# LOBE SCIENCES LTD.

**Management's Discussion & Analysis**

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

(Unaudited - Expressed in Canadian dollars)

## MANAGEMENT'S DISCUSSION & ANALYSIS

This management's discussion & analysis ("MD&A") of the financial condition and results of operations of Lobe Sciences Ltd. ("Lobe", the "Company") and its subsidiaries, or the words "we", "us" or "our", prepared as at April 28, 2025 (the "MD&A Date"), is for the three and six months ended February 28, 2025 and 2024. This MD&A is a supplement to and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended February 28, 2025 and 2024 (the "Financial Statements"). The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards ("IASB") and interpretations of the International Financial Reporting Interpretations Committee. All amounts presented herein are stated in Canadian dollars unless otherwise indicated. References to "USD" or "US$" are to United States dollars. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q3", "Q3" and "Q4", respectively. The six months ended February 28, 2025 and 2024, are referred to as "fiscal 2025", and "fiscal 2024", respectively. All dollar amounts are in Canadian dollars, the presentation currency of the Company, except where otherwise noted. The functional currency of the Company and its subsidiaries is disclosed in the notes to the Financial Statements.

This MD&A is prepared by management and has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators. This MD&A was approved by the Board of Directors as of the MD&A Date.

## FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking statements" that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. This MD&A may contain forward-looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this MD&A or as at the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations.

Such statements reflect management's current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and known or unknown risks and contingencies. Many factors could cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Please see the risk factors discussed under the heading "Risks and uncertainties".

There is a significant risk that such forward-looking statements will not prove to be accurate. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Drug development involves long lead times, is very expensive and involves many variables of uncertainty. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Company. Every patient treated on future studies can change those assumptions either positively (to indicate a faster timeline to new drug applications and other approvals) or negatively (to indicate a slower timeline to new drug applications and other approvals). This MD&A contains certain forward-looking statements regarding anticipated or possible drug development timelines. Such statements are informed by, among other things, regulatory guidelines for developing a drug with safety studies, proof of concept studies, and pivotal studies for new drug application submission and approval and assumes the success of implementation and results of such studies on timelines indicated as possible by such guidelines, other industry examples, and the Company's development efforts to date. In addition to the factors set out above and those identified in Company's MD&A under the heading "Risks and uncertainties", other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements.

Although Lobe has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

## BUSINESS OVERVIEW

Lobe Sciences Ltd. ("Lobe" or the "Company") is a biopharmaceutical company incorporated under the Business Corporations Act (British Columbia) on May 13, 2010. The Company's head office, principal address, and registered office are located at 1771 Robson Street #1614, Vancouver, BC V6G 3B7.

On November 16, 2020, the Company underwent a reverse takeover of Green Star Biosciences Inc., subsequently changing its name to Lobe Sciences Ltd. The Company divested the acquired brands, intellectual property, leased offices, and production operations related to Green Star's legacy business on March 5, 2021, in exchange for cash and other considerations.

Lobe, through its wholly owned subsidiaries, Alera Pharma, Inc. and Altemia, Inc., is advancing the development of a patented drug candidate aimed at treating neurological disorders, with an initial focus on chronic cluster headache (Alera). Additionally, Lobe has commenced commercial launch activities for an innovative medical food designed to address nutritional deficiencies commonly associated with sickle cell disease (Altemia).

To optimize operational efficiency and avoid unnecessary duplication of overhead costs, Lobe Sciences Ltd. provides centralized services to its subsidiaries, including accounting, finance, and general administrative support.

The Company's common shares are listed on the Canadian Securities Exchange under the symbol "LOBE," on the OTCQB under the symbol "LOBEF," and on the Frankfurt Exchange under the symbol "6YXO.F."

## HIGHLIGHTS

### For the six months ended February 28, 2025 consolidated financial highlights

- The Company's net loss only increased by $340,161 to $1,503,662, or $0.008 per share, from a net loss of $1,163,501, or $0.015 per share, for the six months ended February 28, 2025 despite having non-cash expenses totaling $604,117 during the period.
- The Company's basic and diluted loss per share decreased due to the increase in outstanding shares from a loss of $0.015 per share to $0.008 per share during the period.

