



**LOBE SCIENCES LTD.**

**Condensed Interim Consolidated Financial Statements**

For the three months and nine months ended May 31, 2024 and 2023

(Unaudited - Expressed in Canadian dollars)

**Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the Three and Nine Months Ended May 31, 2024 and 2023.**

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

The accompanying unaudited condensed interim consolidated financial statements of Lobe Sciences Ltd. for the interim periods ended May 31, 2024 and 2023 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.

July 26, 2024

**LOBE SCIENCES LTD.**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Unaudited - Expressed in Canadian dollars)

	Note	May 31, 2024	August 31, 2023
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		29,537	140,290
Receivables		9,012	14,915
Inventory		15,358	16,979
Prepaid expenses and deposits	6	11,455	147,171
		<b>65,362</b>	<b>319,355</b>
Intangible assets	7	1,895,427	1,980,136
<b>Total assets</b>		<b>1,960,789</b>	<b>2,299,491</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	12	654,601	1,921,978
Income tax payable		205,000	205,000
Convertible notes - current portion	8	280,047	332,640
		<b>1,139,648</b>	<b>2,459,618</b>
Convertible notes	8	1,933,774	-
<b>Total liabilities</b>		<b>3,073,422</b>	<b>2,459,618</b>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	9(b)	29,913,832	27,623,599
Shares to be issued	9(b)	-	1,961,750
Reserves	9(g)	6,262,616	5,937,852
Accumulated other comprehensive loss		(16,403)	(953)
Deficit		(37,272,678)	(35,682,375)
Total shareholders' deficiency		(1,112,633)	(160,127)
<b>Total liabilities and shareholders' deficiency</b>		<b>1,960,789</b>	<b>2,299,491</b>

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

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

/s/ "Philip J. Young"

Director

/s/ "Baxter Phillips III"

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, except number of shares)

	Note	Three months ended 2024	Three months ended May 31, 2023	Nine months ended 2024	Nine months ended May 31, 2023
		\$	\$	\$	\$
Revenues		-	-	136,205	-
Cost of sales		-	-	(1,757)	-
<b>Gross profit</b>		-	-	134,448	-
Advertising		(2,450)	(79,905)	(7,350)	(254,081)
Amortization	7	(28,236)	(17,339)	(84,709)	(19,106)
Consulting fees	12	(265,051)	(253,884)	(791,027)	(879,036)
General and administrative		(44,402)	(26,314)	(118,320)	(130,275)
Insurance		33,228	(93,900)	(123,849)	(274,806)
Professional fees	12	(44,833)	(136,621)	(187,754)	(277,362)
Research		(179,875)	326,213	(385,212)	(255,121)
Share-based compensation	12	(58,736)	(76,848)	(162,764)	(173,010)
		(590,355)	(358,598)	(1,726,537)	(2,262,797)
<b>Other income (expenses)</b>					
Accretion expense		(10,581)	(14,554)	(36,902)	(14,701)
Agreement termination expense	9(b),12	-	-	-	(1,029,088)
Foreign exchange gain (loss)		(24,057)	(27,842)	(6,789)	(119,461)
Interest expense		(26,015)	(7,790)	(44,281)	(8,641)
Gain on change in fair value of derivative liability		-	14,309	-	37,277
Gain on debt settlement		233,908	82,374	233,908	82,374
Loss on debt settlement	9(b)	(9,702)	-	(9,702)	-
Share of loss of joint venture Krysalis		-	-	-	(16,472)
<b>Net loss</b>		(426,802)	(312,101)	(1,590,303)	(3,331,509)
<b>Other comprehensive income (loss)</b>					
Gain (loss) on translation of foreign subsidiaries		(495)	1,450	(15,450)	1,646
<b>Comprehensive loss</b>		(427,297)	(310,651)	(1,605,753)	(3,329,863)
<b>Net loss per share:</b>					
Basic and diluted		(0.00)	(0.00)	(0.02)	(0.04)
<b>Weighted average number of shares:</b>					
Basic and diluted		158,774,485	114,291,584	105,876,043	86,310,827

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)

