LOBE SCIENCES LTD.

Condensed Interim Consolidated Financial Statements

For the three and six months ended February 28, 2025 and 2024

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the Three and Six Months Ended February 28, 2025 and 2024.

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 February 28, 2025 and 2024 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
(Unaudited - Expressed in Canadian dollars)

	Note	**February 28, 2025**	August 31, 2024
		$	$
ASSETS			
Current			
Cash		**24,286**	237,772
Receivables		**4,815**	9,343
Prepaid expenses and deposits	5	**20,000**	11,455
Total assets		**49,101**	258,570
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11	**849,480**	784,321
Income tax payable		**238,000**	238,000
Convertible notes - current portion	7	**641,374**	641,374
Derivative liability	7	**549,977**	603,724
		2,278,831	2,267,419
Convertible notes	7	**1,511,358**	1,105,539
Total liabilities		**3,790,189**	3,372,958
SHAREHOLDERS' DEFICIENCY			
Share capital	8	**31,047,421**	30,612,082
Shares to be issued	8	**355,987**	-
Reserves	8	**6,411,277**	6,371,728
Accumulated other comprehensive loss		**50,991**	4,904
Deficit		**(41,606,764)**	(40,103,102)
Total shareholders' deficiency		**(3,741,088)**	(3,114,388)
Total liabilities and shareholders' deficiency		**49,101**	258,570

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)

Approved and authorized for issue on behalf of the Board of Directors:

/s/ "Dr. Fred Sancilio"	*/s/ "Wesley Ramjeet"*
Director	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
(Unaudited - Expressed in Canadian dollars)

		Three months ended		Six months ended	
	Note	**February 28, 2025**	February 29, 2024	**February 28, 2025**	February 29, 2024
		$	$	**$**	$
Revenues		**-**	-	**-**	136,205
Cost of sales		**-**	-	**-**	(1,757)
Gross profit		**-**	-	**-**	134,448
Advertising		**(142)**	(2,450)	**(142)**	(4,900)
Amortization		**-**	(28,236)	**-**	(56,473)
Consulting fees	11	**(29,618)**	(327,244)	**(229,068)**	(525,976)
Directors fees	8,11	**(355,987)**	-	**(355,987)**	-
General and administrative		**(61,786)**	(41,877)	**(135,374)**	(73,918)
Insurance		**(25,117)**	(77,945)	**(41,084)**	(157,077)
Professional fees	11	**(109,149)**	(32,700)	**(267,911)**	(142,921)
Research		**(12,923)**	(16,057)	**(20,474)**	(205,337)
Share-based compensation	8,11	**(39,549)**	(58,238)	**(226,216)**	(104,028)
		(634,271)	(584,747)	**(1,276,256)**	(1,136,182)
Other income (expenses)					
Accretion expense	7	**(71,273)**	(13,464)	**(135,116)**	(26,321)
Foreign exchange gain (loss)		**(59,027)**	11,711	**(120,230)**	17,268
Interest expense	7	**(63,234)**	(8,883)	**(122,555)**	(18,266)
Gain on debt settlement		**96,748**	-	**96,748**	-
Gain on change in fair value of derivative liability	7	**28,029**	-	**53,747**	-
Net loss		**(703,028)**	(595,383)	**(1,503,662)**	(1,163,501)
Other comprehensive income loss					
Gain on translation of foreign subsidiaries		**22,594**	(16,300)	**46,087**	(14,955)
Comprehensive loss		**(680,434)**	(611,683)	**(1,457,575)**	(1,178,456)
Net loss per share:					
Basic and diluted		**(0.00)**	(0.01)	**(0.01)**	(0.01)
Weighted average number of shares:					
Basic and diluted		**186,367,829**	79,136,172	**180,000,063**	79,136,172

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

LOBE SCIENCES LTD.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Six Months Ended February 28, 2025	2024
	$	$
Operating activities		
Net loss	**(1,503,662)**	(1,163,501)
Adjustments for:		
Amortization	**-**	56,473
Research	**-**	-
Share-based compensation	**226,216**	104,028
Accretion expense	**135,116**	26,321
Unrealized foreign exchange (loss) gain	**46,087**	(14,955)
Interest expense	**122,555**	18,266
Gain on change in fair value of derivative liability	**(53,747)**	-
Changes in non-cash working capital items:		
Receivables	**4,528**	4,929
Inventory	**-**	1,757
Prepaid expenses and deposits	**(8,545)**	(7,638)
Accounts payable and accrued liabilities	**421,145**	848,267
Cash used in operating activities	**(610,307)**	(126,053)
Financing activities		
Shares issued for services	**248,672**	-
Convertible notes issued	**180,244**	-
Cash from financing activities	**428,916**	-
Effect of exchange rate on changes in cash	**(32,095)**	(9,167)
Change in cash	**(181,391)**	(126,053)
Cash, beginning of period	**237,772**	140,290
Cash, end of period	**24,286**	5,070