### February 28, 2025 compared to August 31, 2024 consolidated balance sheet highlights

- Current liabilities remained relatively consistent increasing from $2,267,419 as at August 31, 2024 to $2,278,831 as at February 28, 2025.
- The Company's working capital deficiency increased slightly to $2,229,730 compared to $2,008,849 at August 31, 2024.

## BUSINESS DEVELOPMENT AND OVERVIEW

An update on business development for Conjugated Psilocin™ and Altemia is provided below.

### ***Conjugated Psilocin™***

Lobe via its subsidiary Alera Pharma, Inc. is developing a patented new chemical entity, Conjugated Psilocin™, previously called L-130, a solid, bioavailable and stable form of psilocin. Conjugated Psilocin is designed as a potential low dose and non-hallucinogenic treatment for a number of CNS disorders. The company's initial focus is on developing Conjugated Psilocin™ as a treatment for chronic cluster headaches, Conjugated Psilocin™ may also have the potential to treat other CNS disorders that are resistant to traditional treatments and as a result, continue to be significant unmet medical needs. These conditions include generalized anxiety disorder, major depressive disorder, post-traumatic stress disorder, and addiction.

Psilocybin and its active metabolite, psilocin, are potent psychoactive tryptamines naturally prevalent in Psilocybe mushrooms. The therapeutic potential of naturally occurring hallucinogenic compounds has intrigued both researchers and clinicians, presenting novel opportunities for treating mental health disorders that are resistant to traditional treatments. Psilocin is the active metabolite of psilocybin. Psilocybin when ingested is converted to psilocin, the compound responsible for the pharmacological effect, by enzymatic dephosphorization. Psilocin is a partial agonist at serotonin receptors, particularly the 5-HT2A receptor. At high concentrations, psilocin is known for its potential hallucinogenic and euphoric effects. Notably, the

therapeutic effects of psilocin and psilocybin may not directly correlate with their hallucinogenic properties, leading to current investigations into the benefits of sub-hallucinogenic dosing. The hallucinogenic experiences reported in most clinical settings may be a side effect of the dose, pharmacokinetics and frequency of dosing rather than a mode of action necessary for efficacy. It also suggests that by limiting the dose to a sub-hallucinogenic level, the efficacy may be maintained for many of the indications and the negative aspects of the drug eliminated.

Psilocybin and psilocin present significant challenges as pharmaceutical treatments. The pharmacokinetics of psilocybin are highly variable (particularly at low concentrations), bioavailability is low at approximately 50%, and higher dosing can lead to side effects including headache, nausea, elevated blood pressure, dizziness and hallucinogenic effects. As a result, most psilocybin development programs are restricted to in-clinic physician supervised administration. Psilocin on the other hand, is highly unstable as an active ingredient which severely restricts its use as an oral pharmaceutical ingredient. Lobe's research and development focused on discovering a new psilocin chemical entity with excellent stability and pharmacokinetics. The result is the company's patented and proprietary developmental compound L-130 – Conjugated Psilocin™.

The Company plans to demonstrate that Conjugated Psilocin™ elicits positive and meaningful clinical outcomes at a sub-hallucinogenic dose. Multiple studies evaluating the effect of the pro-drug psilocybin as a treatment for chronic cluster headaches demonstrated effectiveness at lowering the frequency and intensity of cluster headaches. A 2006 study conducted at Harvard demonstrated that 85% of cluster headaches were aborted, 95% of treated patients experienced longer remission periods and 52% of patients experienced termination of their cluster headache cycle[1]. A 2022 study conducted in Denmark examined the feasibility of dosing the pro-drug psilocybin as a prophylactic treatment in cluster headache patients found that the incidence of headaches was decreased 30%, with one patient experiencing complete remission for 21 weeks of the study[2].

The Company intends to sponsor and work with licensed third parties to conduct any clinical trials and research and does not handle or directly manufacture controlled substances. If the Company were to conduct this work without the reliance on third parties, it would need to obtain additional licenses and approvals described below.

***Drug Development Program***

The following summarizes the drug development program for L-130:

**L-130**

L-130 is a molecular modification of naturally occurring psilocin, which is the active component of psilocybin. On October 13, 2022, the Company, through an exclusive pharmaceutical discovery and development agreement with Quality Chemical Laboratories LLC ("QCL"), an FDA licensed manufacturer, completed the synthesis of bulk L-130 and of the clinical supplies to be used in upcoming trials. The L-130 was manufactured in compliance with U.S. Current Good Manufacturing Practices ("cGMPs").

