



LOBE SCIENCES LTD.

Condensed Interim Consolidated Financial Statements

Nine months ended May 31, 2026

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the nine months ended May 31, 2026.

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Lobe Sciences Ltd. for the interim periods ended May 31, 2026 and 2025 have been prepared in accordance with the International Accounting Standard 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of management.

The independent auditors, Davidson & Company LLP, have not performed a review of these condensed interim consolidated financial statements.

LOBE SCIENCES LTD.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	May 31, 2026 \$	August 31, 2025 \$
ASSETS		
Current assets		
Cash	1,505,214	5,854,118
Prepaid expenses (Note 4)	317,429	745
Other receivables	8,904	47,500
Short-term investments (Note 5)	3,701,857	1,686,688
Total assets	5,533,404	7,589,051
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	1,572,215	1,982,421
Income tax payable	238,000	238,000
Convertible notes (Note 7)	338,401	—
Derivative liabilities (Note 8)	180,910	205,105
Total current liabilities	2,329,526	2,425,526
Non-current liabilities		
Convertible notes (Note 7)	—	273,349
Total liabilities	2,329,526	2,698,875
Shareholders' equity		
Share capital (Note 9)	35,912,345	34,707,965
Shares issuable (Note 9)	1,512,762	—
Reserves	7,134,473	6,712,183
Accumulated other comprehensive loss	199,179	189,544
Deficit	(42,872,495)	(39,253,836)
Non-controlling interest (Note 10)	1,317,614	2,534,320
Total shareholders' equity	3,203,878	4,890,176
Total liabilities and shareholders' equity	5,533,404	7,589,051

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 14)

Approved and authorized on behalf of the Board of Directors on July 30, 2026

/s/ "Frederick D. Sancilio"
Director

/s/ "Wesley Ramjeet"
Director

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

LOBE SCIENCES LTD.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, unless otherwise stated)

	For the three months ended May 31, 2026 \$	For the three months ended May 31, 2025 \$	For the nine months ended May 31, 2026 \$	For the nine months ended May 31, 2025 \$
Operating expenses				
Advertising	22,382	87	45,864	229
Consulting fees (Note 6)	342,355	487,239	886,936	716,307
Directors' fees (Note 6)	199,055	169,467	561,495	525,454
General and administrative	66,615	1,770	189,486	137,144
Insurance	25,972	22,593	73,233	63,677
Professional fees	47,186	56,206	233,389	324,117
Research and development	331,745	281,441	2,447,083	301,915
Share-based compensation (Note 6, 9)	141,028	33,456	574,790	259,672
Total operating expenses	(1,176,338)	(1,052,259)	(5,012,276)	(2,328,515)
Other income (expenses)				
Accretion (Note 7)	(10,347)	(76,249)	(29,737)	(211,365)
Foreign exchange (loss) gain	(8,914)	24,064	6,865	(96,166)
Interest expense (Note 7)	(7,859)	(65,524)	(23,719)	(188,079)
Gain on debt settlement	—	—	—	96,748
Gain on change in fair value of derivative liabilities (Note 8)	10,727	35,208	24,195	88,955
Accounts payable write-off	—	—	23,429	—
Interest income	21,491	—	61,403	—
Miscellaneous income	—	—	1,049	—
Dividend income	29,771	—	119,152	—
Foreign exchange revaluation loss	—	—	(5,726)	—
Total other income (expenses)	34,869	(82,501)	176,911	(309,907)
Net loss	(1,141,469)	(1,134,760)	(4,835,365)	(2,638,422)
Other comprehensive income (expenses)				
Currency translation adjustment	37,306	(81,001)	9,635	(34,914)
Comprehensive loss	(1,104,163)	(1,215,761)	(4,825,730)	(2,673,336)
Net loss attributable to:				
Shareholders of the Company	(529,596)	(984,325)	(3,618,659)	(2,487,987)
Non-controlling interest	(611,873)	(150,435)	(1,216,706)	(150,435)
Net loss	(1,141,469)	(1,134,760)	(4,835,365)	(2,638,422)
Comprehensive loss attributable to:				
Shareholders of the Company	(478,860)	(1,065,326)	(3,605,555)	(2,522,901)
Non-controlling interest	(625,303)	(150,435)	(1,220,175)	(150,435)
Comprehensive loss	(1,104,163)	(1,215,761)	(4,825,730)	(2,673,336)
Loss per share, basic and diluted	(0.00)	(0.01)	(0.02)	(0.01)
Weighted average shares outstanding, basic and diluted	277,748,003	192,764,928	271,508,394	184,307,776

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

LOBE SCIENCES LTD.

Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficiency) Equity
(Expressed in Canadian dollars, except number of shares)

	Share capital					Accumulated other comprehensive income (loss)			Total shareholders' (deficiency) equity
	Number of shares	Amount \$	Shares issuable \$	Reserves \$		\$	Deficit \$	NCI \$	\$
Balance, August 31, 2024	171,560,392	30,612,082	—	6,371,728		4,904	(40,103,102)	—	(3,114,388)
Shares issued to settle accounts payable	12,304,605	206,512	355,987	53,895		—	—	—	616,394
Share-based compensation	9,333,333	259,672	—	—		—	—	—	259,672
Currency translation adjustment	—	—	—	—		(39,818)	—	—	(39,818)
Preferred shares issued to NCI	3,600,000	—	—	—		—	—	(172,971)	(172,971)
Net loss for the period	—	—	—	—		—	(2,487,179)	—	(2,487,179)
Balance, May 31, 2025	193,198,330	31,078,266	355,987	6,425,623		(34,914)	(42,590,281)	(172,971)	(4,938,290)
Balance, August 31, 2025	264,149,448	34,707,965	—	6,712,183		189,544	(39,253,836)	2,534,320	4,890,176
Shares issued to settle accounts payable	3,837,686	191,880	1,372,762	—		—	—	—	1,564,642
Shares issued for cash	14,615,384	950,000	—	—		—	—	—	950,000
Shares issued on exercise of warrants	1,000,000	50,000	—	—		—	—	—	50,000
Shares issued on vesting of RSUs	500,000	12,500	—	(12,500)		—	—	—	—
Share-based compensation	—	—	140,000	434,790		—	—	—	574,790
Currency translation adjustment	—	—	—	—		9,635	—	—	9,635
Net loss for the period	—	—	—	—		—	(3,618,659)	(1,216,706)	(4,835,365)
Balance, May 31, 2026	284,102,518	35,912,345	1,512,762	7,134,473		199,179	(42,872,495)	1,317,614	3,203,878

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

LOBE SCIENCES LTD.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Nine months ended May 31,	
	2026	2025
	\$	\$
Operating activities		
Net loss for the period	(4,835,365)	(2,487,987)
Items not involving cash:		
Share-based compensation	574,790	259,672
Accretion expense	29,737	211,365
Unrealized foreign exchange (loss) gain	9,635	(39,818)
Interest expense	23,719	188,079
Gain on change in fair value of derivative liability	(24,195)	(88,955)
Gain on settlement	—	(96,748)
Changes in non-cash operating working capital:		
Other receivables	38,596	4,528
Prepaid expenses	(316,684)	(25,545)
Accounts payable and accrued liabilities	1,154,436	1,056,894
Net cash used in operating activities	(3,345,331)	(1,018,515)
Investing activities		
Short-term investments	(2,015,169)	—
Net cash (used in) provided by investing activities	(2,015,169)	—
Financing activities		
Units issued for cash	—	248,672
Issuance of convertible notes	—	180,244
Shares issued in private placement	950,000	—
Preferred shares series A for NCI	—	8,325,000
Warrant exercise	50,000	—
Net cash provided by financing activities	1,000,000	8,753,916
Effect of foreign change rate changes on cash	11,596	(4,955)
Change in cash	(4,348,904)	7,730,446
Cash, beginning of period	5,854,118	237,772
Cash, end of period	1,505,214	7,968,218
Supplemental disclosures:		
Interest paid	—	—
Income taxes paid	—	—

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

LOBE SCIENCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended May 31, 2026
(Expressed in Canadian dollars, unless otherwise stated)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Lobe Sciences Ltd. (the "Company" or "Lobe") was incorporated under the Business Corporations Act (British Columbia) on May 13, 2010. The head office, principal address and registered office of the Company are located at 1614-1771 Robson Street, Vancouver, B.C., V6G 3B7.