There are no non-cash financing or investing activities in the periods presented except as disclosed elsewhere in these financial statements.

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
(Unaudited - Expressed in Canadian dollars, except number of shares)

	Number of shares	Share capital	Shares to be issued	Reserves	Accumulated other comprehensive income (loss)	Deficit	Equity (deficiency)
	#	$	$	$	$	$	$
Balance, August 31, 2023	79,136,172	27,623,599	1,961,750	5,937,852	(953)	(35,682,375)	(160,127)
Share-based compensation	-	-	-	104,028	-	-	104,028
Currency translation adjustment	-	-	-	-	(14,955)	-	(14,955)
Net loss for the period	-	-	-	-	-	(1,163,501)	(1,163,501)
Balance, February 29, 2024	79,136,172	27,623,599	1,961,750	6,041,880	(15,908)	(36,845,876)	(1,234,555)
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	11,758,399	248,672	355,987	-	-	-	604,659
Share-based compensation	9,333,333	186,667	-	39,549	-	-	226,216
Currency translation adjustment	-	-	-	-	46,087	-	46,087
Net loss for the period	-	-	-	-	-	(1,503,662)	(1,503,662)
Balance, February 28, 2025	**192,652,124**	**31,047,421**	**355,987**	**6,411,277**	**50,991**	**(41,606,764)**	**(3,741,088)**

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

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 1771 Robson Street #1614 Vancouver, BC 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 "6YX0.F" on the Frankfurt Exchange.

The Company is a biopharmaceutical company focused on using lipid technology to develop innovative treatments for orphan and rare diseases. The Company commercializes Alt*emia*® MF, a medical food designed to manage deficiencies commonly found in sickle cell disease. Additionally, through its subsidiaries, 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 unrelated to Conjugated Psilocin™.

Cynaptec Pharmaceuticals, Inc**.** ("Cynaptec") is a biopharmaceutical company dedicated to developing innovative therapies for neurological and psychiatric disorders. Cynaptec's initial development program is focused on the use of its proprietary Conjugated Psilocin™ compound for treatment of the significant unmet medical needs of patients with Chronic Cluster Headache, with an additional preliminary proof-of-concept to assess potential utility for substance use disorders.

Conjugated Psilocin™ is a novel, patented, oral, stable analog of psilocin, the active metabolite of the prodrug psilocybin, designed to enhance bioavailability and therapeutic efficacy, which has been identified as having therapeutic potential in a variety of neurological conditions. Whereas conventional psilocin is an unstable compound that has been challenging for the industry to develop as a standalone pharmaceutical, Conjugated Psilocin's™ stability and bioavailability profile, and associated safety and efficacy signals, suggest the potential for prescription drug development in a variety of neurological and psychiatric indications.

These unaudited condensed interim consolidated financial statements for the three and six months ended February 28, 2025 and 2024 (the "financial statements") have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. As at February 28, 2025, the Company had a working capital deficiency of $2,229,730 (August 31, 2024 - $2,008,849) and an accumulated deficit of $41,606,764 (August 31, 2024 - $40,103,102). During the six months ended February 28, 2025, the Company incurred a net loss of $1,503,662 (2024 - $1,163,501). These conditions together indicate the existence of material uncertainties that may cast significant doubt over the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company's ability to raise sufficient financing to acquire or develop a profitable business. The Company intends to finance 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.

