ALGERNON PHARMACEUTICALS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the six months ended February 28, 2025 and February 29, 2024
(Expressed in Canadian dollars)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the six months ended February 28, 2025.

ALGERNON PHARMACEUTICALS INC.
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	Note	February 28, 2025	August 31, 2024
ASSETS			
Current assets			
Cash and cash equivalents	*4*	$ 92,181	$ 596,198
Accounts receivable	*4*	19,548	15,686
Prepaid expenses		36,664	126,879
Total current assets		148,393	738,763
Non-current assets			
Restricted cash equivalents	*4*	28,750	28,750
Intangible assets	*5*	3,200,881	3,176,527
Total non-current assets		3,229,631	3,205,277
TOTAL ASSETS		$ 3,378,024	$ 3,944,040
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	*4,7*	$ 1,962,243	$ 1,775,447
Total liabilities		1,962,243	1,775,447
Shareholders' equity			
Share capital	*6*	29,555,376	29,555,135
Reserves	*6*	1,798,698	3,409,675
Accumulated other comprehensive loss		(40,076)	(40,386)
Deficit		(29,898,217)	(30,755,831)
Total shareholders' equity		1,415,781	2,169,593
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 3,378,024	$ 3,944,040
Subsequent events	*10*		

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

Approved on behalf of the Board:

"Christopher Moreau" (signed)
Christopher Moreau
Director and Chief Executive Officer

"Harry Bloomfield" (signed)
Harry Bloomfield
Director

ALGERNON PHARMACEUTICALS INC.
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Three months ended February 28, 2025	Three months ended February 29, 2024	Six months ended February 28, 2025	Six months ended February 29, 2024
EXPENSES					
General and administrative	*10*	$ 12,224	$ 55,209	$ 48,608	$ 75,040
Marketing		90,399	40,545	210,046	145,407
Professional fees	*10*	93,807	30,024	119,587	49,777
Research and development		9,510	339,013	42,310	506,590
Salaries and Benefits	*10*	137,940	358,951	276,336	480,993
Share-based payment	*9*	-	156,613	-	225,651
Shareholder communications		28,647	23,855	56,963	42,726
		372,527	1,004,210	753,850	1,526,184
Interest income		(260)	(308)	(520)	(728)
Net loss for the period		372,267	1,003,902	753,330	1,525,456
OTHER COMPREHENSIVE INCOME					
Item not classified into profit or loss:					
Foreign exchange (gain) / loss on translation to reporting currency		(294)	(6,406)	(310)	2,390
Comprehensive loss for the period		$ 371,973	$ 997,496	$ 753,020	$ 1,527,846
Loss per common share					
Basic and fully diluted		$ 0.01	$ 0.05	$ 0.03	$ 0.09
Weighted average number of common shares outstanding		27,301,219	19,217,328	27,301,100	17,496,542

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

ALGERNON PHARMACEUTICALS INC.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Six months ended	February 28, 2025	February 29, 2024
OPERATING ACTIVITIES		
Net loss for the period	$ (753,330)	$ (1,525,456)
Items not involving cash		
Share-based payments	-	225,651
Amortization	11,544	15,070
Unrealized foreign exchange loss	50,336	4,408
	(691,450)	(1,280,327)
Changes in non-cash operating working capital		
Accounts receivable	(3,910)	65,031
Prepaid expenses	90,215	102,757
Accounts payable and accrued liabilities	111,685	792,500
	(493,460)	(320,039)
INVESTING ACTIVITY		
Additions of intangible assets	(15,219)	(23,120)
Redemption of restricted cash equivalents	-	28,750
	(15,219)	5,630
FINANCING ACTIVITIES		
Proceeds from warrants exercised	208	-
Proceeds from units issued for cash, net of financing costs	-	265,572
	208	265,572
Effect of exchange rate fluctuations on cash held	4,454	28
Decrease in cash and cash equivalents	(504,017)	(48,809)
Cash and cash equivalents, beginning of period	596,198	125,085
Cash and cash equivalents, end of period	$ 92,181	$ 76,276
Supplemental cash flow information		
Non-cash investing and financing activities:		
Intangible assets included in accounts payable	$ 115,438	$ 112,111
Fair value of warrants exercised	$ 241	$ -
Fair value of warrants issued with unit offering	$ -	$ 73,271
Fair value of finders warrants issued with unit offering	$ -	$ 2,977
Fair value of restricted share units settled	$ -	$ 768,067
Fair value of stock options expired	$ 1,555,396	$ 211,346
Fair value of restricted share units expired	$ 17,943	$ 227,179
Fair value of warrants expired	$ 37,605	$ 227,179
Interest paid	$ -	$ -
Taxes paid	$ -	$ -