The Company's common shares are listed under the symbol "LOBE" on the Canadian Securities Exchange ("CSE"), under the symbol "LOBEF" on the OTCQB, and under the symbol "LOBE.F" on the Frankfurt Exchange.

The Company is a clinical-stage biopharmaceutical company committed to discovering and developing patient-focused medicines for orphan and rare diseases. The Company commercializes Altemia® MF, a medical food designed to manage deficiencies commonly found in sickle cell disease. Additionally, through its subsidiary, the Company retains a majority interest in developing Conjugated Psilocin™ in neurology and psychiatric indications. Alera Pharma, Inc. remains a wholly owned subsidiary of the Company that Lobe may elect to utilize for future activity.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will realize the carrying value of its assets and discharge its liabilities in the normal course of business. During the nine months ended May 31, 2026, the Company incurred a net loss of \$4,835,365 and had a working capital surplus of \$3,203,878 at May 31, 2026.

The Company intends on financing its future development activities and operations from the sale of equity securities. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. Should the Company be unable to continue as a going concern, the financial position, results of operations, and cash flows reported in these financial statements may be subject to material adjustments. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all the information required of full annual financial statements. These condensed interim consolidated financial statements 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 condensed interim consolidated financial statements be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended August 31, 2025, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended August 31, 2025.

(b) Basis of presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at their fair value as set out in the accounting policies in Note 3 of the audited consolidated financial statements for the year ended August 31, 2025. In addition, except for cash flow information, these financial statements have been prepared using the accrual method of accounting.

The condensed interim consolidated financial statements are presented in Canadian dollars.

LOBE SCIENCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended May 31, 2026
(Expressed in Canadian dollars, unless otherwise stated)
(Unaudited)

2. BASIS OF PRESENTATION (continued)

(c) Basis of consolidation and functional currency

These financial statements include the financial statements of the Company and subsidiaries controlled by the Company. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

Non-controlling interests in the net assets are identified separately from the Company's deficiency. The non-controlling interest consists of the non-controlling interest as at the date of the original acquisition plus the noncontrolling interest's share of changes in equity or deficiency since the date of acquisition.

A summary of the Company's subsidiaries included in these financial statements as at May 31, 2026 is as follows:

Name of subsidiary	Country of incorporation	Percentage ownership	Functional currency
Eleusian Biosciences Corp.	Canada	100%	CAD
Applied Lipid Technologies, Inc. ⁽¹⁾	United States	100%	USD
Alera Pharma Inc. ⁽²⁾	United States	100%	CAD
Cynaptec Pharmaceuticals Inc. ⁽³⁾	United States	64%	USD

(1) Formerly Altemia, Inc., was acquired on April 17, 2023.

(2) Alera Pharma Inc. was incorporated on August 21, 2024.

(3) Cynaptec Pharmaceuticals Inc. was incorporated as a wholly owned subsidiary on February 5, 2025. On April 11, 2025, the Company sold a portion of its interest, reducing its ownership to 64%

All intercompany balances, and transactions have been eliminated on consolidation.

The Company's functional currency, being the currency of the primary economic environment in which the Company operates, is the Canadian dollar. The functional currency of the Company's subsidiaries are reflected in the table above. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statements of loss and comprehensive loss.

(c) Recent Accounting Pronouncements

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 and introduces new requirements for presentation and disclosure in financial statements, including specified subtotals in the statement of profit or loss and enhanced disclosure of management-defined performance measures. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early application permitted. The Company is currently assessing the impact of this standard on its financial statements.

Amendments to IFRS 9 and IFRS 7 – Financial Instruments

On May 30, 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to classification and measurement of financial instruments and enhanced disclosure requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2026.

The Company is currently evaluating the impact of these amendments.

LOBE SCIENCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended May 31, 2026
(Expressed in Canadian dollars, unless otherwise stated)
(Unaudited)

3. USE OF ESTIMATES AND JUDGMENTS

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant assumptions about the future and other sources of estimation and judgment uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

Functional Currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. 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*. Such determination involves certain judgements to identify the primary economic environment in which the respective entity operates. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Fair value of financial instruments

The fair value attributed to financial instruments, including derivative liabilities, is determined using valuation techniques that require the use of significant judgement and estimates. Management applies judgement in selecting appropriate valuation models and in making assumptions to determine (i) the allocation of values to the individual components of financial instruments at the time of issuance, (ii) the fair value of financial instruments that are subsequently measured at fair value on a recurring basis, and (iii) the fair value disclosures of financial instruments measured at amortized cost.

