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 Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

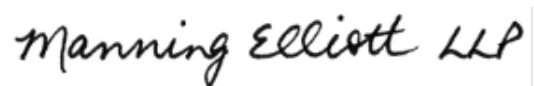
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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.

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



CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, Canada  
April 21, 2021

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

	Note	December 31, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		5,926,350	5,497,508
Subscription receipts receivable	16	1,439,223	-
Tax recoverable		19,943	32,931
Prepaid expenses and other current assets	16	314,715	57,368
		7,700,231	5,587,807
<b>Equipment</b>		6,837	-
<b>Intangible asset, net</b>	3	729,137	808,180
		<b>8,436,205</b>	<b>6,395,987</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	203,853	160,502
Related parties payable	6,9	11,542	136,128
Refundable subscription receipts	16	3,337,963	-
Promissory note - current portion	6	24,000	24,000
		3,577,358	320,630
<b>Convertible debentures, net</b>	5	2,257,109	-
<b>Promissory note</b>	6	933,899	831,062
<b>Derivative liability</b>	5	1,651,831	-
		8,420,197	1,151,692
<b>SHAREHOLDERS' DEFICIENCY</b>			
<b>Share capital</b>	7	14,568,312	14,451,575
<b>Reserves</b>	7	3,936,583	3,532,914
<b>Accumulated deficit</b>		(18,488,887)	(12,740,194)
		16,008	5,244,295
		<b>8,436,205</b>	<b>6,395,987</b>

Note 10 – Commitments

Note 16 – Qualifying transaction

Approved on behalf of the Board on April 21, 2021

/s/ Kenneth Cawkell, Director

/s/ Len Mertz, Director

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

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

		<b>For the year ended December 31,</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Operating expenses</b>			
Accretion expenses	5,6	660,915	962,784
Amortization expense	3	79,043	79,042
Depreciation		2,401	-
Interest	5,6	109,456	209,944
Management Fees	9	317,362	225,999
Other general and administrative	9	133,141	94,088
Professional fees	9	364,807	71,384
Research and development	8	4,673,022	3,562,589
Share-based compensation		135,132	1,103,794
Travel and related		272	24,156
		<b>6,475,551</b>	<b>6,333,780</b>
<b>Loss before other items</b>		<b>(6,475,551)</b>	<b>(6,333,780)</b>
<b>Other items</b>			
Foreign exchange loss		(1,703)	(3,835)
Interest income		22,590	35,587
Business investigation costs	16	(63,887)	-
Gain (loss) on revaluation of derivative liability	5	734,344	(304,499)
<b>Net loss and comprehensive loss</b>		<b>(5,784,207)</b>	<b>(6,606,527)</b>
<b>Basic and diluted net loss per share</b>		<b>(0.13)</b>	<b>(0.21)</b>
<b>Basic and diluted weighted average number of shares outstanding</b>		<b>42,947,207</b>	<b>31,457,851</b>

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

**ALPHA COGNITION CANADA INC.**  
**(formerly ALPHA COGNITION INC.)**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)**  
**(Expressed in United States Dollars)**

	Common shares		Class B common shares		Preferred shares		Total share capital		Reserves	Accumulated	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount		Deficit	Total
		\$		\$		\$		\$	\$	\$	\$
<b>Balance, December 31, 2018</b>	<b>24,419,018</b>	<b>870,377</b>	<b>1,180,334</b>	<b>16,233</b>	<b>7,916,380</b>	<b>62</b>	<b>33,515,732</b>	<b>886,672</b>	<b>1,893,085</b>	<b>(6,465,281)</b>	<b>(3,685,524)</b>
Shares issued for cash	5,172,413	6,000,005	-	-	-	-	5,172,413	6,000,005	-	-	6,000,005
Shares issued for promissory notes repayment	600,000	300,000	-	-	-	-	600,000	300,000	-	-	300,000
Shares and units issued for conversion of convertible promissory notes and interest	9,063,913	6,576,034	-	-	-	-	9,063,913	6,576,034	-	-	6,576,034
Options exercised	1,160,846	589,721	1,300,000	99,143	-	-	2,460,846	688,864	(675,956)	-	12,908
Share-based compensation	-	-	-	-	-	-	-	-	2,763,560	-	2,763,560
Forfeited share options	-	-	-	-	-	-	-	-	(331,614)	331,614	-
Loss on debt extinguishment	-	-	-	-	-	-	-	-	(116,161)	-	(116,161)
Loss for the year	-	-	-	-	-	-	-	-	-	(6,606,527)	(6,606,527)
<b>Balance, December 31, 2019</b>	<b>40,416,190</b>	<b>14,336,137</b>	<b>2,480,334</b>	<b>115,376</b>	<b>7,916,380</b>	<b>62</b>	<b>50,812,904</b>	<b>14,451,575</b>	<b>3,532,914</b>	<b>(12,740,194)</b>	<b>5,244,295</b>
Share conversion	2,480,334	115,376	(2,480,334)	(115,376)	-	-	-	-	-	-	-
Options exercised	100,000	116,737	-	-	-	-	100,000	116,737	(115,737)	-	1,000
Share-based compensation	-	-	-	-	-	-	-	-	554,920	-	554,920
Forfeited share options	-	-	-	-	-	-	-	-	(35,514)	35,514	-
Loss for the year	-	-	-	-	-	-	-	-	-	(5,784,207)	(5,784,207)
<b>Balance, December 31, 2020</b>	<b>42,996,524</b>	<b>14,568,250</b>	<b>-</b>	<b>-</b>	<b>7,916,380</b>	<b>62</b>	<b>50,912,904</b>	<b>14,568,312</b>	<b>3,936,583</b>	<b>(18,488,887)</b>	<b>16,008</b>