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

ALGERNON PHARMACEUTICALS INC.
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Loss	Deficit	**Total**
Balance at August 31, 2023	15,775,757	$ 28,149,932	$ 4,148,624	$ (32,275)	$ (30,792,342)	$ 1,473,939
Units issued for cash, net of financing costs	3,733,333	189,324	76,248	-	-	265,572
Settlement of restricted share units	2,131,632	768,067	(768,067)	-	-	-
Expiry of stock options	-	-	(211,346)	-	211,346	-
Expiry of restricted share units	-	-	(227,179)	-	227,179	-
Share-based payments	-	-	225,651	-	-	225,651
Other comprehensive loss	-	-	-	(2,390)	-	(2,390)
Net loss for the period	-	-	-	-	(1,525,456)	(1,525,456)
Balance at February 29, 2024	**21,640,722**	**$ 29,107,323**	**$ 3,243,931**	**$ (34,665)**	**$ (31,879,273)**	**$ 437,316**

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Loss	Deficit	**Total**
Balance at August 31, 2024	27,300,819	$ 29,555,135	$ 3,409,675	$ (40,386)	$ (30,755,831)	$ 2,168,593
Shares issued on exercise of warrants	400	241	(33)	-	-	208
Expiration of warrants	-	-	(37,605)	-	37,605	-
Expiry of stock options	-	-	(1,555,396)	-	1,555,396	-
Expiry of restricted share units	-	-	(17,943)	-	17,943	-
Other comprehensive loss	-	-	-	310	-	310
Net loss for the period	-	-	-	-	(753,330)	(753,330)
Balance at February 28, 2025	**27,301,219**	**$ 29,555,376**	**$ 1,798,698**	**$ (40,076)**	**$ (29,898,217)**	**$ 1,415,781**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Algernon Pharmaceuticals Inc. (the "Company" or "Algernon") was incorporated on April 10, 2015 under the British Columbia *Business Corporations Act.* The registered office of Algernon is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

Algernon is a clinical stage pharmaceutical development company focused on developing repurposed therapeutic drugs in the areas of non-alcoholic steatohepatitis ("NASH"), a type of liver disease, chronic kidney disease ("CKD"), as well as advancing a stroke program using N,N-Dimethyltryptamine ("DMT"). Drug re-purposing (also known as re-profiling, re-tasking, or therapeutic switching) is the application of approved drugs and compounds to treat a different disease than what it was originally developed for. All the research and development ("R&D") work was carried out by the Company's 100% owned Canadian subsidiary, Nash Pharmaceuticals Inc. ("Nash Pharma"). On January 6, 2020, Nash Pharma established a 100% owned Australian subsidiary, Algernon Research Pty Ltd. ("AGN Research"). Through its ongoing research programs, Nash Pharma is seeking to minimize investment and drug development risk by taking advantage of regulatory approved drugs and discovering alternative clinical uses by accelerating entry into phase II clinical trials (human). On December 9, 2022, the Company established a 100% owned subsidiary incorporated in British Columbia, Algernon NeuroScience Inc. ("AGN Neuro") and on December 20, 2022, AGN Neuro acquired all of the assets of the Company's DMT program and all research and development activities pertaining to DMT will be carried out by AGN Neuro.

The Company previously focused on developing a repurposed therapeutic, Ifenprodil, to treat Chronic Cough and Idiopathic Pulmonary Fibrosis ("IPF"), however on March 26, 2024, the Company closed an agreement with Seyltx, Inc. ("Seyltx"), a privately owned U.S. based drug development company, for the sale of the Company's Ifenprodil research and development program focused on chronic cough and IPF for the purchase price of USD $2.0M or approximately CAD $2.7 in cash and a 20% common share equity position in Seyltx on a fully-diluted basis.