The exclusive pharmaceutical discovery and development agreement with QCL provides the Company with an exclusive source of L-130. Affirming our access to cGMP pharmaceutical grade active pharmaceutical ingredients will enable us to efficiently conduct clinical trials and plan for further work using these differentiated compounds to investigate the safety and tolerability of the drug candidate, L-130 and measure absolute pharmacokinetics of this NCE. As the Company continues to progress through the L-130 program, additional milestones related to the Phase 1b/2a clinical trials have been identified.

On June 27, 2023, the Company announced that it has successfully completed dosing of all test subjects in our first-in-man study of L-130. This Phase 1a study, conducted in Amman, Jordan under the authority of the Jordan Food and Drug Administration in compliance with the GCP and GLP regulatory requirements of the Declaration of Helsinki and the FDA Guidelines for Bioavailability & Bioequivalence Studies, was an open label clinical trial in 10 normal and healthy individuals designed to determine the safety and pharmacokinetic parameters of L-130 after a single oral dose. All subjects were evaluated for impacts on cognition and anxiolytic effects on day 1, 7 and 28. All subjects were dosed according to the protocol with no significant adverse events. No hallucinogenic effects were seen in any of the 10 subjects at the 4mg dose level, possibly indicating that Conjugated Psilocin™ may be dosed at a therapeutic dose that is non-hallucinogenic. This study showed that L-130 is a highly bioavailable and safe drug candidate with a mean $C_{max}$ of 3.7 ng/ml, $T_{max}$ of 45 minutes, and bioavailability of 107%. The study confirmed the improved pharmacokinetics of L-130 delivered as a shelf-stable capsule over psilocybin based on published literature. Additionally, the time to achieve $T_{max}$ was lower for L-130 than psilocybin due to elimination of first-pass metabolism and immediate absorption in the gut. Full results were published in the peer reviewed Journal of Clinical Pharmacology and Therapeutics in October 2024. The results of this study and additional Phase 1 studies will be used to determine the dose range of L-130 for a planned Phase 2 trial targeting the treatment of chronic cluster headache.

[1] Source: https://n.neurology.org/content/66/12/1920. Obtained July 19, 2023.
[2] Source: https://www.medrxiv.org/content/10.1101/2022.07.10.22277414v1. Obtained July 19, 2023.

The Company also received data from two pre-clinical rodent studies. The first study was a 28-Day Repeat Dose Toxicology Study which reported no drug related adverse effects. The administered dose was 50x the anticipated dose in man. Repeated administration of L-130 to Swiss Albino mice for 28 consecutive days had no drug related effects on the general health of the animals, mean body weight, body weight changes, feed consumption, clinical pathology parameters, gross pathology and histopathology in both sexes. No L-130 related side effects were observed during the 14-day recovery period after cessation of the treatment.

The second pre-clinical study was designed to determine L-130's anxiolytic effect. Five groups of twelve Wistar Rats were evaluated over a 28-day treatment period using four distinct and validated tests. The results demonstrated that daily treatment of rats with psilocin was safe with no observed toxicity or significant impact on biochemical parameters. In this pre-clinical study, daily treatment of rats with L-130 at a human equivalent dose of 4 mg resulted in anxiolytic effect whereas weekly treatment did not.

The Company has filed and received pre-IND feedback from the FDA for Conjugated Psilocin™. The company is now finalizing the additional pre-clinical animal studies that will allow for the filing of an Investigational New Drug Application ("IND") application in FY2025 assuming positive results in the clinical studies.We plan to file the IND when we have completed additional clinical and pre-clinical studies. Following FDA's input and clearance of our IND, clinical trials may be initiated in the United States[3].

The Company intends to complete future clinical trials for its Chronic Cluster Headache program in Australia, North America, India, Jordan and/or Europe. There is no assurance that the timelines will be met. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Company. Such statements are informed by, among other things, regulatory guidelines for developing a drug with Ph 1 safety studies, Ph 2 proof of concept studies, and Ph 3 pivotal studies to generate data in support of an NDA submission. Our plans are prepared to provide the best opportunities for the successful implementation and generation of results of such studies on timelines, indicated regulatory guidelines, other industry examples, and the Company's development efforts to date.