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

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

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows provided by (used in) operating activities</b>		
Loss for the year	(5,784,207)	(6,606,527)
Adjustments for non-cash items		
Amortization of intangible assets	79,043	79,042
Accretion of discount on convertible promissory notes	558,078	870,289
Accretion of discount on promissory note	102,837	92,495
Accrued interest	109,435	209,187
Depreciation of equipment	2,401	-
Options exercised for consulting fees	-	-
Loss (gain) on revaluation of derivative liability	(734,344)	304,499
Share-based compensation	554,920	2,763,560
	(5,111,837)	(2,287,455)
Changes in non-cash operating working capital items:		
Tax recoverable	13,189	(32,931)
Corporate tax receivable	(201)	-
Prepaid expenses and other current assets	(257,347)	48,892
Accounts payable and accrued liabilities	43,351	(288,872)
Related parties payable	(124,815)	7,199
	(5,437,660)	(2,553,167)
<b>Cash flows used in investing activities</b>		
Acquisition of equipment	(9,238)	-
	(9,238)	-
<b>Cash flows provided by (used in) financing activities</b>		
Shares issued for cash	-	6,000,005
Exercise of options	1,000	12,908
Funds received for private placement	1,898,740	-
Interest paid on loans payable	(24,000)	(18,000)
Proceeds from the issuance of convertible promissory notes	4,000,000	-
	5,875,740	5,994,913
<b>Increase in cash during the year</b>	<b>428,842</b>	<b>3,441,746</b>
<b>Cash, beginning of year</b>	<b>5,497,508</b>	<b>2,055,762</b>
<b>Cash, end of year</b>	<b>5,926,350</b>	<b>5,497,508</b>

Note 13 – Supplemental disclosure with respect to cash flows

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



**ALPHA COGNITION CANADA INC.**  
**(formerly ALPHA COGNITION INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)**  
**For the years ended December 31, 2020 and 2019**

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**NOTE 1 – OPERATIONS**

Alpha Cognition Canada Inc. (formerly Alpha Cognition Inc.) (“ACI Canada” or the “Company”) is a Canadian company incorporated under the laws of the Province of British Columbia. The Company completed the change of name on March 17, 2021. The Company operates from its three offices located in Charlottetown, Prince Edward Island; Vancouver, British Columbia; and West Palm Beach, Florida and is in the business of researching and developing pharmaceutical treatments for neurological diseases.

The Company’s head office and registered and records office is 439 Helmcken Street, Vancouver, BC, V6B 2E6.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the significant 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 International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

**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 that are measured at fair value.

**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Alpha Cognition USA Inc. (formerly Neurodyn Cognition USA Inc.), incorporated under the laws of the State of Florida in the United States of America. All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

**Functional and presentation currency**

The consolidated financial statements are presented in United States dollars (“USD”) unless otherwise noted. The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the USD. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than USD are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities in foreign currencies are translated at historical rates. Revenues and expenses are translated at the average exchange rates approximating those in effect during the reporting period.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (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.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

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 subsidiary, 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, 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.

Information about assumptions and estimation uncertainties that have a risk of resulting in significant adjustments are as follows:

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 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.

Useful lives of intangible assets

The Company records intangible assets acquired at their fair value. Determining fair value requires management to use estimates that could be material. Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. 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.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (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. Subscription receipts receivable is measured at amortized cost with subsequent impairments recognized in profit or loss. Cash is 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) other financial liabilities. 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, related parties payable, refundable subscription receipts, convertible debentures, and promissory note are classified as other financial liabilities and carried on the statement of financial position at amortized cost. Derivative liabilities are measured at FVTPL.

**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.

**ALPHA COGNITION CANADA INC.**  
**(formerly ALPHA COGNITION INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)**  
**For the years ended December 31, 2020 and 2019**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Equipment (continued)**

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**

The Company holds a license for the exclusive world-wide right to develop and exploit certain pharmaceutical technologies. 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 life of 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.

**Leases**

As a lessee, 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.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**

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 years ended December 31, 2020 and 2019, all of the Company's leases are short-term leases with a term of 12 months or less and are recorded as operating leases.

**Convertible debentures and derivative liability**

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.