As at February 28, 2025, the Company has an accumulated deficit of $29,898,217 (August 31, 2024 - $30,755,831) and for the six months then ended incurred a net loss of $753,330 (February 29, 2024 - $1,525,456). The Company will need to raise sufficient working capital to maintain operations. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. Management anticipates that the Company will continue to raise adequate funding through equity or debt financings, although there is no assurance that the Company will be able to obtain adequate funding on favorable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. These condensed consolidated interim financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). They have been prepared on a historical cost basis, except for certain financial instruments, which are stated at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information.

These condensed interim consolidated financial statements have been prepared in accordance with the same accounting policies and methods of application as the most recent audited consolidated financial statements for the year ended August 31, 2024, except that they do not include all the disclosures required for the annual audited financial statements. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the Company for year ended August 31, 2024.

(b) Approval of the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of the Company for the six-month period ended February 28, 2025 were approved and authorized for issuance by the Board of Directors on April 28, 2025.

(c) Foreign currencies

The reporting currency is the Canadian dollar ("CAD"), which is the functional currency of Algernon, Nash Pharma and AGN Neuro. The functional currency of AGN Research is the Australian dollar ("AUD"). Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction, except amortization, which is translated at the rates of exchange applicable to the related assets. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the initial transaction. Non-monetary items that are measured at fair values are reported at the exchange rate on the date when fair values are determined. Foreign currency translation differences are recognized in profit or loss, except for differences on the translation of foreign entities to reporting currency on consolidation, which are recognized in other comprehensive income.

On consolidation, the assets and liabilities of entities are translated into the reporting currency at the rate of exchange at the reporting date and the condensed interim consolidated statements of loss and comprehensive loss are translated at the average exchange rates for the period. The exchange differences arising on translation for consolidation purposes are recognized in other comprehensive loss.

(d) Use of accounting estimates and judgements

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, which are entities over which the Company has control. Control exists when the Company has the power and ability, directly or indirectly, to direct the relevant activities of an entity so as to obtain benefit from its activities. Subsidiaries are fully consolidated from the date that control commences until the date the control ceases. The accounting policies of the Company's subsidiaries have been aligned with the policies adopted by the Company. When the Company ceases to control a subsidiary, the financial statements of that subsidiary are de-consolidated.

All intercompany transactions and balances have been eliminated on consolidation.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and accounts receivable. The Company's accounts receivable is mainly comprised of GST receivable and accrued interest receivable from GIC's held with bank. GST receivable is not a financial instruments as they do not arise from contractual obligations. The Company limits exposure to credit risk on bank deposits by holding demand deposits in high credit quality banking institutions in Canada and Australia. Management believes that the credit risk with respect to receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. All of the Company's financial obligations are due within one year.

At February 28, 2025, the Company had a working capital deficit of $1,813,850 compared to working capital at August 31, 2024 of $1,036,684. This included cash and cash equivalents of $92,181 (August 31, 2024 - $596,198) available to meet short-term business requirements and current liabilities of $1,962,243 (August 31, 2024 - $1,775,447).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risks. The Company is not exposed to significant interest rate risk and other price risk.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because of the short-term investment nature. The Company's financial asset exposed to interest rate risk consists of cash and cash equivalents and restricted cash equivalents. Restricted cash equivalents consists of GICs held at banking institutions that bear interest prime less 2.95% (August 31, 2024 – 2.95%) and mature one year from the purchase date.

b) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company holds marketable securities from its investment in Seyltx. The Company is not exposed to significant other price risk as there is no active trading market for the common shares held in Seyltx.

c) Foreign currency risk

Foreign currency risk is related to fluctuations in foreign exchange rates. The Company has certain expenditures that are denominated in US dollars ("US$"), Australian dollars ("AUD$"), Euros and British Pound Sterling ("GBP") and other operating expenses that are mainly in Canadian dollars ("CAD$").

The Company holds funds in its Australian subsidiary in AUD$ and may fund additional cash calls to this foreign subsidiary in the future. The Company's exposure to foreign currency risk arises primarily on fluctuations in the exchange rate of the CAD$ relative to the US$ and the AUD$.