In April 2025 the Company's subsidiary raised $6,000,000 to develop Conjugated Psilocin™,. The Company will need to raise additional funding to establish Alt*emia*® and operate the parent company.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on April 28, 2025.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") applicable to the preparation of interim financial statements including International Accounting Standard 34 *Interim Financial Reporting*. These financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's audited financial statements for the years ended August 31, 2024 and 2023 (the "Annual Financial Statements").

b) Basis of presentation

These financial statements have been prepared on a historical cost basis except for those financial instruments which have been classified at fair value through profit or loss. In addition, except for cash flow information, these financial statements have been prepared using the accrual method of accounting.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars ("CAD"), except as otherwise noted. The functional currency of the Company is CAD. See "Basis of Consolidation" for the functional currency of the Company's subsidiaries. References to "USD" or "US$" are to United States dollars. References to "AUD" are to Australian dollars. References to "EUR" are to Euros.

d) Basis of consolidation

These financial statements include the financial statements of the Company and entities controlled by the Company. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

All intercompany balances and transactions have been eliminated on consolidation.

A summary of the Company's subsidiaries included in these financial statements as at February 28, 2025 is as follows:

Name of subsidiary	Country of incorporation	Percentage ownership	Functional currency
Eleusian Biosciences Corp.	Canada	100%	CAD
Lobe Sciences Australia Pty Ltd. (1)	Australia	100%	CAD
Altemia & Company, LLC (2)	United States	100%	USD
Alera Pharma Inc. (3)	United States	100%	CAD

(1) Lobe Sciences Australia Pty Ltd. was incorporated on September 7, 2022.
(2) Altemia was acquired on April 17, 2023.
(3) Alera Pharma Inc. was incorporated on August 21, 2024.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The same accounting policies and methods of computation are followed in these financial statements as compared with the Annual Financial Statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Areas that require significant estimates and assumptions as the basis for determining the stated amounts include, but are not limited to, the following:

<u>Functional currency</u>

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. 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.

Impairment

Long-lived assets, including intangible assets are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Judgments and estimates are required in determining the indicators of impairment and the estimates required to measure an impairment, if any.

Equity-settled share-based payments

Share-based payments are measured at fair value. Options and warrants are measured using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the measurement date and are expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Current and deferred income taxes

The Company's provision for income taxes is estimated based on the annual effective tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The current and deferred components of income taxes are estimated based on forecasted movements in temporary differences. Changes to the annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company's provision for income taxes in the period changes are made and/or differences are identified.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning 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. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on contractual revenues and expenses and planned expenses, which are internally developed and reviewed by management.

Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

Convertible instruments

Convertible notes are compound financial instruments that 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 or the Black-Scholes option pricing model. 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 the 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 judgment 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.

Share consideration estimates

The Company has determined the fair value of the common share consideration portion of the acquisition of Altemia by measuring the fair value of the equity instruments at the acquisition agreement date and considering management's assessment of the terms and conditions upon which those equity instruments were granted, that is, the performance conditions to the issuance of the equity instruments.

(Unaudited - Expressed in Canadian dollars, except where noted)

5. PREPAID EXPENSES AND DEPOSITS

A summary of the Company's prepaid expenses and deposits is as follows:

	February 28, 2025	August 31, 2024
	$	$
Deposits	**20,000**	-
Other	**-**	11,455
	20,000	11,455

6. INTANGIBLE ASSETS

The intangible assets are comprised of provisional patent applications and a patent cooperation treaty application. A summary of the Company's intangible assets is as follows:

	$
Cost	
Balance, August 31, 2023	2,034,054
Addition	698,250
Impairment	(2,732,304)
Balance, February 28, 2025, and August 31, 2024	**-**
Accumulated amortization	
Balance, August 31, 2023	53,918
Amortization	84,709
Impairment	(138,627)
Balance, February 28, 2025, and August 31, 2024	**-**
Carrying amount	
Balance, August 31, 2023	1,980,136
Balance, February 28, 2025, and August 31, 2024	**-**

During the six months ended February 28, 2025, amortization was $Nil (2024 - $84,709).

Subsequent to initial recognition and measurement, the estimate of the number of common shares issued was revised to give effect to the service and non-market performance conditions as being satisfied. Accordingly, the Company recorded an increase in intangible assets of $698,250 during the year.

In accordance with the Company's accounting policies for intangible assets, the Company is required to test for impairment annually for intangible assets and more frequently when there are indicators of impairment. Intangible assets with finite lives are tested for impairment when there are indicators of impairment. During the year ended August 31, 2024, there were indicators of impairment identified (lack of sales growth and further development plans) and as a result, the Company compared the carrying amounts to the recoverable amounts for its intangible assets. As at August 31, 2024, the recoverable amounts for its investment in Altemia were less than the carrying amounts. Accordingly, the Company recorded an impairment loss of $2,593,677.