These valuation techniques incorporate inputs that are not observable in active markets, and as a result, the estimated fair values may differ significantly from actual results due to the inherent uncertainty in estimating the fair value of these instruments.

Convertible instruments

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and a derivative liability. The derivative liability, which represents the conversion option is initially measured at fair value using the probability weighted expected return method. The financial liability, which represents the obligation to pay the principal and coupon interest on the convertible notes in the future, is initially measured using the residual method as principal amount of the debt obligation less the initial fair value of the derivative liability at issuance.

The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible notes at issuance and the subsequent recognition of accretion on the liability component. The determination of the fair value of the derivative liability is based on a number of assumptions as the Company utilizes the probability weighted expected return method for this measurement. The use of this model requires management to make various estimates and assumptions that impact the value assigned to the derivative liability including the probability of future events, the event timing and future exchange rates. Changes in these assumptions can significantly affect the fair value estimate.

LOBE SCIENCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended May 31, 2026
(Expressed in Canadian dollars, unless otherwise stated)
(Unaudited)

3. USE OF ESTIMATES AND JUDGMENTS (continued)

Carrying Value of Property and Equipment

The Company assesses impairment of non-financial assets such as property and equipment. In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit ("CGU") based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate.

Long-lived assets are reviewed for impairment by determining the recoverable amount of each CGU or groups of CGUs to which the long-lived assets relate. Management estimates the recoverable amount of the CGUs based on the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). The VIU calculations are based on expected future cash flows. When measuring expected future cash flows, management makes key assumptions about future growth of profits which relate to future events and circumstances. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Actual results could vary from these estimates which may cause significant adjustments to the Company's long-lived assets in subsequent reporting periods.

Share-based payment transactions

The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of options and warrants. This model requires the input of subjective assumptions including expected share price volatility, expected lives, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's loss and comprehensive loss.

4. PREPAID EXPENSES

	May 31, 2026 \$	August 31, 2025 \$
Advertising	50,000	—
General and administrative	16,643	745
Professional services	6,746	—
Research and development	244,040	—
	317,429	745

These amounts are expensed over their respective service periods as the services are rendered.

The prepaid general and administrative expenses are comprised of retainers for capital markets advisory fees of \$2,100, transfer agent fees of \$2,331, and prepaid listing and regulatory fees of \$12,212.

5. SHORT-TERM INVESTMENTS

Short-term investments consist of amounts held in government money market funds and certificate of deposit accounts. The Company determined the investments do not qualify as cash equivalents under IAS 7 *Statement of Cash Flows*.

LOBE SCIENCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended May 31, 2026
(Expressed in Canadian dollars, unless otherwise stated)
(Unaudited)

6. RELATED PARTY TRANSACTIONS AND BALANCES

Key management compensation

Key management personnel include those who have the authority and responsibility of planning, directing and executing the activities of the Company. Key management includes directors of the Company, Chief Executive Officer, Executive Chairman, Chief Financial Officer, Chief Science Officer, Chief Operating Officer, Executive Vice President and former Executive Chairman. Other than the amounts disclosed below, there was no other compensation paid or payable to key management for employee services for the reported periods.

A summary of the Company's related party transactions are as follows:

	Nine Months ended May 31,	
	2026	2025
	\$	\$
Consulting fees	1,302,175	702,505
Directors' fees	552,191	525,454
Share-based compensation	298,663	259,672
	2,153,029	1,487,631

On May 31, 2026, the Company entered into debt settlement agreements with directors and officers for the settlement of \$1,372,762 of debt through the issuance of 12,479,643 common shares (Note 9).

A summary of the Company's consulting fees paid to related parties are as follows:

	Nine Months ended May 31,	
	2026	2025
	\$	\$
Chief Executive Officer Executive Chairman	286,202	—
Company controlled by the CEO	33,065	152,384
Former Chief Executive Officer – Applied	—	145,952
Significant shareholder	686,607	—
Chief Financial Officer	72,999	—
Former Chief Financial Officer	66,000	55,000
Chief Science Officer	46,552	5,220
Executive Vice President	110,749	—
	1,302,174	385,556

LOBE SCIENCES LTD.

Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian dollars, unless otherwise stated)
(Unaudited)

6. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

A summary of amounts due to related parties contained within accounts payable and accrued liabilities are as follows:

	May 31, 2026	August 31, 2025
	\$	\$
Chief Executive Officer	–	381,148
Former Chief Executive Officer	60,702	60,537
Former Chief Operating Officer	13,652	13,652
Chief Science Officer	5,189	5,153
Chief Financial Officer	14,000	–
Former Chief Executive Officer - Applied	374,752	377,650
Company controlled by the CEO	3,321	257,675
Executive Vice President	57,677	189,970
Significant shareholder	6,715	6,715
Former Chief Financial Officer	–	11,550
Directors	34,995	–
Former President	–	19,057
	571,003	1,323,107

7. CONVERTIBLE NOTES

A summary of the Company's convertible notes are as follows:

	\$
Balance, August 31, 2025	273,349
Interest	23,719
Accretion	29,737
Foreign exchange loss	11,596
Balance, May 31, 2026	338,401

On May 15, 2024, the Company issued convertible notes (the "AP Settlement Convertible Notes") to settle a total outstanding accounts payable amount of \$1,462,772 (US\$1,072,609) with four individual note holders. The AP Settlement Convertible Notes bear interest at 10% per annum and mature on May 15, 2027. The AP Settlement Convertible Notes are convertible upon a change of control or upon listing the Company's common shares on the ASX or another recognized securities exchange in the United States or Australia before maturity at the greater of \$0.024 or the initial public offering share price if applicable.

The fair value of the liability components of the AP Settlement Convertible Notes was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, a total fair value of \$899,974 was allocated to their liability components, and \$562,742 was allocated to their derivative liability components, which represent their conversion features.

During the year ended August 31, 2025, the Company converted \$1,173,577 (US\$843,643) of convertible notes into common shares. As at May 31, 2026, \$338,401 (US\$245,254) of the convertible notes remain outstanding.

During the nine months ended May 31, 2026, the Company incurred accretion expense of \$29,737 (2025 – \$121,121) and interest expense of \$23,719 (2025 - \$109,136). As at May 31, 2026, the carrying value of the convertible notes was \$338,402.

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Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian dollars, unless otherwise stated)
(Unaudited)

8. DERIVATIVE LIABILITIES

The embedded conversion options of the Company's related party convertible debentures described in Note 7 contain conversion features that qualify for embedded derivative classification. The fair value of these liabilities will be re-measured at the end of every reporting period and the change in fair value will be reported in the statement of operations as a gain or loss on derivative financial instruments. A summary of the Company's derivative liabilities are as follows:

	\$
Balance, August 31, 2024	603,724
Gain on change in fair value of derivative conversion feature	370,412
Settlement of conversion feature	(769,031)
Balance, August 31, 2025	205,105
Gain on change in fair value of derivative conversion feature	(24,195)
Balance, May 31, 2026	180,910

The Company uses Level 3 inputs for its valuation methodology for the embedded conversion option liabilities as their fair values were determined by using the Black-Scholes option pricing model based on various assumptions. Significant changes in any of these inputs in isolation would result in a significant change in the fair value measurement. As required, these are classified based on the lowest level of input that is significant to the fair value measurement.

The Company remeasured the fair value of the conversion option using the Black-Scholes option pricing model as at May 31, 2026 and recorded a loss of \$24,195 (2025 – a gain of \$35,208) in the consolidated statements of loss and comprehensive loss. The fair value of the derivative liability was determined using the Black-Scholes option pricing model with the following assumptions as at May 31, 2026 (Aug 31, 2025): stock price \$0.105 (\$0.05); exercise price \$0.024 (\$0.024); expected life 0.96 years (1.7 years); volatility 137% (243%); risk-free rate 2.55% (2.64%).

9. SHARE CAPITAL AND RESERVES

(a) Authorized

The Company is authorized to issue an unlimited number of common shares and preferred shares with no par value.