The Company has focused its initial clinical development on chronic cluster headache. The Company believes chronic cluster headache provides the fastest and most efficient path to an indication in a condition with significant unmet medical need, strong proof of concept data from prior studies, the potential for and benefits of a US orphan drug designation, and enhanced reimbursement and commercial potential. The Company also believes Conjugated Psilocin™ possess significant potential advantages as a new and novel treatment in a number of significantly larger and common CNS disorders where patients are not receiving adequate relief from current therapy options. These conditions include generalized anxiety disorder (approximately 7 million adults), major depressive disorder (approximately 17 million), post-traumatic stress disorder (approximately 8 million), and addiction (20 million diagnosed and 4 million receiving treatment). The Company has initiated a strategic process to be completed in the first half of calendar 2025 to examine and prioritize the timing and sequence of follow-on indications.

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

***Intellectual Property***

The Company has title to patent applications as summarized below. In 2024 the Company received a United States Patent #12102616 for the Preparation of Stable Psilocin Salts and Uses Thereof. This patent covers the composition of matter, methods of use and methods of production for Conjugated Psilocin™ and will extend to July of 2043. The company also received a notice of allowance for application 18/818,317 Stable Psilocin Salts, Esters and Conjugates and Uses Thereof.

| | Patent Application / Patent Number | Date of Patent Application / NOC / Issued | Expiry | Jurisdiction | Status | Description |
|---|---|---|---|---|---|---|
| 1 | 2021358135 | April 20, 2021 | April 20, 2041 | Australia | Pending | Methods for Treating Mild Traumatic Brain Injury, Post Traumatic Stress Disorder, and Mild Traumatic Brain Injury |
| 2 | 3,176,225 | April 20, 2021 | April 20, 2041 | Canada | Pending | Methods for Treating Mild Traumatic Brain Injury, Post Traumatic Stress Disorder, and Mild Traumatic Brain Injury |
| 3 | 21792649.2 | April 20, 2021 | April 20, 2041 | Europe | Pending | Methods for Treating Mild Traumatic Brain Injury, Post Traumatic Stress Disorder, and Mild Traumatic Brain Injury |
| 4 | 17/916,855 | April 20, 2021 | April 20, 2041 | United States | Pending | Methods for Treating Mild Traumatic Brain Injury, Post Traumatic Stress Disorder, and Mild Traumatic Brain Injury |
| 5 | PCT/US2023/027500 | July 12, 2022 | July 12, 2023 | PCT | Pending | Preparation of Stable Psilocin Salts and Uses Thereof |
| 6 | 12102616 | October 1, 2024 | July 12, 2043 | United States | Granted | CIP of Preparation of Stable Psilocin Salts and Uses Thereof |
| 7 | PCT/US2023/027475 | July 19, 2022 | July 19, 2023 | PCT | Pending | Selective Mutism Orphan Disease |
| 8 | PCT/US2023/027500 | August 28, 2024 / November 8, 2024 | TBD | United States | Notice of Allowance | Stable Psilocin Salts, Esters and Conjgates and Uses thereof |
| 9 | 63/573,567 | April 3, 2024 | TBD | United States | Pending | Psilocin Mucate Salts (Crystal Structure) |
| 10 | 18/888,371 | September, 18, 2024 | TBD | United States | Pending | Solid Psilocin Salts (Crystal Structure) |

***Establishment of Alera Pharma, Inc. as an operating subsidiary to lead development of Conjugated Psilocin***

On August 15th, 2024, the Company announced that it has created a wholly owned US operating subsidiary named Alera Pharma, Inc (Alera). The company intends to assign to Alera the intellectual property rights of its neurological assets and the new chemical entity Conjugated Psilocin™. By establishing Alera Pharma, the Company is simplifying its operations into three entities: Lobe Sciences Ltd. and two operating subsidiaries, Alera and Altemia. The creation of two separate operating companies will allow each entity to create focus and value within their respective therapeutic areas, neurology and hematology.

***Regulatory Framework and Licensing Regimen***

The Company intends to sponsor and work with licensed third parties to conduct any clinical trials and research. The Company does not handle controlled substances. The Company has no real estate and does not operate any laboratories. If the Company were to conduct this work without the reliance on third parties, it would obtain additional licenses and approvals described below.