	Nine months ended	
	2024	May 31, 2023
	\$	\$
<b>Operating activities</b>		
Net loss	(1,590,303)	(3,331,509)
Adjustments for:		
Amortization	84,709	19,106
Research	-	30,625
Share-based compensation	162,764	173,010
Accretion expense	36,902	14,701
Agreement termination expense paid in common shares	-	1,029,088
Unrealized foreign exchange (loss) gain	(15,586)	1,646
Interest expense	44,281	8,641
Gain on change in fair value of derivative liability	-	(37,277)
Gain on debt settlement	(233,908)	-
Loss on debt settlement	9,702	-
Share of loss of joint venture Krysalis	-	16,472
Changes in non-cash working capital items:		
Receivables	5,903	6,227
Inventory	1,757	-
Prepaid expenses and deposits	135,716	29,019
Accounts payable and accrued liabilities	910,029	104,286
Deferred revenue	-	842,706
<b>Cash used in operating activities</b>	<b>(448,034)</b>	<b>(1,093,259)</b>
<b>Financing activities</b>		
Units issued - private placement	-	665,283
Shares issued - exercise of share purchase options	-	25,000
Shares issued - exercise of share purchase warrants	-	14,000
Share issue costs	-	(102,497)
Convertible notes issued	337,800	337,010
<b>Cash provided by financing activities</b>	<b>337,800</b>	<b>938,796</b>
Effect of exchange rate on changes in cash	(519)	1,824
Change in cash	(110,234)	(154,463)
Cash, beginning of period	140,290	907,537
<b>Cash, end of period</b>	<b>29,537</b>	<b>754,898</b>
<b>Supplemental cash flow information:</b>		
Cash interest paid	-	-
Cash income tax paid	-	-
Convertible notes issued to settle accounts payable	1,462,717	-
Common shares issued to settle accounts payable	328,483	75,810

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

**LOBE SCIENCES LTD.**
**Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficiency) Equity**

(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	Total shareholders' equity (deficiency)
	#	\$	\$	\$	\$	\$	\$
Balance, August 31, 2022	38,487,648	25,221,396	671,000	5,528,320	-	(30,975,026)	445,690
Units issued in private placement	26,950,000	1,347,500	(671,000)	-	-	-	676,500
Units issued as finders' fee	1,312,800	65,640	-	-	-	-	65,640
Unit issuance costs of finders' fee units issued	-	(65,640)	-	-	-	-	(65,640)
Unit issuance costs paid in cash	-	(102,497)	-	-	-	-	(102,497)
Shares issued with exercise of share purchase options	138,888	38,302	-	(13,302)	-	-	25,000
Shares issued in mutual separation agreement	9,800,836	1,029,088	-	-	-	-	1,029,088
Shares issued with exercise of share purchase warrants	280,000	14,000	-	-	-	-	14,000
Share purchase warrants issued for research	-	-	-	30,625	-	-	30,625
Shares issued with debt settlement	2,166,000	75,810	-	-	-	-	75,810
Share purchase warrants issued with debt settlement	-	-	-	17,459	-	-	17,459
Shares to be issued in Altemia acquisition Amendment	-	-	1,961,750	-	-	-	1,961,750
Share-based compensation	-	-	-	173,010	-	-	173,010
Gain on translation of foreign subsidiaries	-	-	-	-	196	-	196
Net loss for the period	-	-	-	-	-	(3,331,509)	(3,331,509)
Balance, May 31, 2023	79,136,172	27,623,599	1,961,750	5,736,112	196	(34,306,535)	1,015,122
Share purchase warrants issued for research	-	-	-	(263)	-	-	(263)
Share purchase warrants issued in Altemia acquisition	-	-	-	73,245	-	-	73,245
Share-based compensation	-	-	-	128,758	-	-	128,758
Loss on translation of foreign subsidiaries	-	-	-	-	(1,149)	-	(1,149)
Net loss for the period	-	-	-	-	-	(1,375,840)	(1,375,840)
Balance, August 31, 2023	79,136,172	27,623,599	1,961,750	5,937,852	(953)	(35,682,375)	(160,127)
Restricted share units issued to settle accounts payable	-	-	-	162,000	-	-	162,000
Shares issued to settle accounts payable	16,424,220	328,483	-	-	-	-	328,483
Shares issued in Altemia acquisition Amendment	76,000,000	1,961,750	(1,961,750)	-	-	-	-
Share-based compensation	-	-	-	162,764	-	-	162,764
Loss on translation of foreign subsidiaries	-	-	-	-	(15,450)	-	(15,450)
Net loss for the period	-	-	-	-	-	(1,590,303)	(1,590,303)
<b>Balance, May 31, 2024</b>	<b>171,560,392</b>	<b>29,913,832</b>	<b>-</b>	<b>6,262,616</b>	<b>(16,403)</b>	<b>(37,272,678)</b>	<b>(1,112,633)</b>

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

**LOBE SCIENCES LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended May 31, 2024 and 2023**  
(Unaudited - Expressed in Canadian dollars, except where noted)

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## **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 1400 - 1199 West Hastings Street, Vancouver, B.C. V6E 3T5.