(b) Issued

Share capital transactions during the nine months ended May 31, 2026:

- On September 24, 2025, the Company issued 500,000 common shares to a consultant in relation to vested restricted share units ("RSUs").
- On September 25, 2025, the Company issued 1,000,000 common shares for proceeds of \$50,000 pursuant to the exercise of 1,000,000 warrants.
- On October 16, 2025, the Company issued 3,837,686 common shares to a company controlled by the CEO of the Company to settle accounts payable of \$191,884.
- On April 10, 2026, the Company completed a private placement for the issuance of 14,615,384 common shares at \$0.065 for proceeds of \$950,000.

Share capital transactions during the nine months ended May 31, 2025:

- On November 13, 2024, the Company issued 10,828,400 common shares to an officer and a company controlled by the CEO, to settle accounts payable of \$216,568.

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Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended May 31, 2026
(Expressed in Canadian dollars, unless otherwise stated)
(Unaudited)

9. SHARE CAPITAL AND RESERVES (continued)

- On December 13, 2024, the Company issued 850,000 common shares to a former director and officer of the Company, to settle accounts payable of \$17,000.
- On January 29, 2025, the Company issued 9,413,333 common shares to directors and officers of the Company to settle accounts payable of \$188,267.

(c) Shares Issuable

On September 1, 2024, the Company entered into a board compensation agreement to issue 7,000,000 common shares to each of four directors with a fair value of \$0.02 per share, totaling 28,000,000 common shares, vesting in three tranches on September 1, 2024, 2025, and 2026. On February 4, 2025, the Company issued 9,333,333 common shares in connection with the first tranche. A director forfeited their remaining unvested shares prior to the vesting of the second tranche. On September 1, 2025, 7,000,000 common shares vested in connection with the second tranche. The 7,000,000 common shares were issued subsequent to May 31, 2026 (Note 14).

During the nine months ended May 31, 2026, the Company recognized share-based compensation of \$52,740 (2025 - \$148,347), with respect to compensation shares.

On May 31, 2026, the Company entered into debt settlement agreements whereby the Company agreed to issue 12,479,643 common shares at \$0.11 per share to settle \$1,372,762 of debt to directors and officers of the Company, which were issued subsequent to May 31, 2026 (Note 14).

(d) Share purchase warrants

A summary of the Company's share purchase warrant activity are as follows:

	Number of warrants	Weighted Average Exercise Price
		\$
Balance, August 31, 2025	42,890,470	0.04
Exercised	(1,900,000)	0.05
Balance, August 31, 2025	40,990,470	0.04
Exercised	(1,000,000)	0.05
Expired	(26,982,800)	0.05
Balance, May 31, 2026	13,007,670	0.05

A summary of the Company's outstanding share purchase warrants as at May 31, 2026 are as follows:

Expiry Date	May 31, 2026	Exercise price	Weighted average remaining life
May 15, 2027	12,174,337	0.05	0.96
June 16, 2027	833,333	0.05	1.04
Total	13,007,670	0.05	0.97

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9. SHARE CAPITAL AND RESERVES (continued)

(e) Performance warrants

On May 18, 2018, the Company issued 776,000 non-transferable performance warrants (each a "Performance Warrant"). Each Performance Warrant is exercisable into one common share of the Company at an exercise price of \$2.10. The performance warrants expired un-exercised on May 18, 2026.

(f) Share purchase options

The Company has adopted a share purchase option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the share purchase options are determined by the Board of Directors. The cumulative available incentive awards to be issued under the share purchase option plan, restricted share unit plan (the "RSU Plan") and a deferred share unit plan (the "DSU Plan") will not exceed 30% of the aggregate issued and outstanding common shares of the Company, with no one individual being granted more than 5% of the issued and outstanding common shares. In addition, the exercise price and the term of share purchase options granted under the Plan will not be lower than the exercise price and will have a maximum term as permitted by the Canadian Securities Exchange.

A summary of the Company's share purchase options activity are as follows:

	Number of Options	Weighted Average Exercise Price
		\$
Balance, August 31, 2024	8,000,000	0.14
Expired	(500,000)	0.18
Balance, August 31, 2025 and May 31, 2026	7,500,000	0.05

A summary of the Company's outstanding share purchase options as at May 31, 2026 is as follows:

Expiry date	Number of Options Outstanding	Number of Exercisable Options	Exercise price	Weighted Average Remaining Years
			\$	
June 13, 2026 ⁽¹⁾	500,000	300,000	0.05	0.04
June 30, 2026 ⁽²⁾	500,000	500,000	0.05	0.08
July 25, 2026 ⁽³⁾	500,000	300,000	0.06	0.15
July 15, 2027	6,000,000	4,500,000	0.05	1.12
	7,500,000	5,600,000	0.06	0.92

(1) 300,000 share purchase options were exercised (Note 14) and 200,000 share purchase options expired un-exercised subsequent to May 31, 2026.