(Unaudited - Expressed in Canadian dollars, except where noted)

7. CONVERTIBLE NOTES

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

Balance, August 31, 2023	332,640
Convertible notes issued	1,794,102
Derivative conversion features	(562,742)
Interest	90,652
Accretion	95,993
Foreign exchange loss	(3,732)
Balance, August 31, 2024	1,746,913
Convertible notes issued	180,244
Derivative conversion features	-
Interest	122,555
Accretion	135,116
Foreign exchange loss	(32,096)
Balance, February 28, 2025	**2,152,732**
Current portion	**641,374**
Non-current portion	**1,511,358**

March 14, 2024 convertible note

On March 14, 2024, the Company issued a convertible note to a private investor for gross proceeds of $337,800 (US$250,000). The convertible note bears interest at 10% per annum and matures on March 15, 2027. The note is convertible into common shares 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 at the initial public offering share price.

The fair value of the liability component was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, a fair value of $156,940 was allocated to the liability component and $179,455 was recorded as a gain on debt settlement in the consolidated statements of loss and comprehensive loss.

During the six months ended February 28, 2025, the Company incurred accretion expense of $24,702 (2024 - $Nil) and interest expense of $21,003 (2024 - $Nil).

June 17, 2024 convertible note

On June 17, 2024, the Company issued a convertible note to a private investor for gross proceeds of $170,000 (US$125,000). The convertible note bears interest at 10% per annum and matures on March 15, 2027. The note is convertible into common shares 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 at the initial public offering share price.

The fair value of the liability component was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, a fair value of $85,097 was allocated to the liability component and $84,903 was recorded as a gain on debt settlement in the consolidated statements of loss and comprehensive loss.

During the six months ended February 28, 2025, the Company incurred accretion expense of $12,351 (2024 - $Nil) and interest expense of $11,214 (2024 - $Nil).

August 21, 2024 convertible note

On August 21, 2024, the Company issued a convertible note to a private investor for gross proceeds of $170,650 (US$125,000). The convertible note bears interest at 10% per annum and matures on March 15, 2027. The note is convertible into common shares 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 initial public offering share price.

The fair value of the liability component was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, a fair value of $89,349 was allocated to the liability component and $81,301 was recorded as a gain on debt settlement in the consolidated statements of loss and comprehensive loss.

During the six months ended February 28, 2025, the Company incurred accretion expense of $11,730 (2024 - $Nil) and interest expense of $12,351 (2024 - $Nil).

Upon the issuance of the March, June, and August convertible notes above, the Company measured the fair value of the conversion options using probability-weighted expected return method. The Company determined that the fair value of the conversion options at initial recognition to be $Nil. This fair value measurement was based on significant inputs that are not observable in the market, and represent a level 3 fair value measurement, including those relating to discount factors and probabilities of achievement of listing the Company's common shares on the ASX or another recognized securities exchange in the United States or Australia before maturity. These assumptions include an expected probability of an IPO on the debt issuance date being near 0% and that the foreign exchange rate would remain consistent over the life of the loan.

December 12, 2024 convertible note

On December 12, 2024, the Company issued a convertible note to a private investor for gross proceeds of $180,244 (US$125,000). The convertible note bears interest at 10% per annum and matures on December 12, 2027. The note is convertible into common shares 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 initial public offering share price.

The fair value of the liability component was determined using the rate of interest that would apply to an identical financial instrument without the conversion option. As a result, a fair value of $83,496 was allocated to the liability component, and $96,748 was recorded as a gain on debt settlement in the consolidated statements of loss and comprehensive loss.

During the six months ended February 28, 2025, the Company incurred accretion expense of $4,598 (2024 - $Nil) and interest expense of $3,581 (2024 - $Nil).

Upon the issuance of the convertible notes above, the Company measured the fair value of the conversion options using probability-weighted expected return method. The Company determined that the fair value of the conversion options at initial recognition was $Nil. This fair value measurement was based on significant inputs that are not observable in the market, and represent a level 3 fair value measurement, including those relating to discount factors and probabilities of achievement of listing the Company's common shares on the ASX or another recognized securities exchange in the United States or Australia before maturity. These assumptions include an expected probability of an IPO on the debt issuance date being near 0% and that the foreign exchange rate would remain consistent over the life of the loan.