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

Lobe is a biopharmaceutical company committed to discovering and developing patient-focused medicines for orphan and rare diseases. The Company, through collaborations with industry-leading partners, is engaged in drug research and development using sub-hallucinatory doses of proprietary psychedelic compounds to improve brain and mental health and wellness. Initially the Company will develop psilocin-based therapeutics for the treatment of severe forms of anxiety such as post-traumatic stress disorder, cluster headaches, and an undisclosed pediatric Orphan disease associated with severe anxiety. With the acquisition of Altemia & Company LLC ("Altemia") on April 17, 2023 (Note 5), the Company intends to commercialize a medical food named Altemia™ for the treatment of sickle cell disease ("SCD").

These unaudited condensed interim consolidated financial statements for the three and nine months ended May 31, 2024 and 2023 (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 May 31, 2024, the Company had a working capital deficiency of \$1,074,286 (August 31, 2023 - \$2,140,263) and an accumulated deficit of \$37,272,678 (August 31, 2023 - \$35,682,375). During the three and nine months ended May 31, 2024, the Company incurred a net loss of \$426,802 and \$1,590,303, respectively (2023 - \$312,101 and \$3,331,509, respectively). 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 on financing its future development activities and operations from the sale of equity securities. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. Should the Company be unable to continue as a going concern, the financial position, results of operations, and cash flows reported in these financial statements may be subject to material adjustments. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## **2. BASIS OF PRESENTATION**

### **a) Statement of compliance**

These financial statements were approved by the Board of Directors and authorized for issue on July 26, 2024.

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, 2023 and 2022 (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.

**LOBE SCIENCES LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended May 31, 2024 and 2023**  
(Unaudited - Expressed in Canadian dollars, except where noted)

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**2. BASIS OF PRESENTATION (continued)**

**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 May 31, 2024 is as follows:

<b>Name of subsidiary</b>	<b>Country of incorporation</b>	<b>Percentage ownership</b>	<b>Functional currency</b>
Eleusian Biosciences Corp.	Canada	100%	CAD
Lobe Sciences Australia Pty Ltd. <sup>(1)</sup>	Australia	100%	CAD
Altemia & Company, LLC <sup>(2)</sup>	United States	100%	USD

(1) Lobe Sciences Australia Pty Ltd. was incorporated on September 7, 2022.

(2) Altemia was acquired on April 17, 2023 (Note 5).

**3. SIGNIFICANT ACCOUNTING POLICIES**

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 financial statements under IFRS Accounting Standards requires management to make judgements in applying its accounting policies and estimates that affect the reported amounts of assets and liabilities at the period end date and reported amounts of expenses during the reporting period. Such judgements and estimates are, by their nature, uncertain. Actual outcomes could differ from these estimates.

The impact of such judgements and estimates are pervasive throughout these financial statements and may require accounting adjustments based on future occurrences. These judgements and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are accounted for prospectively.

In preparing these financial statements, the Company applied the same significant judgements in applying its accounting policies and is exposed to the same sources of estimation uncertainty as disclosed its Annual Financial Statements.

**5. ALTEMIA ACQUISITION**

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 of the issued and outstanding securities of Altemia ("Selling Members") received an aggregate of 76,000,000 common shares of the Company (the "Consideration Shares"). The Consideration Shares were subject to certain restrictions on transfer.

In addition, contingent upon Altemia achieving \$20,000,000 in cumulative sales, the Company will issue 3,000,000 warrants with an exercise price of \$0.05 and a term of three years from issuance ("Contingent Warrants").

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"). Pursuant to the Amendment, the 76,000,000 common shares of the Company (each a "Lobe Share") previously issued to the Selling Members were returned and cancelled by Lobe pursuant a share cancellation agreement.



**LOBE SCIENCES LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended May 31, 2024 and 2023**  
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**5. ALTEMIA ACQUISITION (continued)**

Pursuant to the Amendment, the 76,000,000 Lobe Shares will be reissued upon the later of:

- Achievement of the following milestones:
  - a. 25% on or after the Amendment closing date;
  - b. 25% on delivery of inventory to a Lobe designated storage facility;
  - c. 25% on the first commercial sale allowing the trademark validation; and
  - d. 25% on successful completion transfer documentation and sample delivery to Lobe.
- Within ten days of Selling Members providing Lobe a written notice to release some or all of the then available shares with respect to which the applicable Milestone has been met. Each Altemia member may in such notice designate one or more third parties to receive some or all of any such Lobe Shares then available for release.