For convertible debentures which provide conversion into a variable number of shares or into a fixed number shares for a variable amount of consideration, the conversion option is accounted for as an embedded derivative, which is separated from the host contract. The conversion option of the convertible debentures outstanding at December 31, 2020 met the criteria of a derivative instrument liability because the conversion price of the promissory notes varied depending on certain factors and thus did not meet the "fixed-for-fixed" criteria. As a result, the Company separately account for the conversion feature as a derivative liability recorded at fair value and marked-to-market each period with the changes in the fair value recognized in profit or loss. The liability component is recognized as the difference between the fair value of the instrument as a whole and the fair value of the derivative liability.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (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, common shares and 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 B common shares. 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 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.

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**Research and development**

Development expenditures can be capitalized only where a development project meets certain conditions, including technical feasibility of the intangible asset, intention to complete the project, ability to sell the intangible asset, probability that the intangible asset can produce future economic benefits, availability of resources to complete the project, and ability to reliably measure the expenditure attributable to the intangible asset. Development projects are reviewed as they arise and on an on-going basis to assess whether all conditions have been met. Amortization is calculated over the cost of the asset, or revalued amount, less its residual value. 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.

**Accounting pronouncements not yet adopted**

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2020 and have not been applied in preparing these consolidated financial statements nor does the Company expect these amendments to have a significant effect on its consolidated financial statements.

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**NOTE 3 – INTANGIBLE ASSET**

In March 2015, the Company entered into the Memogain Technology License Agreement (“License Agreement”) with Neurodyn Life Sciences Inc. (“NLS”), a related party with common shareholders, for the exclusive right and license to further develop and exploit the 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 Memogain 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 Memogain Technology by the Company over \$100 million per annum and
- The issuance of a promissory note of \$1,400,000 to NLS (“NLS Promissory Note”, Note 6).

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 Memogain Technology;
- 2% of any sublicensing revenue; and
- 2% of an upfront payment or milestone payment paid by a sub-licensee to the Company.

	<b>Memogain Technology</b>
	\$
<b>Cost:</b>	
At December 31, 2018 and 2019	1,185,633
<b>Amortization:</b>	
At December 31, 2018	298,411
Additions	79,042
At December 31, 2019	377,453
Additions	79,043
At December 31, 2020	456,496
<b>Net book value:</b>	
At December 31, 2019	808,180
<b>At December 31, 2020</b>	<b>729,137</b>



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**NOTE 4 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2020</b>	<b>2019</b>
	\$	\$
Accounts payable	27,542	18,084
Accrued liabilities	166,415	142,418
Salaries payable	9,896	-
	<b>203,853</b>	<b>160,502</b>

**NOTE 5 – CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY**

**Convertible debentures**

	<b>2018</b>	<b>2020</b>	<b>Total</b>
	<b>Convertible</b>	<b>Convertible</b>	
	<b>Debentures</b>	<b>Debentures</b>	
	<b>(a)</b>	<b>(b)</b>	
	\$	\$	\$
Balance, December 31, 2018	1,191,863	-	1,191,863
Accretion	870,289	-	870,289
Accrued interest	184,348	-	184,348
Conversion	(2,246,500)	-	(2,246,500)
Balance, December 31, 2019	-	-	-
Proceeds	-	4,000,000	4,000,000
Allocation of proceeds to derivative liability	-	(2,386,175)	(2,386,175)
Accretion	-	558,078	558,078
Accrued interest	-	85,206	85,206
<b>Balance, December 31, 2020</b>	<b>-</b>	<b>2,257,109</b>	<b>2,257,109</b>

**Derivative liability**

	<b>2018</b>	<b>2020</b>	<b>Total</b>
	<b>Convertible</b>	<b>Convertible</b>	
	<b>Debentures</b>	<b>Debentures</b>	
	<b>(a)</b>	<b>(b)</b>	
	\$	\$	\$
Balance, December 31, 2018	4,025,035	-	4,025,035
Revaluation of derivative liability	304,499	-	304,499
Conversion	(4,329,534)	-	(4,329,534)
Balance, December 31, 2019	-	-	-
Recognition of derivative liability	-	2,386,175	2,386,175
Gain on revaluation of derivative liability	-	(734,344)	(734,344)
<b>Balance, December 31, 2020</b>	<b>-</b>	<b>1,651,831</b>	<b>1,651,831</b>

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**NOTE 5 – CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (continued)**