AP Settlement Convertible Notes

On May 15, 2024, the Company issued convertible notes (the "AP Settlement Convertible Notes") to settle a total outstanding accounts payable amount of $1,462,716 (US$1,072,609). 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 larger 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. The fair value of the derivative liability was determined using the Black-Scholes option pricing model with the following assumptions as at May 15, 2024 (Aug 31, 2024): Stock price $0.02 ($0.02); exercise price $0.024 ($0.024); expected life 3 years (2.7 years); volatility 90% (105%); risk-free rate 4.05% (3.08%).

(Unaudited - Expressed in Canadian dollars, except where noted)

During the six months ended February 28, 2025, the Company incurred accretion expense of $75,027 (2024 - $Nil) and interest expense of $81,114 (2024 - $Nil).

A summary of the Company's derivative liability is as follows:

	$
Balance, August 31, 2023	-
Derivative conversion features	562,742
Loss on change in fair value of derivative conversion feature	40,982
Balance, August 31, 2024	603,274
Derivative conversion features	-
Gain on change in fair value of derivative conversion feature	(53,747)
Balance, February 28, 2025	**549,977**

The Company remeasured the fair value of the conversion option using the Black-Scholes option pricing model as at February 28, 2025 and recorded a loss of $53,747 (2024 – $Nil) in the condensed interim consolidated statements of loss and comprehensive loss. The assumptions as at the February 28, 2025 remeasurement date included an expected probability of an IPO on the debt issuance date being 0%, and that the foreign exchange rate would remain consistent.

(Unaudited - Expressed in Canadian dollars, except where noted)

8. 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

The Company had the following share capital transactions during the three months ended February 28, 2025:

- On November 13, 2024, the Company issued 10,828,400 common shares to an officer and a consulting company owned by the Executive Chairman, to settle accounts payable of $216,568.
- On December 13, 2024, the Company issued 850,000 common shares to an officer and a former director of the Company to settle accounts payable of $17,000.
- On January 29, 2025, the Company issued 9,413,333 common shares to officers and directors of the Company to settle accounts payable of $188,267.

The Company had the following share capital transactions during the year ended August 31, 2024.

- On March 4, 2024, the Company and Altemia Selling Members agreed on the achievement of all four milestones outlined in the Amendment (Note 5). As a result of the milestones being achieved, and upon the request of one of the Altemia Selling Members, the Company issued 69,160,000 common shares. On April 30, 2024, the remaining 6,840,000 of the 76,000,000 total common shares were issued upon the request of the Altemia Selling Members. The aggregate of 76,000,000 common shares were issued for a fair value of $2,660,000.
- On April 4, 2024, pursuant to a debt settlement agreement, the Company issued 16,424,220 common shares at a price of $0.02 per share for a total fair value consideration of $328,484 as settlement of $318,782 in accounts payable to a related party for consulting services. The Company recorded a loss on debt settlement of $9,702.

c) Share purchase warrants

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

	Number of warrants	Weighted average exercise price
	#	$
Balance, August 31, 2023	30,986,216	1.31
Issued	12,174,337	0.05
Expired	(270,083)	1.49
Balance, August 31, 2024	42,890,470	0.06
Expired	(1,000,000)	1.20
Balance, February 28, 2025	**41,890,470**	**0.05**

A summary of the Company's outstanding share purchase warrants as at February 28, 2025 is as follows:

Expiry date	Number of Warrants	Weighted average exercise price	Weighted average remaining life
		$	Years
April 28, 2025	900,000	0.05	0.91
September 8, 2025	27,982,800	0.05	1.27
May 15, 2027	12,174,337	0.02	1.27
June 16, 2027	833,333	0.05	3.04
	41,890,470	**0.04**	**1.29**

(Unaudited - Expressed in Canadian dollars, except where noted)

d) 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.

A summary of the Company’s outstanding Performance Warrants as at February 28, 2025 is as follows:

Expiry date	Number of Performance Warrants outstanding	Number of Performance Warrants exercisable	Weighted average exercise price	Weighted average remaining life
	#	#	$	Years
May 18, 2026	776,000	776,000	2.10	1.22

e) 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 of share purchase options granted under the Plan will not be lower than the exercise price permitted by the Canadian Securities Exchange, and all share purchase options granted under the Plan will have a maximum term permitted by the Canadian Securities Exchange.