As at February 28, 2025, the Company had monetary assets of US$47,520 or $68,609 (August 31, 2024 - US$111,409 or $150,302) at the CAD$ equivalent and monetary liabilities of US$508,422 or $734,060 (August 31, 2024 - US$498,699 or $672,495) at the CAD$ equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in US$ by 10% will increase or decrease comprehensive loss by approximately $66,545 (August 31, 2024 - $52,249).

As at February 28, 2025, the Company had monetary assets of AUD$5,443 or $4,879 (August 31, 2024 - AUD$5,443 or $4,973) at the CAD$ equivalent and monetary liabilities of AUD$23,468 or $21,034 (August 31, 2024 - AUD$23,468 or $21,440) at the CAD$ equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in AUD$ by 10% will increase or decrease comprehensive loss by approximately $1,616 (August 31, 2024 - $1,647).

As at February 28, 2025, the Company had monetary liabilities of $268,348 Euros or $402,710 (August 31, 2024 - $268,348 Euros or $400,402) at the CAD$ equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the Euro by 10% will increase or decrease comprehensive loss by approximately $40,271 (August 31, 2024 - $40,040).

As at February 28, 2025, the Company had monetary liabilities of GBP$77,452 or $140,785 (August 31, 2024 - GBP$77,452 or $137,245) at the CAD$ equivalent. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the GBP by 10% will increase or decrease comprehensive loss by approximately $14,078 (August 31, 2024 - $13,725).

(Expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)

The Company has not entered into any foreign currency contracts to mitigate this risk. Foreign currency risk is considered low relative to the overall financial operating plan.

Fair Value

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 –inputs for the asset or liability are not based on observable market data.

The Company classified its financial instruments at Level 1 and as follows:

	Financial Assets	Financial Assets	Financial Liabilities
	Fair Value Through Profit	Measured at Amortized Cost	Measured at Amortized Cost
February 28, 2025			
Cash and cash equivalents	$ 92,181	$ -	$ -
Restricted cash equivalents	28,750	-	-
Accounts receivable	-	1,172	-
Accounts payable and accrued liabilities	$ -	$ -	$ (1,962,243)

	Financial Assets	Loans and Receivables	Financial Liabilities
	Fair Value Through Profit	Measured at Amortized Cost	Measured at Amortized Cost
August 31, 2024			
Cash and cash equivalents	$ 596,198	$ -	$ -
Restricted cash equivalents	28,750	-	-
Accounts receivable	-	444	-
Accounts payable and accrued liabilities	$ -	$ -	$ (1,775,447)

(Expressed in Canadian dollars)

5. INTANGIBLE ASSETS

	Acquisition of Nash Pharma(1)	Trademark Application Costs(2)	Patent Application Costs(3)	Total
Cost				
Balance, August 31, 2023	$ 3,403,929	$ 21,348	$ 418,102	$ 3,843,379
Additions	-	1,922	59,790	61,712
Disposals	(486,276)	-	(189,851)	(676,127)
Balance, August 31, 2024	$ 2,917,653	$ 23,270	$ 288,041	$ 3,228,964
Additions	-	3,053	32,845	35,898
Balance, November 30, 2024	**$ 2,917,653**	**$ 26,323**	**$ 320,886**	**$ 3,264,862**

	Acquisition of Nash Pharma(1)	Trademark Application Costs(2)	Patent Application Costs(3)	Total
Accumulated Amortization				
Balance, August 31, 2023	$ -	$ (3,257)	$ (43,752)	$ (47,009)
Amortization	-	(2,233)	(24,329)	(26,562)
Disposals	-	-	21,134	21,134
Balance, August 31, 2024	$ -	$ (5,490)	$ (46,947)	$ (52,437)
Amortization	-	(1,269)	(10,275)	(11,544)
Balance, November 30, 2024	**$ -**	**$ (6,759)**	**$ (57,222)**	**$ (63,981)**

	Acquisition of Nash Pharma(1)	Trademark Application Costs(2)	Patent Application Costs(3)	Total
Net Book Value				
Balance, August 31, 2024	$ 2,917,653	$ 17,780	$ 241,094	$ 3,176,527
Balance, November 30, 2024	**$ 2,917,653**	**$ 19,564**	**$ 263,664**	**$ 3,200,881**

(1) On October 19, 2018, the Company completed the acquisition transaction of Nash Pharma. No amortization was taken on the intangibles acquired as the assets with finite life are not available for use. On an annual basis, the intangibles with finite life including those not available for use, are reviewed for impairment or more frequently if there are indicators of impairment. The Company will impair or write-off the intangible assets related to the acquisition of Nash Pharma when the recoverable value is less than the carrying value. The Nash Pharma intangibles are tested annually for impairment at August 31.