- (a) On July 5, 2018 the Company received \$1,250,000 from various third party lenders and \$1,250,000 from various directors and officers of the Company for the issuance of convertible debentures bearing interest at 10% per annum, minimum six months interest guaranteed, and expiring on January 5, 2020. On August 23, 2018 the Company received \$500,000 from various third party lenders for the issuance of convertible promissory notes bearing interest at 10% per annum, minimum six months interest guaranteed, and expiring on February 23, 2020. At the option of the lender, the lender can convert their convertible debentures and any accrued interest into units, with each unit consisting of one common share and one warrant for a price equal to the lower of 20% discount to the per share price of a Funding Transaction, being a reverse merger or Initial Public Offering of the Company, or \$2.00. Each warrant will have an exercise price equal to the lower of 20% discount to the per share price of a Funding Transaction or \$2.00 and a term of five years. In the event the convertible promissory notes remain outstanding at January 5, 2020, the promissory notes will automatically convert into units with each unit consisting of one common share and one warrant at a price of \$0.40 per unit with each warrant having an exercise price of \$0.40 and a term of five years. Concurrently with this financing, the Company issued convertible debentures, with the same terms and conditions as described above, in exchange for \$55,000 of non-interest bearing loans payable received from two third party lenders, \$195,000 of non-interest bearing loans payable received from two members of management, for \$109,096 of accounts payable, and for \$145,617 of related party payables.

As the conversion price of the promissory notes varied depending on certain factors, the Company recorded an embedded derivative liability on its consolidated statements of financial position with a corresponding debt discount which is netted against the principal amount of the convertible debentures. The Company accretes the debt discount associated with the embedded derivative liability to accretion expense over the term of the convertible debentures using the effective interest rate method. The embedded derivative liability is initially measured at fair value and re-measured at the end of each reporting period with any changes in fair value reported in profit and loss.

As of December 31, 2018, the fair value of the embedded derivative was determined to be \$4,025,035 using the Black-Scholes Option Pricing models with following assumptions:

Risk-free interest rate	0.00% - 2.63%
Dividend yield	-
Expected life	0.00-6.16 years
Volatility	65%
Probability of automatic conversion	70%
Probability of conversion at \$2 per share	10%
Probability of conversion at a 20% discount to the per share price of a Funding Transaction	20%

On July 2, 2019, the Company offered the lenders the right to convert the outstanding principal amounts into units at \$0.40 per unit with one common share and one warrant exercisable at \$0.40 per common share and a term of five years, and the accrued interest through July 5, 2019 into common shares at \$1.16 per shares. On August 30, 2019, outstanding principal amounts of \$1,590,617 payable to directors and officers of the Company were converted into 3,976,543 units. Outstanding principal amounts of \$1,914,096 payable to third party lenders were converted into 4,785,240 units. Accrued interest of \$159,061 payable to directors and officers of the Company was converted into 137,122 Common shares. Accrued interest of \$191,410 payable to third party lenders was converted into 165,008 Common shares.

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**NOTE 5 – CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (continued)**

As of August 30, 2019, the fair value of the embedded derivative was determined to be \$4,329,534 using the Black-Scholes Option Pricing models with following assumptions:

Risk-free interest rate	0.00% - 2.14%
Dividend yield	-
Expected life	0.00-5.75 years
Volatility	65%
Probability of automatic conversion	90%
Probability of conversion at \$2 per share	0%
Probability of conversion at a 20% discount to the per share price of a Funding Transaction	10%

During the year ended December 31, 2020, the Company recognized interest expense of \$Nil (2019 – \$100,247) to third party lenders and \$Nil (2019 – \$84,101) to various directors and officers of the Company.

During the year ended December 31, 2020, the Company recognized accretion of the debt discount of \$Nil (2019 - \$962,784) and loss on revaluation of derivative liability of \$Nil (2019 – \$304,499).

- (b) On April 27, 2020, the Company received \$212,299 from various third party lenders and \$1,787,701 from various directors and officers of the Company for the issuance of convertible debentures (“First Note”) bearing interest at 5% per annum, minimum six months interest guaranteed, and expiring on October 27, 2021, and one warrant (“First Note Warrant”) giving the lender the right to purchase a second convertible promissory note (“Second Note”) having the same terms as the First Note, upon payment equal to the principal amount of the First Note and expiring October 30, 2020. At the option of the lender, the lender can convert their promissory note and any accrued interest into Common shares of the Company, for a price equal to the lower of 20% discount to the per share price of a Value Transaction, being any transaction which has the effect directly or indirectly of valuing the Company, its assets or undertaking including but not limited to a merger or acquisition, a private placement of the Company, issuance of convertible debentures, an initial public offering (“IPO”), a reverse take-over or merger (“RTO”), or a valuation report completed by an independent banker or certified business valuator, or \$1.60. In the event the convertible promissory notes remain outstanding at October 27, 2021, the promissory notes will automatically convert into Common shares of the Company at \$1.28 per Common share.

As the conversion price of the promissory notes varies depending on certain factors, the Company recorded an embedded derivative liability on its consolidated statements of financial position with a corresponding debt discount which is netted against the principal amount of the convertible debentures. The Company accretes the debt discount associated with the embedded derivative liability to accretion expense over the term of the convertible debentures using the effective interest rate method. The embedded derivative liability is initially measured at fair value and re-measured at the end of each reporting period with any changes in fair value reported in profit and loss.