**Canada**

In Canada, oversight of healthcare is divided between the federal and provincial governments. The federal government is responsible for regulating, among other things, the approval, import, sale, and marketing of drugs such as psilocybin and other psychedelic substances, whether natural or novel. The provincial/territorial level of government has authority over the delivery of health care services, including regulating health facilities, administering health insurance plans such as the Ontario Health Insurance Plan, distributing prescription drugs within the province, and regulating health professionals such as doctors, psychologists, psychotherapists and nurse practitioners. Regulation is generally overseen by various colleges formed for that purpose, such as the College of Physicians and Surgeons of Ontario. Certain psychoactive compounds, such as psilocybin, are considered controlled substances under Schedule III of the Controlled Drugs and Substances Act (Canada) (the "CDSA"). In order to conduct any scientific research, including preclinical and clinical trials, using psychoactive compounds listed as controlled substances under the CDSA, an exemption under Section 56 of the CDSA ("Section 56 Exemption") is required. This exemption allows the holder to possess and use the controlled substance without being subject to the restrictions set out in the CDSA. The Company has not applied for a Section 56 Exemption from Health Canada. The possession, sale or distribution of controlled substances is prohibited unless specifically permitted by the government. A party may seek government approval for a Section 56 Exemption to allow for the possession, transport or production of a controlled substance for medical or scientific purposes. Products that contain a controlled substance such as psilocybin cannot be made, transported or sold without proper authorization from the government. A party can apply for a Dealer's License under the Food and Drug Regulations (Part J). In order to qualify as a licensed dealer, a party must meet all regulatory requirements mandated by the regulations including having compliant facilities, compliant materials and staff that meet the qualifications under the regulations of a senior person in charge and a qualified person in charge. Assuming compliance with all relevant laws (Controlled Drugs and Substances Act, Food and Drugs Regulations) and subject to any restrictions placed on the license by Health Canada, an entity with a Dealer's License may produce, assemble, sell, provide, transport, send, deliver, import or export a restricted drug (as listed in Part J in the Food and Drugs Regulations - which includes psilocybin and psilocin) (see s. J.01.009 (1) of the Food and Drug Regulations).

**United States**

The FDA and other federal, state, local and foreign regulatory agencies impose substantial requirements upon the clinical development, clinical testing, approval, labeling, manufacture, marketing and distribution of drug products. These agencies regulate, among other things, research and development activities and the testing, approval, manufacture, quality control, safety, effectiveness, labeling, storage, record keeping, advertising and promotion of any prescription drug product candidates or commercial products. The regulatory approval process is generally lengthy and expensive, with no guarantee of a positive result. Moreover, failure to comply with the applicable FDA requirements or other requirements may result in civil or criminal penalties, recall or seizure of products, injunctive relief including partial or total suspension of production, or withdrawal of a product from the market. The Company intends to file an IND application related to L-130 for one or more clinical indications[3]. Anticipated timelines related to regulatory filings are based on reasonable assumptions informed by current knowledge and information available to the Company. Psilocybin and psilocin are strictly controlled under the federal Controlled Substances Act, 21 U.S.C. §801, et. seq. ("CSA") as Schedule I substances. Schedule I substances have no currently accepted medical use in the United States, a lack of accepted safety for use under medical supervision, and a high potential for abuse. Schedule I and II drugs are subject to the strictest controls under the CSA, including manufacturing and procurement quotas, security requirements and criteria for importation. Anyone wishing to conduct research on substances listed in Schedule I under the CSA must register with the United States Drug Enforcement Administration ("DEA") and obtain DEA approval of the research proposal. A majority of state laws in the United States classify psilocybin and psilocin as Schedule I controlled substances. For any product containing psilocybin or any Schedule I substance to be available for commercial marketing in the United States, such substance must be rescheduled, or the product itself must be scheduled, by the DEA to Schedule II, III, IV or V. Scheduling determinations by the DEA are dependent on FDA approval of a substance or a specific formulation of a substance.