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 the Altemia Selling Members, the Company issued all 76,000,000 common shares (Note 9).

Altemia holds a licensing agreement which grants Altemia a worldwide, nontransferable, non-sublicensable, exclusive right to make, have made, use, offer to sell, sell, and import licensed products which utilize a patent used in the formulation of Altemia™ over the life of the underlying patent which expires on March 11, 2041. Pursuant to the licensing agreement, Lobe will pay a tiered royalty on annual sales. In addition, the Company will pay 5% of the net sales revenue received for the sale of a pediatric priority review voucher for the approval of the SCD prescription drug for the pediatric orphan indication.

At the acquisition date, Altemia did not meet the definition of a business as it meets the concentration test requirements in accordance with IFRS 3 *Business Combinations* and as such has been accounted for as an asset acquisition. The identifiable assets were recorded based on the total amounts of the fair value of the common shares on the closing date of acquisition and the fair value of the contingent warrants.

A summary of the Company's allocation of the purchase price to the fair values of acquired assets is as follows:

	\$
<b>Consideration</b>	
Fair value of 76,000,000 common shares to be issued <sup>(1)</sup>	1,961,750
Fair value of 3,000,000 Contingent Warrants <sup>(2)</sup>	73,245
	<b>2,034,995</b>
<b>Fair values of acquired assets</b>	
Inventory deposit	40,941
Intangible asset (Note 7)	1,994,054
	<b>2,034,995</b>

(1) The fair value of the common share consideration was determined using the share price at the agreement date (April 17, 2023 - \$0.035) date and management's assessment of the milestone achievement probability. Probability of achieving milestone (a) and (b) are estimated to be 100%. Probability of achieving milestone (c) and (d) are estimated to be 95% and 30%, respectively.

(2) Assuming a 100% milestone probability and a discount factor of 7%, a fair value of \$73,245 was assigned to the warrants issued using the Black-Scholes option pricing model with the following inputs: a share price of \$0.03; an exercise price of \$0.05; an expected life of 3.00 years; a risk-free interest rate of 3.75%; an expected volatility of 141.06%; and an expected annual dividend yield of 0%.

The intangible asset is comprised of a patent cooperation treaty application.

**LOBE SCIENCES LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended May 31, 2024 and 2023**  
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**6. PREPAID EXPENSES AND DEPOSITS**

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

	<b>May 31,</b>	August 31,
	<b>2024</b>	2023
	<b>\$</b>	<b>\$</b>
Advertising	-	7,350
Insurance	-	59,449
Deposits	-	71,174
Other	<b>11,455</b>	9,198
	<b>11,455</b>	147,171

**7. 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:

	\$
<b>Cost</b>	
Balance, August 31, 2022	40,000
Addition (Note 5)	1,994,054
<b>Balance, May 31, 2024 and August 31, 2023</b>	<b>2,034,054</b>
<b>Accumulated amortization</b>	
Balance, August 31, 2022	10,222
Amortization	43,696
Balance, August 31, 2023	53,918
Amortization	84,709
<b>Balance, May 31, 2024</b>	<b>138,627</b>
<b>Carrying amount</b>	
Balance, August 31, 2023	1,980,136
<b>Balance, May 31, 2024</b>	<b>1,895,427</b>

During the three and nine months ended May 31, 2024, amortization was \$28,236 and \$84,709, respectively (2023 - \$17,339 and \$19,106, respectively).

**LOBE SCIENCES LTD.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended May 31, 2024 and 2023**  
(Unaudited - Expressed in Canadian dollars, except where noted)

**8. CONVERTIBLE NOTES**

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

	\$
Balance, August 31, 2022	-
Convertible notes issued	337,010
Derivative liability	(44,381)
Interest expense	17,882
Accretion expense	20,760
Foreign exchange loss	1,369
Balance, August 31, 2023	332,640
Convertible notes issued	1,315,811
Equity component	487,831
Interest expense	44,281
Accretion expense	36,902
Foreign exchange gain	(3,644)
<b>Balance, May 31, 2024</b>	<b>2,213,821</b>
Current portion	280,047
Non-current portion	1,933,774

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, fair value of \$246,435 was allocated to the liability component and \$91,365 was allocated to the equity component representing the conversion feature.