In October 2020, the Company offered the holders of the First Note Warrants the option to purchase Subscription Receipts (defined in Note 16) at a 20% discount through the exercising of their warrants, conditional on the closing of the Transaction. If the Transaction terminated or did not complete by December 31, 2020 or such later date as agreed to by ACI Canada and ACI, the holders would receive the Second Note. The Company received \$2,000,000 for the exercise of the First Note Warrants of which \$59,319 was received for a Second Note and \$1,940,681 was received for the elected Subscription Receipts. In March 2021, the Transaction closed and all First Note Warrant holders were issued Subscription Receipts.

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**NOTE 5 – CONVERTIBLE DEBENTURES AND DERIVATIVE LIABILITY (continued)**

The initial fair value of the embedded derivative for the First Note and warrant was determined to be \$1,253,963 using the Black- Scholes Option Pricing model with the following assumptions:

Risk-free interest rate	0.15% - 0.24%
Dividend yield	-
Expected life	0.43-1.5 years
Volatility	139%
Probability of automatic conversion	25%
Probability of conversion at \$1.60 per share	25%
Probability of conversion at a 20% discount to the per share price of a Funding Transaction	50%

The initial fair value of the embedded derivative for the Second Note was determined to be \$1,132,212 using the Black- Scholes Option Pricing model with the following assumptions:

Risk-free interest rate	0.09% - 0.13%
Dividend yield	-
Expected life	0.25-2.08 years
Volatility	122% - 173%
Probability of automatic conversion	2.5%
Probability of conversion at \$1.60 per share	2.5%
Probability of conversion at a 20% discount to the per share price of a Funding Transaction	95%

As of December 31, 2020, the fair value of the embedded derivative for the First Note and Second Note was determined to be \$1,651,831 using the Black- Scholes Option Pricing model with the following assumptions:

Risk-free interest rate	0.08% - 0.13%
Dividend yield	-
Expected life	0.33-2.13 years
Volatility	90% - 141%
Probability of automatic conversion	2.5%
Probability of conversion at \$1.60 per share	2.5%
Probability of conversion at a 20% discount to the per share price of a Funding Transaction	95%

During the year ended December 31, 2020, the Company recognized interest expense of \$11,431 (2019 – \$Nil) to third party lenders and \$73,777 (2019 – \$Nil) to various directors and officers of the Company.

During the year ended December 31, 2020, the Company recognized accretion of the debt discount of \$558,078 (2019 - \$Nil) and gain on revaluation of derivative liability of \$734,344 (2019 – \$Nil).

As at December 31, 2020, the principal and accrued interest balance owing to third party lenders was \$491,984 (December 31, 2019 - \$Nil) and the principal and accrued interest balance owing to various directors and officers of the Company was \$3,593,222 (December 31, 2019 - \$Nil).

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NOTE 6 – PROMISSORY NOTE

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

	Principal	Accrued Interest
	\$	\$
Balance, December 31, 2018	834,943	106,937
Principal payments	(188,537)	-
Interest payments	-	(129,463)
Accretion	92,495	-
Accrued interest	-	24,839
Loss on debt extinguishment	116,161	-
Balance, December 31, 2019	855,062	2,313
Interest payments	-	(24,000)
Accretion	102,837	-
Accrued interest	-	24,229
<b>Balance, December 31, 2020</b>	<b>957,899</b>	<b>2,542</b>
<b>Current portion</b>	<b>24,000</b>	<b>2,542</b>
<b>Long-term portion</b>	<b>933,899</b>	<b>-</b>

In March 2015, the Company issued a promissory note of \$1,400,000 to NLS, for the acquisition of the Memogain Technology (Note 3). The NLS Promissory Note bore an interest rate of 6% and had a term of 2 years with no fixed repayment schedule. The Company may pay all or any portion of the note and accrued interest prior to the maturity date. The NLS Promissory Note was issued as a discount of \$214,367, which will be amortized over the term of the note at an effective interest rate of 15%.

In April 2015, the Company and NLS entered into an amendment to the License Agreement (Note 3) 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. The Company may pay all or any portion of the note and accrued interest prior to the maturity date.

In March 2019, the Company issued 600,000 Common Shares at a price of \$0.50 per share for a total value of \$300,000 as prepayment on the NLS Promissory Note for all interest outstanding and a portion of the principal amount (Note 7). The prepayment was determined to be an extinguishment transaction with a related party which was in essence a capital transaction. As a result, the resulting difference of \$116,161 in net present value of the cash flows was recognized in the consolidated statement of changes in equity (deficiency) during the year ended December 31, 2019.

During the year ended December 31, 2020, the Company recorded interest expense of \$24,229 (2019 - \$24,838) and amortization of the discount of \$102,837 (2019 - \$92,495) which is included in accretion expense.

As at December 31, 2020, the principal balance owing on the promissory note was \$1,211,463 (December 31, 2019 - \$1,211,463) and the remaining debt discount was \$253,564 (December 31, 2019 - \$356,401).