**Altemia**

Sickle Cell Disorder (SCD) is a group of hereditary red blood cell disorders. Healthy red blood cells are round and move through small blood vessels to carry oxygen to all parts of the body. In someone who has SCD, the red blood cells ("RBC") become inflamed under certain stress conditions resulting in among other symptoms, an increase of C-Reactive Protein (a biomarker for SCD). Inflammation causes the RBC's membrane to become hard and sticky and collapsing into a "sickle" shaped RBC. These sickled RBCs, slowing or even blocking blood flow in the blood vessels (capillaries) of the limbs and organs. This slowing of the

[3] This statement is based on the following material assumption: drug development involves long lead times, is very expensive and involves many variables of uncertainty. Anticipated timelines regarding drug development are based on reasonable assumptions informed by current knowledge and information available to the Company. As of the date hereof, it has not yet completed the aforementioned items. Such statements are informed by, among other things, regulatory guidelines for developing a drug with safety studies, proof of concept studies, and pivotal studies for new drug application submission and approval and assumes the success of implementation and results of such studies on timelines indicated as possible by such guidelines, other industry examples, and the Company's development efforts to date. See the "Risk and uncertainties" section.

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

blood cells causes a cascade of events that result in pain and vaso-occlusive event. The sickled RBCs die earlier than normal RBCs. The bone marrow in sickle cell patients cannot make enough new RBCs to replenish the dying ones. This constant shortage of red blood cells leads to a serious disease of anemia. Not only does the blocked blood flow cause potentially severe pain, but it can also lead to other serious medical problems such as infection, acute chest syndrome and stroke. Populations that suffer from SCD have life expectancy that on average is 20 years less than the general population.

According to the CDC, it is estimated that SCD affects approximately 100,000 individuals in the United States; more that 90% of affected people are non-Hispanic Black or African Americans (1 out of every 365 births) and 3% - 9% of Hispanic or Latinos (1 out of every 16,300 births. The prevalence is lower in Europe overall. Sickle cell disease (SCD) affects millions of people throughout the world and is particularly common among those whose ancestors came from parts of the world where malaria is or was common including Sub-Saharan Africa, Spanish-speaking regions in the Western Hemisphere (South America, the Caribbean, and Central America), Saudi Arabia, India, and Mediterranean countries such as Turkey, Greece, and[4].

Altemia™ is the brand name of a patent pending oral emulsion consisting of a proprietary mixture of polyunsaturated fatty acid triglyceride esters clinically evaluated to resolve nutritional deficiencies associated in adults or children with SCD. The term medical food, as defined in section 5(b) of the Orphan Drug Act (21 U.S.C. 360ee (b) (3)) is "a food which is formulated to be consumed under the supervision of a physician and which is intended for the specific dietary management of a disease or condition for which distinctive nutritional requirements, based on recognized scientific principles, are established by medical evaluation." SCD is among a few inborn errors of metabolism specifically named in legislation that qualifies as treatable with medical foods.

On April 17, 2023, the Company completed the acquisition of 100% of the ownership interest in Altemia. Pursuant to a share exchange agreement, the registered and beneficial owners of all the issued and outstanding securities of Altemia ("Selling Members") received an aggregate of 76,000,000 common shares of the Company (the "Consideration Shares"). On August 30, 2023, the Company signed an amendment to its April 17, 2023, share purchase agreement to acquire a 100% interest in Altemia ("Amendment").

On March 4, 2024, the Company and Altemia Selling Members agreed on the achievement of all four milestones outlined in the Amendment. 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 common shares were issued upon the request of the Altemia Selling Members.

On May 5, 2024, the Company's exclusive distribution agreement with Pentec Health Inc. ("Pentec") was automatically extended for one year a period ending May 5, 2025. The company continues to work closely with Pentec to establish reimbursement and commercialize Altemia in key markets in the US. In addition, the company is working to establish a distribution and license agreement for key ex-US markets. Finally, the Company is exploring a clinical study in the US with a leading SCD physician network that will further establish the significant clinical benefit of Altemia as a medical food in SCD patients.