(2) The Company has filed trademark applications for the name “ALGERNON”. The Company amortizes the trademarks over their estimated useful life of ten years. The Company recorded $1,269 of amortization within general and administrative expenses on the condensed interim consolidated statement of loss and comprehensive loss for the six months ended February 28, 2025 (February 29, 2024 - $1,098).

(3) The Company has filed new method of use patents for lead compounds for treatment of five new disease areas: NASH, CKD and stroke. In addition to method of use, the applications for the stroke lead compounds also includes claims for composition of matter as well as formulations, dosages and devices. The likelihood of the application success is not known. The Company amortizes its patent application costs over their remaining estimated useful life representing the remaining months to expiration of the associated patent. The Company recorded $10,275 of amortization within research and development expenses on the condensed interim consolidated statement of loss and comprehensive loss for the six months ended February 28, 2025 (February 29, 2024 - $13,972).

6. SHARE CAPITAL AND RESERVES

Share capital

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

As at February 28, 2025, there were 27,301,219 (August 31, 2024 – 27,300,819) common shares issued and outstanding. Details of common shares are as follows:

During the six-month period ended February 28, 2025:

- There were 400 common shares issued during the three months ended November 30, 2024 following the exercise of 400 warrants at $0.52 per warrant.

During the six-month period ended February 29, 2024:

- On December 27, 2023, the Company completed a private placement of 3,733,333 units of the Company at a price of $0.075 per unit for gross proceeds of $280,000 (the "December 2023 Offering"). Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at the price of $0.20 for a period of 24 months after the closing date until December 27, 2025.

  The fair value of the share purchase warrants was valued using the relative fair value approach and the Black-Scholes option pricing model with the following inputs on date of issuance: share listed price of $0.07, exercise price of the warrant of $0.20; expected life of 2 years; expected volatility of 112.56%; risk-free rate of return of 3.91%; and expected dividend yield of 0%. The fair value of the share purchase warrant was determined to be $73,271.

  In connection with the December 2023 Offering, the Company issued a total of 120,000 finders' warrants from units sold under the December 2023 Offering to purchasers introduced by eligible finders. Each finders' warrant entitles the holder to purchase one common share until December 27, 2025 at a price of $0.20. The Company also paid cash finders fees in the aggregate amount of $9,000 from the sale of units to purchasers introduced by the eligible finders and incurred other professional fees associated with the December 2023 Offering of $5,428, which were recorded as a reduction in the value of the shares issued as share issuance costs.

  The fair value of the finders' warrants was valued using the Black-Scholes option pricing model with the following inputs on date of issuance: share listed price of $0.07, exercise price of the warrant of $0.20; expected life of 2 years; expected volatility of 112.56%; risk-free rate of return of 3.91%; and expected dividend yield of 0%. The fair value of the finders' warrants was determined to be $2,977, which were recorded as a reduction in the value of the shares issued as share issuance costs. The total fair value of the warrants associated with the units of the December 2023 Offering and the fair value of the finders' warrants issued was $76,248.

- There were 506,703 common shares issued to officers and directors of the Company as a result of the settlement of RSU's that vested between January 1, 2023 and January 1, 2024.

- There were 1,625,000 common shares issued to officers and directors of the Company as a result of the settlement of RSU's that vested on January 30, 2024.

(Expressed in Canadian dollars)

6. SHARE CAPITAL AND RESERVES (continued)

Stock options

Stock options to purchase common shares have been granted to directors, employees, contractors and consultants at exercise prices determined by reference to the market value on the date of the grant. The number of shares available for options to be granted under the Company's rolling stock option plan is 10% of the number of shares outstanding (the "Plan"). Options granted under the Plan vest immediately or over a period of time at the discretion of the Board of Directors.