A summary of the Company’s share purchase options activity is as follows:

	Number of share purchase options outstanding	Weighted average exercise price
	#	$
Balance, August 31, 2023	8,828,146	0.18
Expired	(425,003)	0.98
Forfeited	(400,000)	0.05
Balance, August 31, 2024	8,003,143	0.14
Cancelled	(5,878,143)	0.10
Balance, February 28, 2025	**2,125,000**	**0.28**

A summary of the Company’s outstanding share purchase options as at February 28, 2025 is as follows:

Expiry date	Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining life
	#	#	$	Years
August 12, 2025	125,000	125,000	0.60	0.45
May 23, 2026	500,000	166,668	0.18	1.23
June 13, 2026	500,000	200,000	0.05	1.29
June 30, 2026	500,000	500,000	0.05	1.34
July 25, 2026	500,000	200,000	0.06	1.40
	2,525,000	**1,191,668**	**0.10**	**1.93**

During the six months ended February 28, 2205, Company recognized share-based compensation expense of $Nil (2024 - $23,684), with respect to the vesting of share purchase options.

(Unaudited - Expressed in Canadian dollars, except where noted)

f) 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, 2023	5,175,000	0.07
Granted	8,100,000	0.02
Forfeited	(2,243,750)	0.05
Balance, August 31, 2024	11,031,250	0.04
Granted	5,500,000	0.02
Forfeited	(210,416)	0.07
Balance, February 28, 2025	**16,320,834**	**0.04**

A summary of the Company's RSUs outstanding as of February 28, 2025, is as follows:

Grant date	Number of RSUs outstanding	Number of RSUs vested and unissued	Weighted average issue price	Weighted average remaining life
	#	#	$	Years
June 15, 2021	270,834	229,168	0.69	0.29
June 30, 2023	2,450,000	2,200,000	0.03	1.33
April 17, 2024	8,100,000	8,100,000	0.02	3.17
January 15, 2025	4,500,000	1,166,667	0.03	0.92
January 17, 2025	1,000,000	-	0.03	0.92
Total	**16,320,834**	**11,695,835**	**0.04**	**3.21**

During the six months ended February 28, 2025, the Company recognized share-based compensation expense of $41,857 (2024 - $13,674), with respect to RSUs.

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

	Number of DSUs	Weighted Average Issue Price
	#	$
Balance, August 31, 2023	1,240,004	0.07
Granted	-	-
Forfeited	(616,665)	0.06
Balance, August 31, 2024	623,339	0.08
Forfeited	(4,166)	0.69
Balance, February 28, 2025	**619,173**	0.08
DSUs exercisable	**619,173**	**0.07**

(Unaudited - Expressed in Canadian dollars, except where noted)

A summary of the Company's DSUs outstanding as at February 28, 2025 is as follows:

Grant date	Number of DSUs outstanding	Number of DSUs vested and unissued	Weighted average issue price	Weighted average remaining life
	#	#	$	Years
June 15, 2021	12,502	12,502	0.69	0.29
August 31, 2021	4,168	4,168	0.42	0.50
November 30, 2021	87,500	87,500	0.24	0.75
February 28, 2022	5,001	5,001	0.18	1.00
May 31, 2022	6,668	6,668	0.06	1.25
August 31, 2022	3,334	3,334	0.10	1.50
June 30, 2023	500,000	500,000	0.03	1.33
	619,173	**619,173**	**0.07**	**1.22**

During the six months ended February 28, 2025, the Company recognized share-based compensation expense recovery of $2,308 (2024 - $8,342), with respect to DSUs.

g) Shares Issuable

During the six months ended February 28, 2025, the Company agreed to issue 17,799,374 common shares to directors of the Company. The shares have a fair value of $0.02 per common share for a total value of $355,987. The common shares are to be issued in lieu of cash for directors' fees.

9. FINANCIAL RISK MANAGEMENT

IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., from derived prices); and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

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

The carrying amounts of cash, deposits (included in prepaid expenses and deposits), 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.