***Intellectual Property***

The Company, through Altemia, holds a licensing agreement which grants a worldwide, nontransferable, non-sublicensable, exclusive right to make, have made, use, offer to sell, sell, and import licensed products utilizing the Patent Cooperation Treaty ("PCT") application as summarized below.

| | Patent Application Number | Date of Application | Expiry | Jurisdiction | Status | Description |
|---|---|---|---|---|---|---|
| 1 | PCT/US2021/021879 | March 11, 2021 | March 11, 2041 | Europe, USA, Saudi Arabi, and the United Arab Emirates | Pending | A composition comprising docosahexaenoic acid and egg yolk suitable for SCD treatment |

[4] Source: https://www.cdc.gov/sickle-cell/data/?CDC_AAref_Val=https://www.cdc.gov/ncbddd/sicklecell/data.html. Obtained December 17, 2024

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

## SELECTED ANNUAL INFORMATION

| | **August 31, 2024** | August 31, 2023 | August 31, 2022 |
|---|---|---|---|
| | **$** | $ | $ |
| Sales | **136,205** | 840,534 | - |
| Cost of sales | **(1,759)** | (24,012) | - |
| Gross profit | **134,446** | 816,522 | - |
| Operating expenses | **(2,250,560)** | (4,175,908) | (4,123,210) |
| Net loss | **(4,420,727)** | (4,707,349) | (12,252,852) |
| Number of common shares outstanding | **171,560,392** | 79,136,172 | 38,487,648 |
| Loss per share | **(0.04)** | (0.05) | (0.32) |
| Cash | **237,772** | 140,290 | 907,537 |
| Working capital | **(2,008,849)** | (2,140,263) | (266,084) |
| Total assets | **258,570** | 2,299,491 | 1,747,695 |
| Total long-term liabilities | **1,105,539** | - | - |
| Shareholders' equity (deficit) | **(3,114,388)** | (160,127) | 445,690 |
| Dividends paid per share | - | - | - |

## SUMMARY OF QUARTERLY RESULTS

| | **Q1 2025** | Q1 2025 | Q4 2024 | Q3 2024 |
|---|---|---|---|---|
| Net loss | **(1,503,662)** | (800,634) | (2,830,424) | (426,802) |
| Comprehensive loss | **(1,457,575)** | (777,141) | (2,809,117) | (427,297) |
| Basic and diluted net loss per share | **0.00** | (0.00) | (0.00) | (0.00) |
| Number of weighted average shares | **186,367,829** | 173,702,273 | 171,560,392 | 158,774,485 |
| | Q2 2024 | Q1 2024 | Q4 2023 | Q3 2023 |
| Net loss | (595,474) | (568,027) | (1,375,840) | (312,101) |
| Comprehensive loss | (611,774) | (566,682) | (1,378,439) | (310,651) |
| Basic and diluted net loss per share | (0.01) | (0.01) | (0.01) | (0.00) |
| Number of weighted average shares | 79,136,172 | 79,136,172 | 134,234,357 | 114,291,584 |

The Company's net loss increased from Q1 2024 to Q4 2024 compared to Q4 2023 mainly due to the impairment of the Company's intangible assets.

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

## FINANCIAL PERFORMANCE

A summary of the Company's results of operations is as follows:

| | **Q2 2025** | Q2 2024 | **YTD 2025** | YTD 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 | **(29,618)** | (327,244) | **(229,068)** | (525,976) |
| Directors fees | **(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 | **(109,149)** | (32,700) | **(267,911)** | (142,921) |
| Research | **(12,923)** | (16,057) | **(20,474)** | (205,337) |
| Share-based compensation | **(39,549)** | (58,238) | **(226,216)** | (104,028) |
| Operating loss | **(634,271)** | (584,747) | **(1,276,256)** | (1,136,182) |
| Other income (expenses) | **(68,757)** | (10,636) | **(227,406)** | (27,319) |
| Income tax | **-** | - | **-** | - |
| Net loss | **(703,028)** | (595,383) | **(1,503,662)** | (1,163,501) |

**Q2 2025 compared to Q2 2024:**

Net loss increased to $703,028 compared to $595,383 in the prior comparable period. The primary driver of the increase was due to the following:

- Other expenses increased due to a full quarter of accretion and interest expense recognized on the Company's convertible notes. During the current period, the Company recognized $71,273 and $63,234 in accretion and interest expense, respectively (2024 - $13,464 and $8,883, respectively). Both items are non-cash expenses.
- Professional fees increased as the Company worked on a private placement through its subsidiary whereas no such costs were incurred in the comparable period.