During the three and nine months ended May 31, 2024, the Company incurred accretion expense of \$4,937 and \$4,937, respectively (2023 - \$nil and \$nil, respectively) and interest expense of \$6,410 and \$6,410 respectively (2023 - \$nil and \$nil, respectively).

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 \$1,462,717 (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 \$1,067,096 was allocated to their liability components and \$395,621 was allocated to their equity components which represent their conversion features.

During the three and nine months ended May 31, 2024, the Company incurred accretion expense of \$5,644 and \$5,644, respectively (2023 - \$nil and \$nil, respectively) and interest expense of \$7,283 and \$7,283 respectively (2023 - \$nil and \$nil, respectively).

## **8. CONVERTIBLE NOTES (continued)**

### August 31, 2023 convertible notes

During the year end August 31, 2023, the Company issued a series of US dollar convertible notes to a private investor for total gross proceeds of \$337,010 (US\$250,000). The convertible notes bear interest at 11% per annum and mature on February 1, 2024. The notes are convertible into common shares upon completing an initial public offering ("IPO") of the Company's common shares on the Australian Stock Exchange ("ASX") or another recognized securities exchange in the United States or Australia before maturity at a 20% discount to the listing price ("IPO share price"), or if there is a change in control while it is still outstanding.

Upon the issuance of the convertible notes, the Company measured the fair value of the debt and conversion option using probability weighted expected return method. The Company determined that the fair value of the debt and the conversion option at initial recognition to be \$292,629 (US\$217,076) and \$44,381 (US\$32,924), respectively. 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 50%, that a conversion would occur on February 1, 2024 and that the foreign exchange rate would remain consistent over the life of the loan.

During the three and nine months ended May 31, 2024, the Company incurred accretion expense of \$nil and \$26,321, respectively (2023 - \$14,554 and \$14,701, respectively) and interest expense of \$12,322 and \$30,588 respectively (2023 - \$7,790 and \$8,641, respectively).

## **9. SHARE CAPITAL AND RESERVES**

### **a) Authorized**

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

### **b) Issued**

The Company had the following share capital transactions during the three and nine months ended May 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 May 9, 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 76,000,000 common shares were issued for a fair value of \$1,961,750.
- 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 \$328,483 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.

The Company had the following share capital transactions during the year ended August 31, 2023:

- On April 17, 2023, pursuant the agreement to acquire Altemia, the Company issued 76,000,000 common shares for total consideration of \$2,161,250, and pursuant to the subsequently executed amendment of the agreement, on August 30, 2023, the Company cancelled 76,000,000 common shares and recorded shares to be issued with consideration of \$1,961,750 (Note 5).
- On April 14, 2023, pursuant to a debt settlement agreement, the Company issued 2,166,000 common shares at a price of \$0.035 per common share representing the market price on the date of issuance for total fair value consideration of \$75,810 as settlement of \$108,300 in accounts payables to directors, which resulted in a gain on debt settlement of \$32,490.
- On January 10, 2023, the Company issued 280,000 common shares pursuant to the exercise of share purchase warrants with an exercise price of \$0.05 for proceeds of \$14,000. As a result of the warrant exercise, \$nil were reallocated from reserves to share capital (Note 9(g)).

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**9. SHARE CAPITAL AND RESERVES (continued)**

- On December 7, 2022, the Company issued 69,444 common shares pursuant to the exercise of 69,444 share purchase options with an exercise price of \$0.18 for proceeds of \$12,500. As a result of the option exercise, \$6,651 were reallocated from reserves to share capital.
- On October 3, 2022, the Company and an arm's length independent consultant (the "Consultant") entered into a mutual separation agreement, whereby the Consultant and the Company agreed to terminate a consulting agreement entered into by the parties, effective immediately. As part of the agreement, the Company agreed to issue to the Consultant an aggregate of 4,500,000 common shares of the Company. The common shares were valued at \$0.105 per common share using the market price on the date of the issuance for total consideration of \$472,500, which was recorded as agreement termination expense.
- On October 3, 2022, the Company entered into a mutual separation agreement whereby, Mr. Gilbert agreed to resign as Executive Chairman of the Board of Directors of the Company, effective immediately. As part of the agreement, the Company agreed to issue to Mr. Gilbert an aggregate of 5,300,836 common shares of the Company. The common shares were valued at \$0.105 per common share using the market price on the date of the issuance for total consideration of \$556,588, which was recorded as agreement termination expense (Note 12).
- On September 9, 2022, the Company issued 69,444 common shares pursuant to the exercise of 69,444 share purchase options with an exercise price of \$0.18 for proceeds of \$12,500. As a result of the option exercise, \$6,651 were reallocated from reserves to share capital.
- On September 7 and 8, 2022, the Company issued 26,950,000 units pursuant to a non-brokered private placement at \$0.05 per unit for gross proceeds of \$1,347,500. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the subscriber to acquire one additional common share at a price of \$0.05 per share purchase warrant until September 8, 2025. On initial recognition, the warrants had a fair value of \$nil. The Company paid a finder's fee equal to 8% of funds raised in Australia. The total finder's fee was \$65,640, which was settled through the issuance of 1,312,800 units. Each unit consists of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional common share at a price of \$0.05 per share purchase warrant until September 8, 2025. On initial recognition, the warrants had a fair value of \$nil. The Company incurred \$102,497 in cash share issuance costs.