Under the Plan, the number of shares reserved for issuance to any one optionee will not exceed 5% of the then issued and outstanding shares and the number of shares reserved for issuance to consultants will not exceed 2% of the then issued and outstanding shares. The options are non-assignable and non-transferable and will be exercisable up to 10 years from the date of grant. The minimum exercise price of an option granted under the Plan must not be less than the discounted market price, as such term is defined in the policies of the Canadian Securities Exchange ("CSE") and other applicable regulatory authorities.

Effective July 10, 2024, by way of director's resolution, the Company has limited its total stock options and restricted share units ("RSUs") to a combined 10% of the issued and outstanding common shares of the Company. Previously each plan allowed for the issuance of 10% of the issued and outstanding common shares of the Company.

The changes in stock options outstanding are as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at August 31, 2023	931,000	$ 2.05
Granted	100,000	$ (0.075)
Exercised	(100,000)	$ (0.075)
Expired, cancelled or forfeited	(146,000)	$ (1.69)
Balance outstanding at August 31, 2024	785,000	$ 2.12
Expired, cancelled or forfeited	(766,000)	$ (2.05)
Balance outstanding at February 29, 2025	19,000	$ 5.10

As at February 28, 2025 the Company had the following stock options outstanding and exercisable:

Date of Grant	Date of Expiry	Number Outstanding	Exercise Price	Remaining Life in Years
April 13, 2020	April 13, 2025	5,000	$ 7.25	0.12
August 17, 2020	August 17, 2025	6,000	$ 8.75	0.47
January 1, 2022	January 1, 2027	8,000	$ 1.03	1.84
Total outstanding		19,000	$ 5.10	0.95
Total exercisable		19,000	$ 5.10	0.95

Restricted Share Units

Effective July 23, 2020, the Company has a 10% rolling restricted share unit plan which allows the Company to grant RSUs to directors, officers, employees and consultants of the Company, to a maximum of the number of shares equal to 10% of the shares issued and outstanding from time to time.

(Expressed in Canadian dollars)

6. SHARE CAPITAL AND RESERVES (continued)

Restricted Share Units (continued)

Effective July 10, 2024, by way of director's resolution, the Company has limited its total stock options and RSUs to a combined 10% of the issued and outstanding common shares of the Company. Previously each plan allowed for the issuance of 10% of the issued and outstanding common shares of the Company.

The changes in RSUs outstanding are as follows:

	Number Outstanding
Balance at August 31, 2023	766,672
Granted	2,050,000
Settled	(2,131,672)
Expired, cancelled or forfeited	(260,000)
Balance at August 31, 2024	425,000
Expired, cancelled or forfeited	(125,000)
Balance at February 28, 2025	300,000
Balance vested at February 28, 2025	300,000

Share-based payments

(a) Stock options

- No stock options were granted during the six months ended February 28, 2025.
- During the six months ended February 29, 2024, the Company granted a total of 100,000 incentive stock options to a consultant of the Company with an exercise price of $0.075 per share. The options expire on January 30, 2026. The fair value of the incentive stock options were determined using a Black-Scholes valuation model, including the exercise price of $0.075, risk-free rate of 4.04%, estimated life of two years, no dividend yield and a volatility of 113.85%. The incentive stock options granted vested immediately.
- There were no stock options exercised during the six months ended February 28, 2025 or February 29, 2024.
- During the six months ended February 28, 2025, a total of 766,000 incentive stock options, 100,000 with exercise prices of $2.50, 76,000 with exercise prices of $7.25, 8,000 with exercise prices of $8.75, 274,000 with exercise prices of $1.03 and 308,000 with exercise prices of $1.35, were forfeited and cancelled.
- During the six months ended February 29, 2024, a total of 146,000 incentive stock options, 10,000 with exercise prices of $8.75, 76,000 with exercise prices of $1.03 and 60,000 with exercise prices of $1.35, were forfeited and cancelled.
- There were no share-based payments recognized for previously granted, unvested stock options during the six months ended February 28, 2025.
- Under the graded vesting method, share-based payments recognized for stock options in the six months ended February 29, 2024 totaled $4,500.

(b) Restricted Share Units

- No RSUs were granted or settled during the six months ended February 28, 2025.