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**NOTE 7 – SHARE CAPITAL**

**Authorized share capital**

The Company is authorized to issue the following share capital:

- Unlimited common voting shares without par value (“Common share”)
- Unlimited Class B common non-voting shares without par value (“Class B common share”), with each full Class B common share being convertible into one Common share upon either of the following events:
  - the completion of an IPO
  - an offer to purchase all the Common shares of the Company accepted by the Company
  - the holders of Common shares, holding in the aggregate no less than 51% of the issued Common shares, or the directors of the Company elect to convert the Class B common shares
- Unlimited Class C preferred shares without par value (“Class C preferred shares”) which includes:
  - 15,000,000 Series A preferred voting shares without par value with each full Series A preferred share being convertible into one Common share at the option of the holder

On June 30, 2020, Company’s directors elected to convert all outstanding Class B Common shares to Common shares. The Class B Common class of shares was cancelled.

**Issued share capital**

During the year ended December 31, 2020, the Company issued the following shares:

- 100,000 Common shares at a price of \$0.01 per share for total proceeds of \$1,000 for the exercise of Common share options. As a result, the Company transferred \$115,737 from reserves to share capital; and
- 2,480,334 Common shares for the conversion of 2,480,334 Class B common shares.

During the year ended December 31, 2019, the Company issued the following shares:

- 600,000 Common shares at a price of \$0.50 per share for a total value of \$300,000 as payment on the NLS Promissory Note (Note 6);
- 8,761,783 Units at a price of \$0.40 per share for a total value of \$3,504,713 for the conversion of all the convertible debentures outstanding (Note 5). Each unit consists of one Common share and one warrant at a price of \$0.40 per unit with each warrant having an exercise price of \$0.40 and a term of five years. The Company recorded share capital of \$6,225,562 which includes the transfer of the unamortized debt discount of \$1,896,029 and the balance of the derivative liability of \$4,329,534 to share capital.
- 302,130 Common shares at a price of \$1.16 per share for a total value of \$350,471 as settlement of the accrued interest on the convertible debentures (Note 5);
- 5,172,413 Common shares at a price of \$1.16 per share for total proceeds of \$6,000,005 in accordance with the Company’s private placement;
- 1,160,846 Common shares at a price of \$0.01 per share for total proceeds of \$11,608 for the exercise of Common share options. As a result, the Company transferred \$578,113 from reserves to share capital; and
- 1,300,000 Class B common shares at a price of \$0.001 per share for total proceeds of \$1,300 for the exercise of Class B share options. As a result, the Company transferred \$97,843 from reserves to share capital

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**NOTE 7 – SHARE CAPITAL (continued)**

**Warrants**

A summary of the Common share warrant transactions are summarized as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance, December 31, 2018	440,000	\$ 0.40
Issued	8,761,783	0.40
<b>Balance, December 31, 2019 and 2020</b>	<b>9,201,783</b>	<b>0.40</b>

A summary of the Common share warrants outstanding and exercisable at December 31, 2020 is as follows:

<b>Warrants Outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
440,000	\$ 0.40	July 5, 2023
8,761,783	0.40	August 30, 2024
<b>9,201,783</b>		

The weighted average life of warrants outstanding at December 31, 2020 was 3.61 years.

**Share options**

Common share options

The Company has a stock option plan whereby the Company can grant stock options to directors, officers, employees and consultants enabling them to acquire Common shares. Options granted can have a maximum term of ten years and the board of directors can determine the vesting requirements. From time to time, the Company has 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.

On June 30, 2020, the Company's directors elected to convert all 900,000 outstanding Class B Common share options to Common share options on the same terms and conditions as originally issued on a 1:1 basis. The Class B Common share option plan was cancelled.

During the year ended December 31, 2020, the Company granted 39,154 Common share options to a consultant of the Company with an estimated fair value of \$44,194 which vested immediately. Additionally, the Company cancelled 300,000 common shares.

During the year ended December 31, 2019, the Company granted 5,000,000 Common share options with service and performance conditions to management and consultants with an estimated fair value of \$2,752,911, of which 800,000 common shares vested immediately, 2,100,000 common shares vest when certain performance goals are achieved, and 2,100,000 common shares vest quarterly over a two-year period from the date of grant. Additionally, the Company cancelled 666,000 vested common shares.

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NOTE 7 – 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:

	2020	2019
Risk-free interest rate	0.60%	2.23%
Dividend yield	-	-
Expected life	10 years	10 years
Volatility	139%	125%
Weighted average fair value per option	\$1.14	\$ 0.55

For the year ended December 31, 2020, share-based compensation expense relating to service condition awards amounted to \$418,859 (2019 - \$1,075,932).

For the year ended December, 2020, share-based compensation expense relating to performance condition options amounted to \$136,061 (2019 – \$1,687,628).