**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, 2022	6,946,496	1.31
Issued	30,162,800	0.05
Exercised	(280,000)	0.05
Expired	(5,843,080)	1.49
Balance, August 31, 2023	30,986,216	0.06
Expired	(270,083)	1.20
<b>Balance, May 31, 2024</b>	<b>30,716,133</b>	<b>0.05</b>

No share purchase warrants were issued during the three and nine months ended May 31, 2024.

On April 28, 2023, the Company granted 900,000 share purchase warrants to a consultant with a weighted average fair value at grant date of \$0.02 per warrant with fair value of \$17,459 as settlement of \$61,101 in accounts payables, which resulted in a gain on debt settlement of \$43,642. The fair value of warrants was calculated using the Black-Scholes option pricing model (annualized volatility - 150%, expected life - 2.00 years, risk free rate - 3.72%, dividend yield - 0%).

On February 2, 2023, the Company granted 1,000,000 share purchase warrants to a consultant with a weighted average fair value at grant date of \$0.03 per warrant for total compensation of \$30,362 which has been included in research expense. The fair value of warrants was calculated using the Black-Scholes option pricing model (annualized volatility - 172%, expected life - 2.00 years, risk free rate - 3.79%, dividend yield - 0%).

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**9. SHARE CAPITAL AND RESERVES (continued)**

On September 8, 2022, pursuant to a non-brokered private placement, the Company issued 26,950,000 share purchase warrants. The fair value of warrants was determined to be \$nil as the market value of common shares exceeded the cash proceeds.

On September 8, 2022, pursuant to a non-brokered private placement, the Company issued 1,312,800 finder's fee share purchase warrants. The fair value of warrants was determined to be \$nil as the market value of common shares exceeded the cash proceeds.

A summary of the Company's outstanding share purchase warrants as at May 31, 2024 is as follows:

<b>Expiry date</b>	<b>Number of Warrants</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining life</b>
	<b>#</b>	<b>\$</b>	<b>Years</b>
February 2, 2025	1,000,000	0.05	0.68
April 28, 2025	900,000	0.05	0.91
September 8, 2025	27,982,800	0.05	1.27
June 16, 2027	833,333	0.05	3.04
	<b>30,716,133</b>	<b>0.05</b>	<b>1.29</b>

**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 May 31, 2024 is as follows:

<b>Expiry date</b>	<b>Number of Performance Warrants outstanding</b>	<b>Number of Performance Warrants exercisable</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining life</b>
	<b>#</b>	<b>#</b>	<b>\$</b>	<b>Years</b>
May 18, 2026	776,000	776,000	2.10	1.96

During the three and nine months ended May 31, 2024, the Company recognized share-based compensation expense of \$nil and \$nil, respectively (2023 - \$41,001 and \$123,003, respectively) in connection with the Performance Warrants.

**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.

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**9. SHARE CAPITAL AND RESERVES (continued)**

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, 2022	3,287,870	0.44
Granted	5,800,000	0.05
Exercised	(138,888)	0.18
Expired	(120,836)	0.90
Balance, August 31, 2023	8,828,146	0.18
Expired	(275,001)	0.84
Cancelled	(400,000)	0.05
<b>Balance, May 31, 2024</b>	<b>8,153,145</b>	<b>0.16</b>

During the three and nine months ended May 31, 2024, the Company recognized share-based compensation expense of \$nil and \$4,134 respectively (2023 - \$nil and \$nil respectively) on the cancellation of share purchase options.