(Expressed in Canadian dollars)

6. SHARE CAPITAL AND RESERVES (continued)

Share-based payments (continued)

(b) Restricted Share Units

- During the six months ended February 29, 2024, a total of 1,625,000 RSU units were granted to certain officers and directors, of the Company with a fair value of $0.08 per RSUs based on the five day volume average price of the Company's common shares on the Canadian Securities Exchange ("CSE"). The RSUs vested entirely on the grant date.

- During the six months ended February 29, 2024, a total of 2,131,672 RSUs were settled resulting in the issuance of 2,131,672 common shares of the Company to officers and directors of the Company.

- During the six months ended February 28, 2025, a total of 125,000 RSUs (February 29, 2024 – 180,000) were forfeited.

- There were no share-based payments recognized for previously granted, unvested RSUs in the six months ended February 28, 2024.

- Under the graded vesting method, share-based payments recognized for RSUs in the six months ended February 29, 2024 totaled $221,151.

Overall, during the six months ended February 28, 2025, the Company did not record any share-based payment expense (February 29, 2024 - $225,651).

Share purchase warrants

The changes in warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at August 31, 2023	8,553,237	$ 0.64
Issued	9,093,333	$ 0.22
Balance at August 31, 2024	17,646,570	$ 0.42
Exercised	(400)	$ (0.52)
Expired	(130,400)	$ (0.52)
Balance at February 28, 2025	17,515,770	$ 0.42

As at February 28, 2025, the Company had the following warrants outstanding:

Date of Expiry	Exercise Price	Number of Warrants	Weighted Average Remaining Life in Years
July 4, 2027 (1)	$ 0.94	1,148,868	2.34
August 22, 2027	$ 1.06	1,495,600	2.48
November 5, 2024 (2)	$ 0.52	4,752,969	0.18
July 27, 2025	$ 0.25	1,025,000	0.41
December 5, 2025	$ 0.20	3,733,333	0.83
August 1, 2026	$ 0.24	3,400,000	1.42
August 19, 2026	$ 0.24	1,960,000	1.47
Total	$ 0.42	17,515,770	1.05

(Expressed in Canadian dollars)

6. SHARE CAPITAL AND RESERVES (continued)

Share purchase warrants (continued)

(1) The terms of the warrants issued on July 4, 2022 pursuant to the July 2022 Offering were amended as a result of anti-dilution provisions contained in those warrants. The July 2022 Offering consisted of one common share and one warrant. Upon issuance, the warrants were exercisable at a price of $1.18 per warrant and included anti-dilution provisions in the case of a “dilutive issuance to reduce the exercise price of the warrants and increase the number of shares issuable thereunder, if common shares are sold or issued for consideration per share less than the warrant exercise price, subject to certain exceptions“.

On August 22, 2022, the Company closed the August 2022 Offering at a price of $0.94 per unit. The August 2022 Offering resulted in a dilutive issuance and the exercise price of the warrants issued in the July 2022 Offering was reduced to $0.94 per share and the number of shares issuable under each warrant was increased such that the aggregate exercise price payable after taking into account the decrease in the exercise price shall be equal to the aggregate exercise price prior to the adjustment. These 1,236,468 warrants became exercisable at a price of $0.94 per common share for approximately 1,549,704 common shares, subject to the rounding down of each warrant exercise.

(2) On November 4, 2024, the Company extended the expiry date of an aggregate of 4,752,969 outstanding warrants (the “2023 Warrants”). The 2023 Warrants were issued in connection with the closing of a rights offering by the Company on May 5, 2023.

The initial exercise price of the 2023 Warrants was $0.52 and remains unchanged. The 2023 Warrants had an original expiration date of November 5, 2024. The Company extended the expiration date of the 2023 Warrants by an additional six months, so that the 2023 Warrants will expire on May 5, 2025. All other terms and conditions of the 2023 Warrants remained unchanged.