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 may be monitored by the Company's finance group, and they are regularly discussed with the Board of Directors.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk is predominantly related to cash balances held in financial institutions, receivables. The Company minimizes its credit risk related to cash and cash equivalents by placing cash with major financial institutions. The Company has no investments and does not expect any credit losses. The Company periodically assesses the credit quality of its financial institutions and is satisfied with the credit ratings of its banks. The Company has deposits with vendors, included in prepaid expenses and deposits, made with vendors towards the completion of research and development activities and does not expect any credit losses.

b) Foreign exchange 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 February 28, 2025 is as follows:

	USD	EUR	AUD
	$	$	$
Financial assets			
Cash	970	-	756
Financial liabilities			
Accounts payable and accrued liabilities	162,450	33	33,160
Convertible notes	1,109,998	-	-
	1,272,448	33	33,160
Net financial liabilities	(1,271,478	(33)	(32,819)

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 $130,433.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company is exposed to liquidity risk through its accounts payable and accrued liabilities and convertible notes. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

As at February 28, 2025, the Company had a cash balance of $24,286 and current liabilities of $2,278,831 (August 31, 2024 - $237,772 and $2,267,419, respectively). The Company's current cash resources are insufficient to settle its current liabilities, however, the Company intends to raise funds through equity and debt financings. In April, the Company raised US$125,000 in a convertible note.

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.

10. 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 Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the current operations including corporate and administrative functions to support operations. The Company obtains funding primarily through issuing common share. Future financing is dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

11. RELATED PARTY TRANSACTIONS

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, Regulatory advisor 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.

(Unaudited - Expressed in Canadian dollars, except where noted)

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

	Six Months Ended February 28,	
	2025	2024
	$	$
Consulting fees	**123,732**	444,976
Directors' fees included in consulting fees	**355,988**	81,000
Professional fees	**-**	37,800
Share-based compensation	**186,667**	100,598
	666,387	664,374

A summary of the Company's consulting fees, excluding directors' fees included in consulting fees, paid to related parties is as follows:

	Six Months Ended February 28,	
	2025	2024
	$	$
Former Chief Executive Officer and Executive Chairman	**-**	118,453
Chief Financial Officer	**48,000**	-
Chief Science Officer	**-**	108,426
Former Chief Operating Officer	**-**	84,459
Regulatory advisor	**75,732**	133,638
	123,732	444,976

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

	February 28, 2025	August 31, 2024
	$	$
Former Chief Executive Officer for consulting fees	**60,532**	60,532
Former Chief Operating Officer for consulting fees	**13,652**	13,652
Chief Science Officer for consulting fees	**2,068**	2,068
Chief Financial Officer for consulting fees	**-**	14,700
Company related to the CEO for consulting fees	**111,408**	229,285
Directors	**-**	15,000
	187,660	335,237

12. SEGMENTED INFORMATION

The Company operates in one reportable segment being the biopharmaceutical development of new medicines. All of the Company's non-current assets are located in Canada

13. SUBSEQUENT EVENTS

On April 14, 2025, the Company closed a private placement through the issuance of 3,600,000 shares of Series A-1 Preferred Stock (the "Preferred Shares") in its newly created wholly-owned subsidiary, Cynaptec, for gross proceeds of US$6,000,000. In connection with the private placement, the investor holds an exclusive option to purchase additional preferred shares for gross proceeds of up to US$20,000,000. The total gross proceeds, if the option is fully exercised, would total US$26,000,000.

The Preferred Shares (i) are entitled to a dividend if and when declared on the common stock, (ii) have preference to the common stock as it relates to the proceeds from any liquidation, dissolution or winding up of Cynaptec, (iii) are entitled to price-based anti-dilution adjustment protection, and (iv) are initially entitled to exclusively vote for 2 of the 5 members of the board of directors of Cynaptec, as well as other rights generally accorded to preferred stockholders in an early-stage financing. Immediately following the private placement, Lobe Sciences owns 64% of the issued and outstanding shares of capital stock of Cynaptec. If the option is fully exercised by the investor, the investor would own 68% of the issued and outstanding shares of capital stock of Cynaptec. The aforementioned option is exercisable by the investor within 120 days following (i) Cyntaptec's completion of preclinical and Phase 1 Single Ascending Dose ("SAD") programs, as well as a Proof of Concept study ("POC") to determine if

Conjugated PsilocinTM impacts headache frequency, intensity or duration; and (ii) the investor's receipt of final study reports for the SAD programs and the POC for Chronic Cluster Headaches and the investigational new drug enabling studies. The proceeds of the Private Placement will be used to fund additional preclinical research (including IND enabling studies), Phase 1 and Phase 2a clinical studies for Cynaptec's proprietary novel Conjugated PsilocinTM. The funds from the additional option up to USD$20M would be used to support the Phase 3 clinical program in the orphan indication for Chronic Cluster Headache.