A summary of the Company's outstanding share purchase options as at May 31, 2024 is as follows:

Expiry date	Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining life
	#	#	\$	Years
Friday, June 28, 2024	50,001	50,001	1.50	0.08
Monday, July 29, 2024	83,334	83,334	1.20	0.16
Friday, August 30, 2024	16,667	16,667	0.69	0.25
Thursday, January 16, 2025	41,667	41,667	0.84	0.63
Thursday, February 6, 2025	554,807	554,807	0.51	0.69
Sunday, June 15, 2025	183,334	141,668	0.78	1.04
Tuesday, August 12, 2025	125,000	93,750	0.60	1.20
Sunday, August 31, 2025	58,334	47,918	0.60	1.25
Saturday, May 23, 2026	500,000	166,668	0.18	1.98
Saturday, June 13, 2026	500,000	200,000	0.05	2.04
Tuesday, June 30, 2026	5,400,000	2,700,000	0.05	2.08
Saturday, July 25, 2026	500,000	200,000	0.06	2.15
Tuesday, May 30, 2028	140,001	140,001	1.20	4.00
	<b>8,153,145</b>	<b>4,436,481</b>	<b>0.16</b>	<b>1.93</b>

During the three and nine months ended May 31, 2024, the Company recognized share-based compensation expense of \$19,428 and \$62,485, respectively (2023 - \$8,366 and \$33,981, respectively), with respect to the vesting of share purchase options.

**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.

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**9. SHARE CAPITAL AND RESERVES (continued)**

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

	Number of RSUs	Weighted average issue price
	#	\$
Balance, August 31, 2022	562,500	0.69
Granted	4,800,000	0.03
Cancelled	(187,500)	0.69
Balance, August 31, 2023	5,175,000	0.07
Granted	8,100,000	0.02
Expired	(431,250)	0.07
<b>Balance, May 31, 2024</b>	<b>12,843,750</b>	<b>0.04</b>

A summary of the Company's RSUs outstanding as at May 31, 2024 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	343,750	114,584	0.69	1.04
June 30, 2023	4,400,000	-	0.03	2.08
April 17, 2024	8,100,000	8,100,000	0.02	3.92
<b>Total</b>	<b>12,843,750</b>	<b>8,214,584</b>	<b>0.04</b>	<b>3.21</b>

During the three and nine months ended May 31, 2024, the Company recognized share-based compensation expense of \$32,273 and \$77,869, respectively (2023 - \$23,169 and \$13,096, respectively), with respect to RSUs.

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

	Number of DSUs	Weighted average issue price
	#	\$
Balance, August 31, 2022	360,006	0.26
Granted	1,000,000	0.03
Expired	(120,002)	0.26
<b>Balance, May 31, 2024 and August 31, 2023</b>	<b>1,240,004</b>	<b>0.07</b>

A summary of the Company's DSUs outstanding as at May 31, 2024 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	16,668	8,336	0.69	1.04
August 31, 2021	8,334	4,168	0.42	1.25
November 30, 2021	175,000	87,500	0.24	1.50
May 31, 2022	13,334	6,668	0.18	1.75
May 31, 2022	13,334	6,668	0.06	2.00
August 31, 2022	13,334	3,334	0.10	2.25
June 30, 2023	1,000,000	-	0.03	2.08
	<b>1,240,004</b>	<b>116,674</b>	<b>0.07</b>	<b>1.98</b>

During the three and nine months ended May 31, 2024, the Company recognized share-based compensation expense of \$7,035 and \$22,410, respectively (2023 - \$4,312 and \$2,930, respectively), with respect to DSUs.



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**9. SHARE CAPITAL AND RESERVES (continued)**