(2) 500,000 share purchase options expired un-exercised subsequent to May 31, 2026.

(3) 300,000 share purchase options were exercised (Note 14) and 200,000 share purchase options expired un-exercised subsequent to May 31, 2026.

During the nine months ended May 31, 2026, the Company recognized share-based compensation expense of \$111,015 (2025 - \$Nil), with respect to the vesting of share purchase options.

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9. SHARE CAPITAL AND RESERVES (continued)

(g) Restricted share unit plan and deferred share unit plan

On May 28, 2021, the Company adopted a restricted share unit plan (the "RSU Plan") and a deferred share unit plan (the "DSU Plan"). In addition, the Company increased the cumulative available incentive awards to be issued under the share purchase option plan, the RSU Plan and the DSU Plan to 15% of the aggregate issued and outstanding common shares of the Company.

A summary of the Company's RSU activity is as follows:

	Number of RSUs	Weighted Average Issue Price
		\$
Balance, August 31, 2024	11,031,250	0.04
Forfeited	(2,543,749)	0.03
Granted	8,500,000	0.03
Expired	(270,834)	0.69
Balance, August 31, 2025	16,716,667	0.02
Issued	(500,000)	0.03
Forfeited	(3,500,000)	0.04
Granted	23,500,000	0.05
Balance, May 31, 2026	36,216,667	0.04
RSUs outstanding and issuable	16,300,000	0.03

A summary of the Company's RSUs outstanding as at May 31, 2026 are as follows:

Grant Date	RSUs Outstanding	RSUs Vested and Issued	Exercise price	Remaining life
			\$	
June 30, 2023 ⁽¹⁾	2,450,000	2,450,000	0.03	0.08
April 17, 2024	8,100,000	8,100,000	0.02	1.92
January 1, 2025 ⁽²⁾	1,166,667	1,166,667	0.03	2.67
January 15, 2025	1,000,000	1,000,000	0.03	2.92
January 17, 2025	500,000	500,000	0.03	2.92
June 1, 2025	3,000,000	1,000,000	0.03	4.00
August 15, 2025	1,000,000	—	0.06	3.21
August 19, 2025	1,000,000	750,000	0.05	3.22
September 1, 2025 ⁽³⁾	4,000,000	1,333,333	0.05	3.26
October 1, 2025	3,500,000	—	0.06	3.34
December 1, 2025 ⁽⁴⁾	5,000,000	—	0.04	3.51
January 1, 2026	3,500,000	—	0.05	3.59
February 26, 2026	2,000,000	—	0.06	3.75
	36,216,667	16,300,000	0.04	3.14

(1) 500,000 RSUs were settled (Note 14) and 1,950,000 RSUs expired un-exercised subsequent to May 31, 2026.

(2) 1,166,667 RSUs were settled subsequent to May 31, 2026 (Note 14).

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9. SHARE CAPITAL AND RESERVES (continued)

(g) Restricted share unit plan and deferred share unit plan (continued)

(3) 1,333,333 RSUs were settled subsequent to May 31, 2026 (Note 14).

(4) 1,000,000 RSUs were settled subsequent to May 31, 2026 (Note 14).

During the nine months ended May 31, 2026, the Company recognized share-based compensation expense of \$411,035 (2025 - \$111,325), with respect to RSUs.

A summary of Company's DSU activity is as follows:

	Number of DSUs	Weighted Average Issue Price
		\$
Balance, August 31, 2024	623,339	0.08
Forfeited	(4,166)	0.42
Expired	(16,670)	0.69
Balance, August 31, 2025	602,503	0.06
Expired	(92,501)	0.22
Balance, May 31, 2026	503,334	0.03
DSUs outstanding and issuable	503,334	0.03

A summary of the Company's DSUs outstanding as at May 31, 2026 are as follows:

Grant Date	DSUs Outstanding	DSUs Vested and Issued	Exercise price	Remaining life
			\$	
August 31, 2022	3,334	3,334	0.10	0.25
June 30, 2023 ⁽¹⁾	500,000	500,000	0.03	0.08
	503,334	503,334	0.03	0.08

(1) 500,000 DSUs expired un-exercised subsequent to May 31, 2026.