**YTD 2025 compared to YTD 2024:**

Net loss increased to $1,276,256 compared to $1,136,182 in the prior comparable period. The primary driver of the increase was due to the following:

- Other expenses increased due to a full YTD of accretion and interest expense recognized on the Company's convertible notes. During the current YTD period, the Company recognized $135,116 and $122,555 in accretion and interest expense, respectively (2024 - $26,321 and $18,266, respectively). Both items are non-cash expenses.
- Professional fees increased as the Company worked on a private placement through its subsidiary whereas no such costs were incurred in the comparable period.
- Non-cash share-based compensation increased due to the granting of RSUs during the period.

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

## LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

### Liquidity

Liquidity risk is the risk that the Company will encounter difficulties in meeting its obligations associated with its financial liabilities and other contractual obligations. The Company's strategy for managing liquidity is based on accessing capital markets through equity financing and achieving positive cash flows from operations to internally fund operating and capital requirements.

Factors that may affect the Company's liquidity are continuously monitored. These factors include patent application costs, research and development costs to develop the Company's patents, operating costs, capital costs, income tax refunds, foreign currency fluctuations, market immaturity and a highly fluid environment related to state and federal law passage and regulations. The Company's main use for liquidity is to fund the development of its research programs as noted above. The primary source of liquidity has been from public financing to date. The ability to fund operations, to make planned capital expenditures and execute the growth/acquisition strategy depends on the future operating performance and cash flows, which are subject to prevailing economic conditions, regulatory and financial, business and other factors, some of which are beyond the Company's control.

In the event that the Company is adversely affected by any of these factors and, as a result, the operating cash flows are not sufficient to meet the Company's working capital requirements there is no guarantee that the Company would be able to raise additional capital on acceptable terms to fund a potential cash shortfall. Consequently, the Company is subject to liquidity risk.

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 factors form a material uncertainty that may raise significant doubt regarding 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 on financing its future development activities and operations from the sale of equity securities and through debt financing through convertible notes. Management will continue to monitor and assess its capital resources to meet operating requirements over the next twelve months.

### Cash flows, sources and uses of cash

A summary of the Company's cash flows is as follows:

| | **Q2 2025** | Q2 2024 |
|---|---|---|
| | **$** | $ |
| Cash used in operating activities | **(610,307)** | (126,053) |
| Cash from financing activities | **428,916** | - |
| Effect of exchange rate on changes in cash | **(32,095)** | (9,167) |
| Cash, beginning of period | **237,772** | 140,290 |
| Cash, end of period | **24,286** | 5,070 |

Cash used in operating activities is primarily driven by drug development and corporate costs. Cash used in operating activities increased during the six months ended February 28, 2025 consistently with the increase in net loss for the period.

### Capital resources

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.

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

## PROPOSED TRANSACTIONS

There are no undisclosed proposed transactions under consideration as at February 28, 2025 and the MD&A Date.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at February 28, 2025 and the MD&A Date.

## RELATED PARTY DISCLOSURES

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.

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 |

## FINANCIAL RISK MANAGEMENT

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. 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.

### 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.

### 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.

### 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.

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

**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.

## SUBSEQUENT EVENT

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 Pharmaceuticals, Inc. ("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.

## OUTSTANDING SHARE DATA

A summary of the Company's issued and outstanding securities is as follows:

| | **February 28, 2025** | **MD&A Date** |
|---|---|---|
| | # | # |
| Common Shares | **192,652,125** | 192,652,125 |
| Share Purchase Options | **2,525,000** | 2,525,000 |
| Performance Warrants | **776,000** | 776,000 |
| Share Purchase Warrants | **42,890,470** | 42,890,470 |
| Restricted Share Units | **10,820,834** | 10,820,834 |
| Deferred Share Units | **619,173** | 619,173 |
| **Fully Diluted** | **250,283,602** | **250,283,602** |

## SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements under IFRS Accounting Standards requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

The accounting estimates, judgements and assumptions used in the preparation of the Financial Statements are consistent with those applied and disclosed in the notes to the Annual Financial Statements.

## RISKS AND UNCERTAINTIES

For a detailed listing of the risks and uncertainties faced by the Company, please refer to the Company's MD&A for the years ended August 31, 2024 and 2023 filed on SEDAR+ at https://www.sedarplus.ca.

## OTHER INFORMATION

Additional information about the Company is available on the Company's website at https://www.lobesciences.com/ and at SEDAR+ at https://www.sedarplus.ca.