**g) Reserves**

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

	Share purchase options	RSUs	DSUs	Performance Warrants	Share purchase warrants	Contributed surplus	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, August 31, 2022	1,617,015	166,969	38,342	700,687	1,708,689	1,296,618	5,528,320
Shares issued with exercise of share purchase options	(13,302)	-	-	-	-	-	(13,302)
Expiration of share purchase options	(47,308)	-	-	-	-	47,308	-
Share purchase warrants issued for research	-	-	-	-	30,625	-	30,625
Share purchase warrants issued with debt settlement	-	-	-	-	17,459	-	17,459
Share-based compensation	33,981	13,096	2,930	123,003	-	-	173,010
Balance, May 31, 2023	1,590,386	180,065	41,272	823,690	1,756,773	1,343,926	5,736,112
Share purchase warrants issued for research	-	-	-	-	(263)	-	(263)
Share purchase warrants issued in Altemia acquisition	-	-	-	-	73,245	-	73,245
Expiration of share purchase warrants	-	-	-	-	(1,631,470)	1,631,470	-
Share-based compensation	90,314	31,244	7,200	-	0	0	128,758
Balance, August 31, 2023	1,680,700	211,309	48,472	823,690	198,285	2,975,396	5,937,852
Expiration of share purchase options	(100,246)	-	-	-	-	100,246	-
Cancellation of share purchase option	(9,980)	-	-	-	-	9,980	-
Restricted share units issued to settle accounts payable and accrued liabilities	-	162,000	-	-	-	-	162,000
Share-based compensation	62,485	77,869	22,410	-	-	-	162,764
<b>Balance, May 31, 2024</b>	<b>1,632,959</b>	<b>451,178</b>	<b>70,882</b>	<b>823,690</b>	<b>198,285</b>	<b>3,085,622</b>	<b>6,262,616</b>

**10. 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.

**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.

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**10. FINANCIAL RISK MANAGEMENT (continued)**

**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 May 31, 2024 is as follows:

	<b>USD</b>	<b>EUR</b>	<b>AUD</b>
	\$	\$	\$
<b>Financial assets</b>			
Cash	22,737	-	697
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	396,542	5,527	24,620
Convertible notes	1,803,642	-	-
	<u>2,200,184</u>	<u>5,527</u>	<u>24,620</u>
<b>Net financial liabilities</b>	<b>(2,177,447)</b>	<b>(5,527)</b>	<b>(23,922)</b>

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 \$220,690.

**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 May 31, 2024, the Company had a cash balance of \$29,537 and current liabilities of \$1,139,648 (August 31, 2023 - \$140,290 and \$2,459,618, 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. On March 14, 2024, the Company issued a US dollar convertible note to a private investor for total gross proceeds of \$337,800 (US\$250,000) (Note 8).

**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.

**11. 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.

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**12. 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 above, 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:

	Three months ended		Nine months ended	
	2024	May 31, 2023	2024	May 31, 2023
	\$	\$	\$	\$
Consulting fees	224,551	104,941	669,527	320,424
Directors' fees included in consulting fees	40,500	40,500	121,500	121,500
Professional fees	21,000	34,030	58,800	96,043
Share-based compensation	57,003	27,481	157,601	16,026
	<b>343,054</b>	<b>206,952</b>	<b>1,007,428</b>	<b>553,993</b>

Professional fees included in the table above were charged by a company related to the Chief Financial Officer.

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

	Three months ended		Nine months ended	
	2024	May 31, 2023	2024	May 31, 2023
	\$	\$	\$	\$
Former Executive Chairman	-	-	-	30,173
Chief Executive Officer and Executive Chairman	64,049	59,339	182,502	177,211
Chief Science Officer	40,576	40,442	149,002	107,880
Chief Operating Officer	70,675	5,160	155,134	5,160
Regulatory advisor	49,251	-	182,889	-
	<b>224,551</b>	<b>104,941</b>	<b>669,527</b>	<b>320,424</b>

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

	May 31, 2024	August 31, 2023
	\$	\$
Chief Executive Officer for consulting fees	9,280	16,955
Chief Science Officer for consulting fees	2,068	108,361
Company related to the Chief Financial Officer for professional fees	14,700	17,758
Company related to the Regulatory Advisor for consulting fees	449,122	-
Director	32,950	334,876
	<b>508,120</b>	<b>477,950</b>

On October 3, 2022, the Company entered into a mutual separation agreement with the former Executive Chairman of the Board of Directors of the Company. As part of the agreement, the Company agreed to issue an aggregate of 5,300,836 common shares of the Company for total consideration of \$556,588, which was recorded as agreement termination expense (Note 9(b)).

On April 22, 2024, the Company issued 8,100,000 RSUs to members of the Board of Directors in settlement of \$162,000 in Board of Directors fees outstanding (Note 9(f)).

On May 15, 2024, the Company issued convertible notes to the Chief Executive Officer, Chief Science Officer and Chief Operating Officer to settle a total outstanding accounts payable of \$569,390 (US\$417,533) (Note 8).

**13. SUBSEQUENT EVENT**

On July 22, 2024, Philip Young and Baxter Phillips, III stepped down as directors, but maintained their executive positions with the Company. In their place, Fred Sancilio, Harry Jacobson and Wesley Ramjeet have been appointed to the board.