Common share option transactions are summarized as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	9,530,211	\$ 0.01	6,357,057	\$ 0.01
Granted	39,154	0.40	5,000,000	0.01
Converted from Class B Common share options	900,000	0.001	-	-
Exercised	(100,000)	0.01	(1,160,846)	0.01
Cancelled	(300,000)	0.01	(666,000)	0.01
<b>Balance, end of year</b>	<b>10,069,365</b>	<b>0.01</b>	<b>9,530,211</b>	<b>0.01</b>
<b>Options exercisable, end of year</b>	<b>6,201,865</b>		<b>4,057,711</b>	



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NOTE 7 – SHARE CAPITAL (continued)

Share options (continued)

Common share options (continued)

A summary of the Common share options outstanding at December 31, 2020 is as follows:

Options Outstanding	Exercise Price	Expiry Date
	\$	
900,000	0.001	February 1, 2026
691,057	0.01	December 31, 2027
4,600,000	0.01	September 1, 2028
39,154	0.40	June 1, 2029
3,800,000	0.01	June 1, 2029
39,154	0.40	July 22, 2030
<b>10,069,365</b>		

The weighted average life of Common share options outstanding at December 31, 2020 was 7.69 years.

Class B Common Share Options

The Company had a stock option plan whereby the Company could grant stock options to directors, officers, employees and consultants enabling them to acquire Class B common shares. Options granted could have a maximum term of ten years and the board of directors can determine the vesting requirements. The Company cancelled the Class B Common share option plan on June 30, 2020.

Class B Common share option transactions are summarized as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$
Balance, beginning of year	900,000	0.001	2,200,000	0.001
Exercised	-	-	(1,300,000)	0.001
Converted to Common share options	(900,000)	0.001	-	-
<b>Balance, end of year</b>	<b>-</b>	<b>-</b>	<b>900,000</b>	<b>0.001</b>
<b>Options exercisable, end of year</b>	<b>-</b>		<b>900,000</b>	

The Company did not record any share-based compensation for the Class B Common share options during the years ended December 31, 2020 and 2019.

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**NOTE 8 – RESEARCH AND DEVELOPMENT**

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

		<b>For the years ended December 31,</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
Consulting fees		769,636	1,016,245
Legal and patent costs		119,679	172,220
Management fees	9	495,000	333,186
Other research and development		92,142	111,247
Product development (recovery)		2,511,140	269,925
Share-based compensation	9	419,788	1,659,766
Salaries and benefits		265,637	-
		<b>4,673,022</b>	<b>3,562,589</b>

**NOTE 9 – 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 if it’s Board of Directors.

Summary of key management personnel compensation:

	<b>For the years ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Other general and administrative	49,500	54,000
Management fees	317,362	225,999
Professional fees	917	3,979
Research and development - clinical trial costs	-	37,945
Research and development - management fees	435,000	333,186
Share-based compensation	444,315	2,551,870
	<b>1,247,094</b>	<b>3,206,979</b>

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**NOTE 9 – RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

Summary of related party balances:

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Related parties payable</b>		
Due to NLS	9,000	1,215
Accrued interest - NLS Promissory Note (Note 6)	2,542	2,313
Directors and officers	-	132,600
	<b>11,542</b>	<b>136,128</b>

Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

A summary of related party convertible debentures transactions is included in Note 5. A summary of the promissory note held by a related party is included in Note 6.

**NOTE 10 – COMMITMENTS**

In November 2020, the Company entered into a license agreement with NLS for the world-wide exclusive right to the PGRN Technology. In accordance with the agreement, the Company will pay the following:

- \$50,000 to NLS before January 15, 2021 (paid subsequent to December 31, 2020);
- 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.

**NOTE 11 – CAPITAL DISCLOSURE AND MANAGEMENT**

The Company defines its capital as all components of shareholders' 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 12 – 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, subscription receipts receivable, accounts payable, related parties payable, convertible debentures, derivative liability, and promissory note. The fair values of subscription receipts receivable, accounts payable, related parties payable, refundable subscription receipts, convertible debentures and promissory note approximates their carrying values either due to their nature or current market rates for similar instruments. Cash is measured at fair value on a recurring basis using level 1 inputs. Derivative liability is measured at fair value on a recurring basis using level 3 inputs. The continuity and valuation techniques that are used to determine the fair value of the derivative liability are described in Note 5.

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**NOTE 12 – 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, 2020, the Company had net monetary assets of approximately \$150,000 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 \$15,000. 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. 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 maximum credit risk is equal to the carrying value of cash at December 31, 2020 and 2019.

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, 2020, the promissory note bears interest of 2% 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.

Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2020 are as follows:

	<b>&lt;1 Year</b>	<b>2-3 Years</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities	203,853	-	203,853
Refundable subscription receipts	3,337,963	-	3,337,963
Related parties payable	11,542	-	11,542
Promissory note	24,000	1,187,463	1,211,463
	<b>3,577,358</b>	<b>1,187,463</b>	<b>4,764,821</b>

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**NOTE 13 – SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Supplemental non-cash disclosures		
Subscription receipts receivable	1,439,223	-
Common shares issued for promissory note repayment	-	300,000

**NOTE 14 – SEGMENTED INFORMATION**

The Company currently operates in a single reportable operating segment.