During the nine months ended May 31, 2026, the Company recognized share-based compensation expense of \$Nil (2025 - \$Nil), with respect to DSUs.

10. NON-CONTROLLING INTERESTS

The net change in non-controlling interests is as follows:

	Cynaptec Pharmaceuticals Inc. (36% NCI)
	\$
Balance, August 31, 2024	—
Recognition of NCI	2,968,272
NCI share of net loss	(433,952)
Balance, August 31, 2025	2,534,320
NCI share of net loss	(1,216,706)
Balance, May 31, 2026	1,317,614

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11. FINANCIAL RISK

The Company examines its various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. The risks may include credit risk, currency risk, liquidity risk and interest rate risk. The Company's risk management program strives to evaluate the unpredictability of financial markets and its objective is to minimize the potential adverse effects of such risks on the Company's financial performance, where financially feasible to do so.

When deemed material, these risks are monitored by the Company's finance group, and are regularly discussed with the Board of Directors.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, short-term investments, and other receivables. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Management monitors the amount of credit extended to the parties for expense recoveries. The carrying amounts of cash, investments, and other receivables represent the maximum credit exposure.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this depends on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. There can be no assurance of continued access to equity funding. As at May 31, 2026, the Company had a cash balance of \$1,505,214 (August 31, 2025 – \$5,854,118), short-term investments of \$3,701,857 (August 31, 2025 - \$1,686,688) and current liabilities of \$2,328,991 (August 31, 2025 - \$2,425,526). The Company's current cash and short term investments are sufficient to settle its current liabilities for the next twelve months.

(c) Foreign exchange rate risk

Foreign exchange risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company is exposed to foreign exchange risk from fluctuations in United States dollars and Australian dollars. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk.

A summary of the Company's financial assets and liabilities that are denominated in United States dollars, Euros and Australian dollars as at May 31, 2026 is as follows:

	USD \$	EUR \$	AUD \$
Financial assets			
Cash	200,284	—	—
Short-term investments	2,675,332	—	—
Total financial assets	2,875,616	—	—
Financial liabilities			
Accounts payable and accrued liabilities	893,992	2,318	11,995
Convertible notes	245,254	—	—
Total financial liabilities	1,139,246	2,318	11,995
Net financial assets (liabilities)	1,736,370	(2,318)	(11,995)

A 10% increase or decrease in the United States dollar, the Australian dollar, and the Euro against the Canadian dollar, would result in an impact on profit or loss of \$172,206.

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11. FINANCIAL RISK (continued)

(d) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to interest rate risk since its financial instruments are not subject to variable interest rates.

(e) Fair value

The Company classifies and subsequently measures its cash, short-term investments, deposits (included in prepaid expenses and deposits), accounts payable and accrued liabilities and convertible notes at amortized cost.

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

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.

Level 3: Inputs that are not based on observable market data (unobservable inputs).

The carrying amounts of cash, short-term investments, prepaid expenses, accounts payable and accrued liabilities and convertible notes approximate their respective fair values due to the short-term nature of these instruments or market rates used in their valuation

12. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of all components of shareholders' equity. The Company manages its capital structure and makes adjustments to it in light of changes to economic conditions with the objective to maintain adequate levels of funding to support current operations including corporate and administrative functions to support operations. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

13. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the biopharmaceutical development of new medicines.

14. SUBSEQUENT EVENTS

On June 9, 2026, the Company issued 12,479,643 common shares at a price of \$0.11 to directors and officers of the Company in connection with debt settlement agreements entered into on May 31, 2026 totalling \$1,372,762 (Note 9).

On June 9, 2026, the Company issued 4,000,000 common shares in relation to vested RSUs (Note 9).

On June 9, 2026, the Company issued 7,000,000 common shares to directors of the Company as share-based compensation in connection with a board compensation agreement (Note 9).

On June 9, 2026, the Company issued 600,000 common shares in relation to the exercise of share purchase options (Note 9).