Agent warrant units

The changes in agent warrant units outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at August 31, 2023	290,466	$ 0.59
Issued	204,800	$ 0.22
Balance at August 31, 2024	495,266	$ 0.43
Expired	(165,166)	$ (0.25)
Balance at February 28, 2025	330,100	$ 0.53

As at February 28, 2025, the Company had the following agent warrant units outstanding:

Date of Expiry	Exercise Price	Number of Agent Warrant Units	Weighted Average Remaining Life in Years
July 4, 2027	$ 1.03	43,380	2.35
August 22, 2027	$ 1.03	81,920	2.48
December 27, 2025	$ 0.20	120,000	0.83
August 1, 2026	$ 0.24	44,800	1.42
August 19, 2026	$ 0.24	40,000	1.47
Total	$ 0.53	330,100	1.59

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel are considered to be those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes senior officers and directors of the Company.

Related party transactions to key management personnel are as follows:

Six months ended	February 28, 2025	February 29, 2024
Short-term benefits [(1)]	$ 273,421	$ 473,910
Consulting fees – other [(2)]	1,500	1,500
Share-based payments	-	202,219
	$ 274,921	$ 677,629

(1) Salaries paid to officers and directors fees to independent directors:
- $110,000 (February 29, 2024 - $275,000, including a bonus of $165,000) to Chief Executive Officer;
- $60,000 (February 29, 2024 - $150,000, including a bonus of $90,000) to Chief Financial Officer;
- $65,000 (February 29, 2024 - $10,833) to the Vice President Research and Operations
- $12,000 (February 29, 2024 - $12,000) to Chairman and independent director;
- $9,000 (February 29, 2024 - $9,000) to an independent director;
- $9,000 (February 29, 2024 - $9,000) to an independent director;
- $8,421 (February 29, 2024 - $8,077) to an independent director.

(2) For the six months ended February 28, 2025, $1,500 (February 29, 2024 - $1,500) was paid to a partnership where the Chairman and independent director was a partner for corporate secretarial services.

Accounts payable and accrued liabilities include the following amounts due to related parties:

As at	February 28, 2025	August 31, 2024
Key management personnel – consulting fees	$ 46,200	$ -
Key management personnel – directors fees	35,876	22,889
Total	$ 82,076	$ 22,889

The amounts recorded within accounts payable and accrued liabilities that are due to related parties are unsecured, non-interest bearing and due on demand.

8. RISK AND CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business. The Company currently has no source of revenues, and therefore, is dependent upon external financings to fund activities. In order to carry future projects and pay administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six months ended February 28, 2025. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars)

9. SEGMENTED DISCLOSURES

The Company is a Canadian clinical stage pharmaceutical development company that operates in two reportable operating segments: the development of repurposed therapeutic drugs in Canada, and the facilitation of the Company's lead drug candidates into off-label phase II clinical trials (humans) in Australia. All of the Company's expenditures are incurred in both Canada and Australia. Geographical information of the Company's long-term assets are as follows:

As at February 28, 2025, the Company's intangible assets are located as follows:

	Canada	Australia	Total
Intangible assets	$ 3,200,881	$ -	$ 3,200,881

As at August 31, 2024, the Company's intangible assets are located as follows:

	Canada	Australia	Total
Intangible assets	$ 3,176,527	$ -	$ 3,176,527

10. SUBSEQUENT EVENTS

Subsequent to February 28, 2025:

On March 6, 2025, the Company granted 1,405,000 RSUs pursuant to its RSU Plan to certain executives and directors, of the Company. Each RSU entitled the recipient to receive one common share of the Company or a cash payment equal to the equivalent of one common share of the Company on vesting. The RSUs vested on the date of grant.

Additionally on March 6, 2025, the Company granted 1,000,000 stock options exercisable at $0.09 for five years from the date of grant to certain executives and directors of the Company. The stock options vested on the date of grant.

On April 7, 2025, the Company granted 50,000 RSUs pursuant to its RSU Plan to ca consultant of the Company. Each RSU entitled the recipient to receive one common share of the Company or a cash payment equal to the equivalent of one common share of the Company on vesting. The RSUs vested on the date of grant.

Additionally on April 7, 2025, the Company granted 50,000 stock options exercisable at $0.09 for five years from the date of grant to a consultant of the Company. The stock options vest on the date of grant.

On April 13, 2025, 5,000 stock options, exercisable at $7.25, expired without exercise.

There were 1,455,000 common shares issued to officers, directors and consultants of the Company as a result of the settlement of RSU's that vested on March 6, 2025 and April 7, 2025.