For the years ended December 31, 2020 and 2019, the Company operated in two geographical areas being Canada and the United States of America.

Year ended December 31, 2020:

	<b>Canada</b>	<b>United States of America</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Non-current assets other than financial instruments	732,247	3,727	735,974

Year ended December 31, 2019:

	<b>Canada</b>	<b>United States of America</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Non-current assets other than financial instruments	808,180	-	808,180

**NOTE 15 – INCOME TAXES**

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

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Net loss before income taxes	(5,784,207)	(6,606,527)
Canadian statutory income tax rate	27.00%	27.00%
Expected income tax recovery at statutory rate	1,561,736	1,783,762
Tax effect of:		
Permanent differences and others	(160,243)	(999,832)
Change in unrecognized deferred income tax assets	(1,401,493)	(783,930)
Income tax recovery	-	-

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**NOTE 15 – INCOME TAXES (continued)**

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

	<b>2020</b>	<b>2019</b>
	\$	\$
Deferred income tax assets:		
Non-capital losses carried forward	3,119,585	1,714,977
Intangible assets	194,913	174,155
Promissory notes	(68,463)	(96,228)
Convertible promissory notes	(52,440)	-
Total gross deferred income tax assets	3,193,595	1,792,904
Unrecognized deferred tax assets	(3,193,595)	(1,792,904)
Net deferred income tax assets	-	-

At December 31, 2020, the Company had, for Canadian tax purposes, non-capital losses aggregating approximately \$11,503,000. These losses are available to reduce taxable income earned by the Alpha Cognition Canada Inc. in future years and expire between 2035 and 2040.

**NOTE 16 – QUALIFYING TRANSACTION**

On October 27, 2020, ACI Canada entered into an Arrangement Agreement with Alpha Cognition Inc. (formerly Crystal Bridge Enterprises Inc.) ("ACI") whereby ACI would acquire 100% of the issued and outstanding shares of the ACI Canada by issuing to the shareholders of ACI Canada one common share of ACI ("CPC Share") for every one common share of ACI Canada share held by each ACI Canada shareholder (the "Transaction"). Certain US resident ACI Canada shareholders agreed to receive a restricted voting share (a "Restricted Voting Share") in place of a CPC Share which is equivalent to a CPC Share except that it will not be counted in a shareholder vote for the election of directors. In addition, holders of Class C Preferred shares of ACI Canada will receive one Class B Preferred Share of ACI for each Class C Preferred share of ACI Canada held by such shareholder. The outstanding options and warrants of ACI Canada became convertible into options and warrants of ACI. The Transaction constitutes a reverse acquisition of ACI.

Concurrent to the Transaction, ACI Canada and ACI completed a brokered private placement by raising CAD\$5,376,198 by way of the sale of 3,360,124 subscription receipts at a price of CAD\$1.60 per subscription receipt ("Subscription Receipt") with each Subscription Receipt consisting of one common share and one-half warrant ("Private Placement"). Each whole warrant is exercisable at a price of CAD\$2.10 per warrant for a term of 24 months from the closing date. Of the funds raised, US\$1,503,010 was raised by ACI Canada for 1,252,499 Subscription Receipts, CAD\$2,430,800 was raised by ACI Canada for 1,519,250 subscription receipts, and CAD\$941,400 was raised by ACI for 588,375 subscription receipts. In connection with the Private Placement, ACI Canada has agreed to pay a cash commission of \$209,174 and issue 130,733 warrants under the Private Placement to the agents. Each agent warrant is exercisable into common shares of ACI at an exercise price of CAD\$1.60 for a term of 2 years.

Immediately before the closing of the Transaction and in connection with the Transaction, the First Note holders of ACI Canada were issued 2,171,210 common shares of ACI Canada, the Second Note holders were issued 62,826 common shares of ACI Canada, and the First Note Warrant holders who elected to receive Subscription Receipts were issued 1,613,186 Subscription Receipts.

During the year ended December 31, 2020, ACI Canada incurred business investigation costs of \$63,887 in relation to the Transaction. As of December 31, 2020, ACI Canada issued \$3,337,963 in refundable subscription receipts for the private placement, of which \$1,439,223 is being held in escrow and has been presented as subscription receipts receivable on the statement of financial position. In connection with the private placement, as at December 31, 2020, ACI Canada had incurred share issuance costs of \$202,216 which is included in prepaid expenses and other current assets.

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**NOTE 16 – QUALIFYING TRANSACTION (continued)**

On March 18, 2021, the Transaction completed resulting in ACI acquiring 100% of the shares of the ACI Canada and ACI Canada's shareholders receiving 39,843,746 post-consolidated common shares, 7,000,000 restricted voting shares, 7,916,380 preferred shares, 10,008,374 warrants, 78,308 share options, and 9,991,057 performance share options of ACI.